Aspen Group Limited

ABN: 50 004 160 927

Appendix 4E and Financial Report for the year ended 30 June 2017

Details of reporting periods:

Current period	30 June 2017
Corresponding period	30 June 2016

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from ordinary activities	down	54.92%	to	15,079
Loss after tax	down	102.25%	to	223
Profit after tax attributable to securityholders of Aspen Group	down	95.71%	to	409
Operating Profit before tax*	down	24.63%	to	4,502

* Operating profit represents earnings before tax excluding non-underlying items. 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.

Dividends/Distributions

Combined

30 June 2017		30 June 2016	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
2.1	2,140	4.6	5,208
2.5	2,547	4.6	4,990
4.6	4,687	9.2	10,198

Aspen Property Trust

30 June 2017				30 June 2016			
	Cents per Unit	Total $ '000	Deferred tax %		Cents per Unit	Total $ '000	Deferred tax %
Interim	2.1	2,140	0.0%	Interim	4.6	5,208	73.01%
Final	2.5	2,547	0.0%	Final	4.6	4,990	73.01%
	4.6	4,687	0.0%		9.2	10,198	73.01%

Aspen Group Limited

30 June 2017				30 June 2016			
Period	Cents per Share	Total $ '000	Tax rate for franking credit %	Period	Cents per Share	Total $ '000	Tax rate for franking credit %
Jul – Jun 17	-	-	-	Jul – Jun 16	-	-	-
	-	-			-	-	

Record date for determining entitlements to the dividend/distribution was:

Interim dividend/distribution 27 January 2017

Final dividend/distribution 28 June 2017

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: 104 322 278)

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2017

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Annual Report table of contents

Directors' report contents page

Directors' report

1. 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 financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
Clive Appleton BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD **Independent chairman** *(appointed chairman on 7 June 2016*	Mr Appleton has had a successful career in property and funds management with over 30 years' experience in several of Australia's leading retail property investment, management and development groups. Mr Appleton's early career was spent with the Jennings Group where, from 1986, he held senior executive roles, responsible for managing and developing the retail assets jointly owned by Jennings Properties Limited (JPL) and Jennings Property and Investment Group. In 1990, following a restructure of JPL to become Centro Properties Limited, Mr Appleton became managing director. From 1997 to 2004, Mr Appleton was the managing director of the Gandel Group Pty Limited, one of Australia's leading retail property investment, management and development groups. In 2005 Mr Appleton joined APN Property Group Limited as managing director. Mr Appleton is currently the deputy chairman of the Gandel Group and a non-executive director Arrow International Group Limited, APN Property Group Limited, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd. He is also a council member of Cairnmillar Institute. Appointed a non-executive director on 30 April 2012, the chairman of the Board on 7 June 2016 and a member of the Audit Committee (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 26 October 2015. Mr Appleton was the chairman of the Remuneration Committee (disbanded) between 22 June 2015 and 22 February 2016 and a member of the Nomination Committee (disbanded) between 22 January 2013 and 22 February 2016. *Directorships of listed entities within last 3 years:* Non-executive director of Federation Centres to 11 June 2015 (ASX: FDC) Non-executive director of APN Property Group Limited – current (ASX: APD)
John Carter MBA (Syd), BAppSc (Property Resource Mgmt) (UniSA), AAPI, GAICD **Non-executive director**	Mr Carter has over 30 years' experience in real estate and financial markets. In 2004 Mr Carter established Mill Hill Capital to pursue Private Equity in real estate, agriculture and equities. Prior to this Mr Carter was Managing director, co-head of Equities and on the Australian Executive Committee for UBS in Australasia from 2001 - 2004. From 1991 - 2001 Mr Carter was head of property and head of real estate research at UBS. While at UBS, Mr Carter led over $10 billion of M&A and $20 billion of capital raising transactions for Australia's leading companies including Colonial, Westfield, Stockland, GPT, Mirvac, AMP, Multiplex, Macquarie Airports and Bankers Trust. Prior to UBS Mr Carter was involved in commercial real estate at two international real estate consultancy groups. Appointed a Non-executive Director on 23 February 2015 *Directorships of listed entities within last 3 years* Nil

Name and qualifications	Experience, special responsibilities and other directorships
Guy Farrands BEc, Grad Dip Man, FAPI, MAICD **Independent Non-executive director**	Mr Farrands has over 30 years' experience in direct and listed property markets both in Australia and internationally across commercial, retail, industrial, residential and retirement asset classes. He was managing director and CEO of GEO Property Group (now Villa World Limited) between 2007 and 2011. Previously Mr Farrands was CEO of Valad Property Group between 2005 and 2007, departing prior to Valad's acquisition of Crownstone / Scarborough. Prior to that Mr Farrands was head of corporate development and investor relations for Valad. Mr Farrands' former roles included division director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, associate director and joint head of property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle. Mr Farrands is currently the Chief Financial Officer of Viva Energy REIT. Appointed a non-executive director on 26 November 2012 and Chairman of the Audit Committee (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 22 January 2013. *Directorships of listed entities within last 3 years* Nil
Clem Salwin BA (Honours) **Managing director**	Mr Salwin was appointed as managing director and CEO of Aspen on 1 July 2013 and resigned as managing director and CEO effective 30 September 2016.

Directors meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit, Risk and Compliance Committee	
Directors	Held	Attended	Held	Attended
Non-executive				
C Appleton	10	10	5	5
G Farrands	10	7	5	4
J Carter	10	10	-	-
C Salwin	3	2	-	-

2. Company secretary

Ms Men (Mandy) Chiang was appointed to the position of company secretary on 18 March 2015 and resigned on 30 September 2016.

Mr Mark Licciardo was appointed to the position of joint company secretary on 30 September 2016.

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services Pty Ltd. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. He is also the former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

Mark Licciardo holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Ms Belinda Cleminson was appointed to the position of joint company secretary on 30 September 2016.

Belinda Cleminson GIA (Cert) has over 15 years' experience as an Assistant Company Secretary of Australian listed companies including ASX 200 clients. Belinda previously managed the Company Secretarial team for Australian Company Secretaries representing a domestic and global client base. Prior to this Belinda held roles within the legal and banking industry.

3. Operating and financial review

Aspen recorded a statutory loss of $0.223 million (2016: profit of $9.913 million) for the year ended 30 June 2017 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 property). Other Non-Operating Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Aspen's 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 years, and taking into consideration property industry practices.

Operating Profit after adjusting for non-controlling interests and management fees as assessed by the directors, for the year was $4.502 million (2016: $4.789 million), representing a 6.0% decrease from the prior year, primarily due to a reduction in earnings as a result of the disposal of the Aspen Parks Property Fund (APPF) during the prior year.

The table below has not been audited by PricewaterhouseCoopers.

	2017	2016
	$'000	$'000
Consolidated statutory net (loss) / profit after tax	**(223)**	9,913
Specific non-underlying items		
Fair value gain on deconsolidation of APPF/Gain on termination of management rights in APPF/ Other income	**-**	(22,492)
Change in fair value of PPE	**723**	10,005
Administration / restructuring expenses	**(118)**	1,339
Finance costs	**125**	1,110
Other expenses (including transaction / acquisition costs)	**1,843**	6,185
Change in fair value of assets held for sale	**2,152**	(87)
Total specific non-underlying items loss / (profit)	**4,725**	(3,940)
Total operating profit before tax	**4,502**	5,973
Represented by:		
Tourism / retirement operating profit before tax	**3,018**	8,392
Corporate operating profit before tax	**2,947**	4,022
Non-core operating profit before tax	**3,014**	4,005
Finance, administration and other operating expenses before tax	**(4,477)**	(10,446)
Total operating profit before tax	**4,502**	5,973
Tax expense	**-**	-
Non-controlling interest adjustments relating to Aspen Parks Property Fund	**-**	(1,184)
Total operating profit after tax attributable to securityholders of Aspen	**4,502**	4,789
Operating profit after tax attributable to securityholders of Aspen per security (cents)	**4.4**	4.2
Increase in operating profit / security	**4.8%**	

Income distributions paid during the year and payable as at 30 June 2017 to Aspen securityholders were as follows:

	Cents per Unit	Total $ '000
Paid during the year		
Final distribution for the previous year	4.6	4,990
Interim distribution for the year	2.1	2,140
Proposed and unpaid at the end of the year		
Final distribution for the year	2.5	2,547

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.

NAV 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 as per the statutory Consolidated Balance Sheet and NAV. NAV includes the value attributed to goodwill and acquisition costs above its carrying value that exists in respect to Aspen's accommodation parks. The table below has not been audited by PricewaterhouseCoopers.

Further detail in respect to this reconciliation is outlined in the table below:

	2017 $ '000	2016 $ '000
Property, plant and equipment per the statutory Consolidated Balance Sheet	**52,804**	34,904
Investment properties per the statutory Consolidated Balance Sheet	**-**	29,000
Goodwill per the statutory Consolidated Balance Sheet	**17,534**	14,248
Less: Central services PPE	**(149)**	(260)
Carrying value of properties per the statutory Consolidated Balance Sheet	**70,189**	77,892
Non statutory property carrying value adjustments	**987**	1,842
Adjusted value of properties	**71,176**	79,734
Net assets per the statutory Consolidated Balance Sheet	**123,569**	127,764
Non statutory property carrying value adjustments	**987**	1,842
NAV	**124,556**	129,606
NAV per security ($)	***1.22***	*1.26*

Operating performance

Aspen has three business segments:

Accommodation		
Tourism / Retirement	**Corporate**	**Non-Core**
• 2 land lease communities ("LLC") previously referred to as "MHE" • 1 tourism / retirement park • 3 tourism parks • GAV[1] of $60.9 million • Caters to short stay residents (cabins and sites), and permanent residents	• 1 resource park • GAV[1] of $10.3 million • Caters primarily to corporate resource clients and contractors.	• Spearwood South • Development syndicates (1 remaining) • GAV[1] of $33.6 million

[1] *Gross Asset Value ("GAV") represents carrying value of property, plant and equipment plus non-statutory property value adjustments.*

Accommodation parks outlined above are 100% owned by Aspen Group.

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:

	2017	2016	*Change*
	$'000	$'000	*%*
Tourism / retirement			
Underlying profit	**3,018**	8,392	*(64.0%)*
Non-underlying items	**(1,255)**	(1,587)	*20.9%*
Total tourism / retirement	**1,763**	6,805	*(74.1%)*
Corporate			
Underlying profit	**2,947**	4,022	*(26.7%)*
Non-underlying items	**(673)**	(10,060)	*93.3%*
Total corporate	**2,274**	(6,038)	*137.7%*
Total accommodation profit / (loss)	**4,038**	767	*426.5%*
Non-controlling interest	**-**	(3,481)	*(100.0%)*
APZ share	**4,038**	(2,714)	*248.8%*

Tourism / retirement

As at 30 June 2017, Aspen owned six parks. Three of these are 100% short stay tourism, two are 100% LLC and one is a mixed tourism / retirement park which, subject to completion of a masterplan redevelopment, is expected to transition to a 100% LLC asset. During the year, Aspen acquired two parks for a combined value of $20.3 million. Aspen's wholly owned total tourism / retirement assets, as at 30 June 2017, had a GAV of $60.9 million.

Value enhancing works are aimed at generating revenue through additional accommodation capacity, improved occupancy or higher room rates expected to be achieved at park assets. As at 30 June 2017, Aspen had $0.363 million of value enhancing works in progress at its parks.

a) Underlying earnings

Aspen's operating profit from tourism / retirement parks during the period was $3.018 million (2016: $8.392 million), a 64.0% decrease against the comparative period. This is primarily related to the inclusion of approximately five months of APPF earnings in the comparative period, prior to its sale.

b) Non-underlying earnings

Aspen had a non-underlying loss of $1.255 million (2016: loss $1.587 million) within the tourism / retirement segment. These transactions primarily represent acquisition costs incurred on properties purchased during the year.

Corporate

At 30 June 2017 Aspen held one corporate park on its balance sheet, being Aspen Karratha Village (AKV). Aspen's lease with its sole tenant was extended during the year to January 2019.

a) Underlying earnings

Aspen's operating profit from corporate parks during the period was $2.947 million (2016: $4.022 million), a 26.7% reduction against the prior year, primarily driven by reduction in room tariffs compared to the comparative period.

b) Non-underlying items

Aspen had a total non-underlying loss of $0.673 million (2016: $10.060 million) within the corporate segment. This is attributable to net changes in the fair value of AKV.

Non-Core

During the period, Aspen recorded an operating profit of $3.014 million (2016: $4.005 million) and a non-underlying loss of $2.517 million (2016: loss $0.456 million). Non-underlying earnings primarily represent fair value movements of $2.152 million.

Assets held for sale

As at 30 June 2017, the industrial property at Spearwood South was contracted for sale for $28.0m representing a $1.0m reduction against its book value of $29.0m. Net income from Spearwood contributed $3.367 million during the year.

Aspen has $5.730 million of development related property assets remaining. On the Balance Sheet, Aspen Whitsunday Shores Pty Ltd (AWSS) is the sole remaining syndicate which holds property assets. At 30 June 2017, AWSS land holding was conditionally contracted for sale at a price of $3.5 million and subsequently settled on 16 August 2017.

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

Capital management

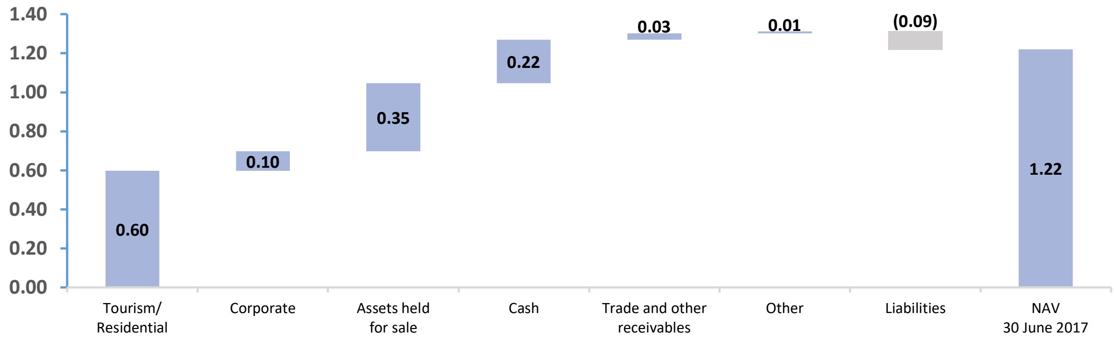
During the year, the Group secured an $80.0 million finance facility which expires in June 2020.

Cash reserves as at 30 June 2017 totalled $22.7 million.

Financial position

The NAV of Aspen at 30 June 2017 is $1.22 per security ($1.26 per security at 30 June 2016).

The following diagram outlines the key components of the NAV assessed as at 30 June 2017:



<u>Assets</u>

Total assets have decreased by $5.534 million to $133.114 million during the year, primarily resulting from the payment of the distribution outstanding at 30 June 2016 (in excess of cash earnings in the 2017 financial year), revaluation decrements on assets held for sale and payments for park acquisition costs, partially offset by a net valuation increase in Aspen's continuing property portfolio.

<u>Liabilities</u>

Total liabilities decreased by $1.339 million to $9.545 million during the year. This is predominantly a result of the lower level of distributions payable as at financial year-end.

<u>Equity</u>

Total equity decreased by $4.195 million during the period, primarily as a result of the following:

- Security buy back of $0.692
- Share based compensation movement of $0.399 million
- Distributions to securityholders of $4.854 million
- Net losses of $0.233 million

Offset by:

- PPE revaluation reserve increase of $1.961 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 assets.

Business risks

Aspen has policies and processes in place for the oversight and management of business risks. Further details of the risk management framework and process are detailed in Aspen's Corporate Governance Statement, while discussion of risks, including credit risk, liquidity risk, market risk and operation risk factors are detailed in note 17 of the financial statements. Listed below are relevant key risks for the business identified in the risk management matrix:

- **Exposure to the resources industry** – more specifically the risk that the demand for accommodation services in Karratha declines. Aspen has exposure to the sector through ownership of AKV, which is in a key resource region in Western Australia.
- **Contract risk –** at one of its assets (AKV), Aspen has a contract to supply accommodation services to a corporate client. Upon contract expiry, Aspen may be subject to market factors / conditions which could result in a lower earnings profile to Aspen.
- **Tourism market conditions** – short stay income is variable, and occupancy levels and room rates for short stay sites are dependent on various market conditions, which could negatively impact Aspen's short stay earnings. One example would be if Australia, or a geographical location within Australia, were to suffer subdued economic conditions, which in turn affected consumer spending on holidays.
- **Sales rates of residential cabins** – there are a number of risks associated with the development and sale of cabins which could impact future earnings for Aspen. These risks include the timing of achievement of planning and regulatory approvals, cost overruns, and sales rates.
- **Due Diligence risk** – Aspen acquired 2 properties during the year, with a further park under contract. Aspen is expected to continue to acquire properties. There is a risk that due diligence investigation did not uncover matters that may require material unexpected expenditure by Aspen Group or generate lower than anticipated income.

Safety and environment

No significant accidents or injuries involving Aspen employees were recorded during the year.

No significant environmental issues arose during, or subsequent to, the year.

Significant changes in the state of affairs

Other than noted elsewhere in this Annual Report, there were no significant changes in the state of affairs of Aspen Group that occurred during the year.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Aspen, or to intervene in any proceedings to which Aspen is a party, for the purpose of taking responsibility on behalf of Aspen for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of Aspen with leave of the Court under section 237 of the *Corporations Act 2001*.

4. Remuneration report

1.0 Overview

1.1 Introduction

The directors present the remuneration report for Aspen Group for the year ended 30 June 2017. This report forms part of the directors' report and has been audited in accordance with the *Corporations Act 2001*. This report sets out remuneration information for Aspen Group's:

- non-executive directors; and
- CEO as well as other current and former members of the senior executive team (Executives).

These personnel, collectively known as the Key Management Personnel (KMP), are accountable for planning, directing and controlling the affairs of Aspen Group and its controlled entities.

The broader management group (who are participants in various incentive programmes) are referred to as senior managers.

Remuneration of KMP is referred to as compensation throughout this report.

1.2 Key management personnel

The table below provides details of the KMP for FY17. For those KMP who served as KMP for part of the year, this Remuneration Report only sets out the amounts they received as remuneration in their capacity as a KMP.

Name	Position	Term as KMP during the year
Executives		
J Cann	Chief Executive Officer	Employment as KMP commenced 29 September
E Zammit	Chief Financial Officer	KMP for full year
B Summers	Head of Asset Management	KMP for full year
Former Executives	**Position**	
C Salwin	Chief Executive Officer	Employment as KMP ceased 30 September 2016
A Marrs Ekamper	Chief Financial Officer	Employment as KMP ceased 26 August 2016
C Mcmahon	Head of Human Resources	Employment as KMP ceased 1 July 2017
Non-Executive directors	**Position**	
Clive Appleton	Non-Executive director	KMP for full year
Guy Farrands	Non-Executive director	KMP for full year
John Carter	Non-Executive director	KMP for full year

4. Remuneration report *(continued)*

2.0 Executive remuneration outcomes (unaudited)

The table below sets out the cash and other benefits received by the Executives who were KMP during the year. This non-statutory remuneration outcomes table has been prepared to provide securityholders with a view of the remuneration that was actually paid to Executives during the year. The directors believe that presenting information in this way provides securityholders with increased clarity and transparency. Remuneration details prepared in accordance with statutory obligations and accounting standards are contained on page 22 of the remuneration report.

The totals in the table below received by the Executives in FY17 are either lower or higher than the amounts shown in the remuneration table on page 22 of the remuneration report. This is because the full remuneration table on page 22 includes:

- Amounts in respect of potential LTI awards which have not yet vested;
- An allowance for an accrued FY17 STI, which would not be paid until September 2017, whereas the below table includes the FY16 STI that was accrued in the prior year and paid during FY17 as well as a deferred repayment of FY15;
- Does not include retention bonuses which were fully paid in FY17, but were accrued and included in the FY16 remuneration for applicable Executives; and
- Accrued annual leave and long service leave (if applicable).

FY17 remuneration outcomes table

	Cash salary	STI[a]	LTI	Other[b]	Total
Current Executives					
J Cann [1]	295,385	-	-	-	295,385
E Zammit	330,385	-	-	-	330,385
B Summers	260,503	38,432	-		298,936
Former Executives					
C Salwin[2]	202,876	-	-	180,000	382,876
A Marrs Ekamper[3]	141,345	-	-	145,269	286,614

1 Employment of KMP commenced 29 September 2016 – salary pro-rata
2 Employment of KMP ceased on 30 September 2016
3 Employment of KMP ceased on 26 August 2016

a) The value of STI represents the actual cash payment received, and excludes any deferred FY16 amounts, or accrued annual or long service leave

b) The value represents retention bonus payments and termination payments

3.0 Remuneration governance and framework

3.1 Remuneration Governance

The Board oversees the remuneration practices of Aspen and is responsible for:

I. the assessment of the performance of the CEO and CFO which is conducted on both an informal and continuous basis, as well as formally at the end of each financial year;
II. establishing an overarching remuneration framework for Aspen; and
III. approval of all elements of KMP compensation.

4. Remuneration report *(continued)*

Expert consultants are engaged where necessary to help the Board establish policies to attract, reward, motivate and retain employees. The Board is committed to ensuring KMP pay is fair and comparable to like companies, and importantly aligns financial rewards with the interests of securityholders.

3.2 Remuneration consultants

The Board has in prior years engaged remuneration consultants to advise on remuneration practices and to assess the quantum and structure of fees and incentives.

In FY17 there were no consultants engaged by the Board and consequently no recommendations obtained and no disclosures required under the *Corporations Act 2001*.

3.3 Remuneration framework

The objective of Aspen's remuneration framework is to remunerate its employees both competitively and appropriately such that Aspen Group attracts, retains and motivates a skilled, motivated and qualified KMP team. The remuneration framework seeks to align securityholder interests with KMP's own interests, and attract and retain suitable people, by considering:

- Alignment to securityholders' interest:
    - net operating income and total securityholder returns;
    - key financial and non-financial drivers of securityholder value, including risk management;
    - attracting and retaining high calibre KMP.
- Alignment to employees' interest:
    - rewards capability and experience;
    - provides recognition for individual contribution;
    - provides a clear structure of earnings rewards.

The remuneration framework provides a mix of fixed and variable ("at risk") pay. As employees gain seniority within Aspen and have a greater role in driving business growth, the balance of this mix shifts to a higher proportion of the "at risk" components.

4.0 Executive remuneration structure

Aspen Executives had the following remuneration mix for FY17:

<table>
<tr><th>FIXED</th><th colspan="3">AT RISK</th></tr>
<tr><td>Fixed Remuneration</td><td>Retention</td><td>Short term incentive (STI)</td><td>Long Term Incentive (LTI)</td></tr>
<tr><td colspan="3">CASH</td><td>EQUITY</td></tr>
<tr><td>• Base salary and superannuation
• Reviewed annually
• Determined by experience, qualifications and role</td><td>• Periodically used as a 'one-off' measure during times of high uncertainty and transition</td><td>• 75% of STI awarded (50% for the CEO) paid in September of each year.
• 25% of the STI outcome (50% for the CEO) is deferred for 18 months
• STI dependent on individual performance to KPIs
• STI dependent on Aspen performance</td><td>• Performance Rights Plan subject to three year vesting period
• 50% Relative Total Security holder Return (TSR)
• 50% Net Asset Value (NAV) growth
• Only available to KMP's</td></tr>
<tr><td>Base level of reward competitive with the market</td><td colspan="3">Encourages sustainable performance in the medium to longer term</td></tr>
</table>

4. Remuneration report *(continued)*

Remuneration mix	CEO	Executives
Fixed compensation	50%	60.6% - 66.7%
STIs	12.5%	16.7% - 24.2%
LTIs	37.5%	15.2% - 16.7%

STI, LTI and retention bonus components are "at risk" and are only realised if respective performance hurdles (as described later in the framework) are achieved.

The remuneration components are described in sections 4.1 to 4.4 below.

4.1 Fixed compensation

Fixed compensation consists of an annual base salary plus employer contributions to superannuation funds plus any applicable fringe benefits provided. No guaranteed base salary increases are included in any Executive contracts.

Executive remuneration levels are reviewed annually by the Board through a process that considers:

- the Executive's position and level of experience;
- individual, divisional and overall performance of Aspen;
- market forces, especially as they relate to companies of comparable size, revenue and in similar industries to Aspen; and
- advice from external consultants or other market sources.

4.2 Variable compensation - STI

The STI is an "at risk" incentive awarded annually and is paid in a combination of cash and equity, subject to retentions as well as the performance against agreed KPIs and the performance of Aspen as a whole.

All STIs are paid at the discretion of the Board. In addition, the STI pool can be scaled up or down by the Board depending upon the actual performance of Aspen.

The STI plan links the performance of individual employees to the operational and financial objectives of Aspen. These individual KPIs are agreed with employees at the start of each financial year as part of the individual's performance review process.

The KPIs measured are linked to Aspen's overall business strategy and incorporate qualitative indictors of effectiveness, performance and behaviour including:

- financial priorities – e.g. earnings and distribution targets, forecast accuracy, expense management;
- business priorities – e.g. business growth, business systems, customer relationships;
- people leadership and governance – e.g. leadership, culture, risk management and ethics; and
- strategic priorities – e.g. implement and evaluate change, corporate reputation, future growth initiatives.

To be eligible for a STI a participant needs to be employed with Aspen for a minimum of 6 months.

All STIs for Executives are paid as a mixture of cash and equity award in the ratio of 75% cash to 25% equity, with the exception of the CEO, who has a ratio of 50% cash to 50% equity. The cash portion is paid in September each year following the finalisation of the consolidated financial statements. The equity portion is deferred for a period of 18 months from the grant date. The equity will be calculated by reference to the volume weighted average price of the Aspen securities for the five days prior to the issue date. To receive the benefit of the deferred STI amount, the Executive must have achieved a further hurdle - a period of 18 months continuous employment with Aspen after the granting of the award. Furthermore, notwithstanding the additional 18 months service, the vesting of the deferred STI amount is subject to testing by Aspen that there was no material misstatement in respect of the key performance indicators that were used in assessing the original award. The determination of whether a material misstatement has occurred is for the absolute discretion of the Board to determine.

4. Remuneration report *(continued)*

The following table outlines treatment of STI upon an employee's departure from Aspen:

Other eligibility criteria event	Eligibility criteria
Resignation	If employment ceases due to resignation during performance year, the employee is not considered for a STI payment for that performance year.
Redundancy during performance year	If employee is made redundant the employee will be considered for a pro rata STI payment. Performance is rated at the time of termination. Any deferred STI amounts for KMP would be paid upon redundancy.
Redundancy after end of performance year	If an employee is made redundant after the performance year end, the employee will be considered for a full year STI payment.
Dismissal	Employees will not be considered for an STI payment in the event they are dismissed for cause, including dismissal for poor performance.
Death	Employees will be considered for a pro-rata STI if employment terminates due to death. Any payment will be made to the estate. This includes any deferred STI amounts for Executives.
Change of control	STI's will be payable immediately on the settlement of a change in control of Aspen. Each employee who is currently not undergoing performance management will be paid their current year's STI opportunity based on their performance rating at the time of change of control on a pro rata basis. The extra vesting conditions for deferred STI amounts are deemed to be immediately satisfied after a change of control.

4.3 Variable compensation – executive retention bonus scheme

Two Executives, one of which qualified to receive the retention bonus, were subject to retention in FY17. The scheme's objectives are to minimise the risks of disruption caused by the departure of key employees where the departure has the potential to create significant gaps in the knowledge and capacity that would not have been in the best interests of the securityholders.

4.4 Variable compensation - LTI

The objective of the LTI plan is to reward and retain Executives. Awards are linked to Aspen's Total Shareholder Returns ("TSR") and Net Asset Value ("NAV"), therefore an Executive's remuneration is aligned to the creation of securityholder wealth. Under this plan, the more Aspen's security price increases over the relevant vesting period, the greater the potential benefit to employees.

Aspen's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010 and which was refreshed at the 2016 Annual General Meeting.

Performance Rights Plan

The PRP facilitates the grant of performance rights to Executives of Aspen. A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

Vesting conditions

A performance right holder will only be able to exercise their performance rights to the extent the vesting conditions are satisfied (if at all). Performance is assessed relative to two measures, TSR and NAV, with each measure accounting for 50% of the potential entitlement. The vesting conditions for each measure determine the award and are measured over a three year period from the start of the financial year in which they are offered.

4. Remuneration report *(continued)*

The Board may consider introducing additional or different conditions for future grants of rights should prevailing market conditions support such a decision. Presently, continued employment and meeting TSR and NAV hurdles are the only two vesting conditions.

TSR hurdle

The Board decided to use relative TSR as the vesting condition because:

- Relative TSR is easily measured, verifiable by external data and therefore transparent for securityholders;
- Current market evidence supports the proposition of relative TSR as a sole measure – it is the single most utilised measure by ASX Top 100 companies.

TSR is a measure of the return to securityholders (over the vesting period) provided by security price appreciation, plus reinvested distributions expressed as a percentage of investment. TSR was selected because it measures Aspen's returns for securityholders.

The S&P ASX 300 Property Sector index is used as a comparator group as it represents Aspen's listed property peers that Aspen competes with for equity and talent.

The TSR hurdle is tested at the end of the performance period (three years from grant) by calculating the TSR growth performance of each entity in the comparator group. The performance of each entity is then ranked, using percentiles. Aspen Group's performance will be calculated at the end of the performance period and compared to the percentile rankings. Vesting of performance rights under this hurdle will only occur if Aspen Group outperforms a majority of the entities making up the S&P ASX 300 Property Sector index over the 3 year period.

The following vesting schedule applies to the award of any performance rights to eligible participants:

Relative TSR over 3 years	**Proportion of TSR related rights vested**
At or below the 50th percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 75th percentile	Straight-line between 50% and 100%
75th percentile or above	100%

NAV hurdle

NAV is a measure of the underlying value of securities of the Group. NAV is measured and reported by the Group at each reporting period and shall be the reference base for the testing of this measure. NAV is considered a relevant measure of the underlying value of the securities of the Group.

The NAV hurdle will be tested at the end of the performance period by calculating NAV growth over the three year period commencing 1 July 2016. As distributions by the Group have the effect of diluting the NAV of the Group, the measurement of NAV will take into account distributions over the vesting period. Distributions over the three year period shall be added to NAV to determine the rate of growth achieved. Distributions in FY17 shall be measured on an annualised basis by reference to H2 FY17 distributions. The adjustment is to allow FY17 returns to be assessed on a more representative basis of the Group operating in a full reinvested state. The vesting of Performance Rights will be determined using the matrix in the table below:

4. Remuneration report *(continued)*

The following vesting schedule applies to the award of any performance rights to eligible participants:

NAV growth over 3 years	Proportion of rights vested
Below 8 percent growth pa	0%
At 8 percent growth pa	50%
Between 8 percent and 10 percent growth	Straight-line between 50% and 100%
10 percent growth pa or above	100%

The respective TSR and NAV hurdles must be satisfied to gain the proportion of Performance Rights referred to in the last column (assuming the other vesting conditions have been satisfied).

The following table outlines treatment of LTI upon an employee's departure from Aspen Group:

Other eligibility criteria event	Eligibility criteria
Resignation	If employment ceases due to resignation, any unvested LTIs will automatically lapse and be deemed forfeited.
Dismissal	If employment ceases due to dismissal, any unvested LTIs will automatically lapse and be deemed forfeited.
Redundancy, retirement or death	If employment ceases due to genuine redundancy, retirement or death, any LTIs will automatically lapse and be deemed forfeited. However, the Board may choose, at their absolute discretion, allow the unvested LTIs to remain in effect.
Change of control	LTIs will be payable immediately on the settlement of a change in control of Aspen. Each employee who is currently not undergoing performance management will be paid their current year's LTI opportunity based on their performance rating at the time of change of control on a pro rata basis.

5.0 Executive remuneration outcomes

5.1 Overview of FY17 financial performance

In considering Aspen's performance and benefits for securityholder wealth, the Board had regard to the following indices in respect of the current financial year and the previous 4 years.

	2017	2016	2015	2014	2013
Statutory (loss)/profit after tax	**($0.2m)**	$9.9m	($31.7m)	($81.8m)	($38.0m)
Operating profit*	**$4.5m**	$4.8m	$4.7m	$14.7m	$11.1m
Distributions per security	**4.6cps**	9.2cps	9.0cps	11.5cps	15cps
Market Cap (30th June)	**$112m**	$123m	$150m	$145m	$209m
Share price (30th June) **	**$1.10**	$1.20	$1.33	$1.21	$1.75
Return on capital employed	**6.3%**	5.9%	(9.3%)	(31.8%)	3.9%

** Operating profit is considered as one of the financial performance targets in setting the STI. Refer to section 5.2 for further details.*

*** Share price for FY12 – FY13 has been adjusted to reflect the 10:1 security consolidation that occurred in November 2013.*

The Board also considered the relative performance of KMP against the execution of Aspen's strategy. A high level scoreboard of the Aspen performance for FY17 for the purpose of assessing eligibility for STI has been considered by reference to both positive factors and negative factors:

4. Remuneration report *(continued)*

Positive performance indicators	Negative performance indicators
• Negotiated the acquisition of three accommodation parks valued at $30.5 million (excluding transaction costs) • Reset corporate overheads to be in line with the revised operational scale of the business • Met distribution guidance for 1H and 2H FY17 • Reset business strategy and established action plans focused on scaling of the Group • Established finance facility to support the Group's strategic objectives • Negotiated 1 year extension of Woodside tenancy agreement at Aspen Karratha Village • Exited Spearwood Industrial property allowing refocus of business in line with affordable accommodation strategy	• NAV reduction of 4 cps occurred during the financial year reflecting the impact of lower values of non-core assets, increased provisions for legacy liabilities and the impact of acquisition costs incurred during the year • Dividends per share reduced from 9.2 cps to 4.6 cps reflecting the reduced operating scale of the business, post the sale of APPF • Securities have traded throughout the year at a discount to NAV

5.2 STI outcomes

For the year ended 30 June 2017, three KMP's were awarded a STI, determined after performance reviews were completed and then approved by the Board.

The total STI awarded to the executives for FY17 was $0.175 million.

The performance measures for the STI in FY17 were underlying earnings, asset acquisitions, business simplification and overhead reduction. The assessment of these outcomes are detailed in section 5.1 above.

The Board determined that 100% was the appropriate scaling to be applied to the overall STI pool for FY17. As a result of the individual performance assessments the average percentage awarded of the maximum STI opportunity for the executives was 53%.

A summary of the STIs (excluding payments in the retention scheme) awarded to during FY17 executives is outlined below:

	Cash STI $	Deferred $	Total FY17 award $	Retention Accrual $	Total STI $	% of max STI opportunity vested in year	% of STI not yet vested	% of STI opportunity forfeited in year
Joel Cann	25,000	25,000	50,000	-	50,000	67%	33%	0%
Emmanuel Zammit	37,500	12,500	50,000	-	50,000	63%	47%	0%
Brett Summers[1]	37,500	-	37,500	-	37,500	36%	0%	0%
Total	**100,000**	**37,500**	**137,500**	**-**	**137,500**			

1 Amount excludes deferred STI component in accordance with the STI plan rules.

4. Remuneration report *(continued)*

5.3 LTI outcomes

The table below summarises how Aspen has performed against vesting conditions for active LTI schemes at 30 June 2017:

Issue	Tranche 6 FY16	Tranche 7 FY17
Effective Issue date	July 2015	July 2016
Vesting date	*30 June 2018*	*30 June 2019*
Current Status	*TSR is below 50th percentile*	*TSR is below 50th percentile*
Current Status	*NAV is below 8% growth*	*NAV is below 8% growth*

6.0 Executive contract details

6.1 Remuneration structure and contract terms for CEO

The contract of employment contract for the CEO, Mr Cann, commenced 29 September 2016 and has no fixed term and specifies the duties and obligations of the role.

Salary and benefits

Mr Cann will receive a salary of $400,000 (gross) per annum, exclusive of superannuation. In addition, Aspen will make compulsory superannuation contributions up to the quarterly salary cap. If Mr Cann becomes a director of Aspen or any other group company, his salary is considered as inclusive of director fees therefore no additional compensation will be paid.

Incentive arrangements

Mr Cann may be entitled to a discretionary short term incentive (STI), under Aspen Group's Short Term Incentive Policy (STI Policy), depending on Aspen's and Mr Cann's performance against financial and non-financial metrics determined by the Board.

Mr Cann may be eligible to participate in Aspen's Performance Rights Plan (PRP) in respect of each completed financial year and to receive a discretionary Long Term Incentive (LTI) allocation. The entitlement to receive an LTI allocation in respect of any financial year is at the Board's absolute discretion and will be determined by the Board in accordance with the LTI Rules.

The remuneration package for Mr Cann was designed and negotiated to ensure a strong alignment of his financial rewards with the creation of value for Aspen Group securityholders. The equity component of Mr Cann's package was approved at Annual General Meeting in November 2016, which included an issue of performance rights.

Termination

The employment contract may be terminated by Aspen Group or Mr Cann by giving 3 months' notice of an intention to terminate his employment. Termination benefits to the extent permitted under the Corporations Act are included in his contract in the event of certain termination events.

6.2 Contract terms for other current KMP's

It is Aspen's policy that employment contracts for Executives have no fixed term but are capable of termination on generally three months' notice and that Aspen retains the right to terminate the contract immediately, by making payment equal to three month's pay in lieu of notice.

The entitlement of Executives to unvested LTI awards is dealt with under the LTI plan rules and the specific terms of grant.

7. 0 Executives remuneration

Details of the nature and amount of each major element of remuneration of key management personnel are:

	Year	Short-term				Post-employment						
		Base salary[1]	STI	Non-monetary benefits	Total	Superannuation benefits	Termination benefits	Other Long Term	LTI[2]	Total	% of rem performance related	Value of LTI as % of rem
Current Execs												
Joel Cann	2017	307,882	50,000	-	357,882	14,712	-	-	50,431	**423,025**	23.74%	11.92%
	2016	-	-	-	-	-	-	-	-	**-**	-	-
Emmanuel Zammit	2017	352,241	50,000	-	402,241	19,616	-	-	17,931	**439,788**	15.45%	4.08%
	2016	-	-	-	-	-	-	-	-	**-**	-	-
Brett Summers	2017	266,729	37,500	-	304,229	19,616	-	-	34,556	**358,401**	20.10%	9.64%
	2016	266,032	70,948	-	336,980	19,307	-	-	17,080	**373,367**	23.58%	4.57%
Former Execs												
Clem Salwin[3]	2017	120,055	-	-	120,055	6,694	-	-	-	**126,749**	0.00%	0.00%
	2016	521,233	-	-	521,233	19,307	180,000	-	490,353	**1,210,893**	40.50%	40.50%
Adam Marrs Ekamper[4]	2017	23,199	-	-	23,199	4,904	39,446	-	-	**67,549**	0.00%	0.00%
	2016	362,090	-	-	362,090	19,307	105,823	-	90,924	**578,144**	15.97%	15.97%
Catherine McMahon[5]	2017	-	-	-	-	-	-	-	-	**-**	-	-
	2016	204,201	16,155	-	220,356	18,220	51,154	-	14,000	**303,730**	9.96%	4.62%
Philip Barker	2017	-	-	-	-	-	-	-	-	-	-	-
	2016	242,753	-	2,231	244,984	19,307	223,076	-	-	**487,367**	0.00%	0.00%
Marie Barter	2017	-	-	-	-	-	-	-	-	**-**	-	-
	2016	157,520	31,731	-	189,251	12,166	-	-	18,333	**219,750**	22.96%	8.41%
Total	**2017**	**1,070,106**	**137,500**	**-**	**1,207,606**	**65,542**	**39,446**	**-**	**102,918**	**1,415,512**		
	2016	**1,753,829**	**118,834**	**2,231**	**1,874,894**	**107,614**	**560,053**	**-**	**630,690**	**3,173,251**		

Notes in relation to the table of key management personnel remuneration

(1) Base salary includes annual leave

(2) The stapled securities issued under the various LTI plans are treated for accounting purposes as options and their fair value is calculated at the date of grant using a Monte Carlo option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value of these Long Term Incentive Instruments (LTII) disclosed is the portion of the fair value of the instruments allocated to the profit and loss this reporting period.

(3) Employment as KMP ceased on 30 September 2016

(4) Employment as KMP ceased on 26 August 2016

(5) Employment as KMP ceased on 1 July 2016

4. Remuneration report *(continued)*

LTI grants and movements during the year

The following tables provide details of rights granted during the year under the LTI plan, as well as the movement during the year in options and rights granted under the LTI plan in previous financial years.

	Equity type	Balance as at 30 June 2016	Granted during the year as remuneration	Value of Grant [(a)]	Exercised / vested during the year	Value of options and rights exercised / vested	Lapsed / cancelled during the year	Value of options and rights lapsed / cancelled [(b)]	Balance as at 30 June 2017
		No.	No.	$	No.	$	No.	$	No.
Current Executives									
Joel Cann	PR	-	304,054	225,000	-	-	-	-	**304,054**
Emmanuel Zammit	PR	-	108,108	80,000	-	-	-	-	**108,108**
Brett Summers	PR	63,811	86,961	64,351	-	-	-	-	**150,772**
Former Executives									
Clem Salwin	Options PR	1,729,412 1,812,263	- -	- -	- -	- -	1,729,412 1,812,263	- -	- -
Adam Marrs Ekamper	PR	344,614	-	-	-	-	344,614	-	-
Catherine McMahon	PR	52,304	-	-	-	-	52,304	-	-

(a) The fair market value of each right granted on 30 June 2017, calculated using a Monte Carlo simulation analysis, is $0.74

(b) Value is calculated at fair market value of each right on date of grant

The number of options and rights included in the balance at 30 June 2017 for the Executives is set out below:

	2014	2015	2016	2017	Total
Current executives					
Joel Cann	-	-	-	304,054	**304,054**
Emmanuel Zammit	-	-	-	108,108	**108,108**
Brett Summers	-	-	63,811	86,961	**150,772**
Former Executives					
Clem Salwin *	Forfeited	Forfeited	Forfeited	-	-
Adam Marrs Ekamper *	Forfeited	Forfeited	Forfeited	-	-
Catherine McMahon*	-	-	Forfeited	-	-
Phil Barker**	Forfeited	Forfeited	Forfeited	-	-
Marie Barter**	-	Forfeited	Forfeited	-	-

* all unvested performance rights were be cancelled upon ceaseation of employment/ forfeited upon resignation.

** all unvested performance rights were automatically forfeited upon termination by redundancy.

4. Remuneration report *(continued)*

8.0 Non-executive director remuneration

8.1 Non-executive director remuneration structure

The total remuneration for non-executive directors for the 2017 financial year was $346,404 (2016: $499,247), a reduction against the prior financial year.

The remuneration level is within the maximum remuneration level previously approved by security holders at the 2010 AGM of $700,000. Within this limit, the Board reviews the remuneration packages of all non-Executive directors on an annual basis. In making its recommendations, the Board has due regard to the current market conditions for the supply of these services and the duties and responsibilities of each member. Remuneration levels are compared to that of similar businesses and advice sought from external consultants as required.

Non-Executive directors do not receive performance based remuneration such as cash bonuses or the ability to participate in Aspen Group's LTI scheme.

The annual fees payable in FY17 were in accordance with the table below:

Position	FY17 remuneration (base fees excluding super)*
Non-executive chairman	$149,625
Non-executive director	$76,950
Audit committee chairman	$8,550
Audit committee member	$4,275

* The Board has determined that for FY18, there will be no increase in fees.

8.2 Non-executive directors' remuneration

Details of the remuneration paid to non-executive directors are in the table below:

	Year	Non-executive director $	Committee chair fees $	Committee member fees $	Superannuation $	Total remuneration $
Non-executive Directors						
Clive Appleton	**2017**	**149,625**	**-**	**4,275**	**14,621**	**168,521**
	2016	81,391	5,547	10,151	9,224	106,313
Guy Farrands	**2017**	**76,950**	**8,550**	**-**	**8,123**	**93,623**
	2016	76,950	11,753	7,049	9,096	104,848
John Carter	**2017**	**76,950**	**-**	**-**	**7,310**	**84,260**
	2016	76,950	-	3,184	7,612	87,746
Former non-executive Directors						
Hugh Martin	**2017**	**-**	**-**	**-**	**-**	**-**
	2016	38,475	-	2,138	3,858	44,471
Frank Zipfinger	**2017**	**-**	**-**	**-**	**-**	**-**
	2016	140,066	5,547	4,002	14,213	163,828
Total non-executive directors	**2017**	**303,525**	**8,550**	**4,275**	**30,054**	**346,404**
	2016	413,832	22,847	26,524	44,003	507,206

4. Remuneration report *(continued)*

9.0 KMP transactions

9.1 Loans

There were no loans made during the year, or outstanding at year end, to KMP (current or former).

9.2 Movements in securities

The movement during the reporting year in the number of ordinary securities in Aspen held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

	Year	Balance at beginning of year	Net purchases / (sales)	Balance at end of year
Current Executives				
Joel Cann	**2017**	**-**	**-**	**-**
	2016	-	-	-
Emmanuel Zammit	**2017**	**-**	**-**	**-**
	2016	-	-	-
Brett Summers	**2017**	**-**	**10,766**	**10,766**
	2016	-	-	-
Former Executives				
Clem Salwin (as at 30 September 2016)	**2017**	**1,652,555**	**-**	**1,652,555[a]**
	2016	1,291,734	360,821	1,652,555
Adam Marrs Ekamper (as at 26 August 2016)	**2017**	**85,208**	**(55,856)**	**29,352[a]**
	2016	71,352	13,856	85,208
Philip Barker (as at 13 May 2016)	**2017**	**-**	**-**	**-**
	2016	-	2,928	2,928[a]
Non-executive directors				
Clive Appleton	**2017**	**31,000**	**40,000**	**71,000**
	2016	11,000	20,000	31,000
Guy Farrands	**2017**	**150,475**	**-**	**150,475**
	2016	105,475	45,000	150,475
John Carter	**2017**	**22 382,539**	**-**	**22,382,539**
	2016	11,051,729	11,330,810	22,382,539
Former Non-executive directors				
Frank Zipfinger (as at 7 Jun 2016)	**2017**	**-**	**-**	**-**
	2016	170,000	36,132	206,132[a]

a. Balance as at date of resignation.

Directors and KMP received distribution on the above securities from the date acquired.

5. Principal activities

The principal activities of Aspen during the year were to invest in on the accommodation sector and to continue divestment of its remaining non-core assets. Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the year.

6. Events subsequent to reporting date

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

- On 15 August 2017, Aspen settled the sale of its AWSS property for $3.500 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.

7. Indemnification and insurance of officers and auditors

During the financial year Aspen paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2017 and, since year end Aspen has paid or agreed to pay premiums in respect of such insurance contracts up to the annual insurance renewal date of 5 June 2018. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of Aspen.

The directors have not included details of the nature of the liabilities covered nor the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Aspen has agreed to indemnify the following current officers of the Company, Mr Appleton, Mr Carter, Mr Farrands, Mr Cann, Mr Zammit and Mr Salwin against all liabilities to another person (other than Aspen) that may arise from their positions as officers of Aspen, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that Aspen will meet the full amount of any such liabilities, including costs and expenses. Aspen has agreed to indemnify Mr Marrs Ekamper up to the date of his resignation in his role as director of development syndicates controlled by Aspen has also agreed to indemnify paid officers and committee members for their roles during the period they held those positions with Aspen.

Other than this, Aspen has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify any officer or auditor of Aspen or of any related body corporate against a liability incurred as such by an officer or auditor.

8. Non-audit services

During the year PricewaterhouseCoopers, Aspen's auditor, has not performed any other services in addition to their statutory duties.

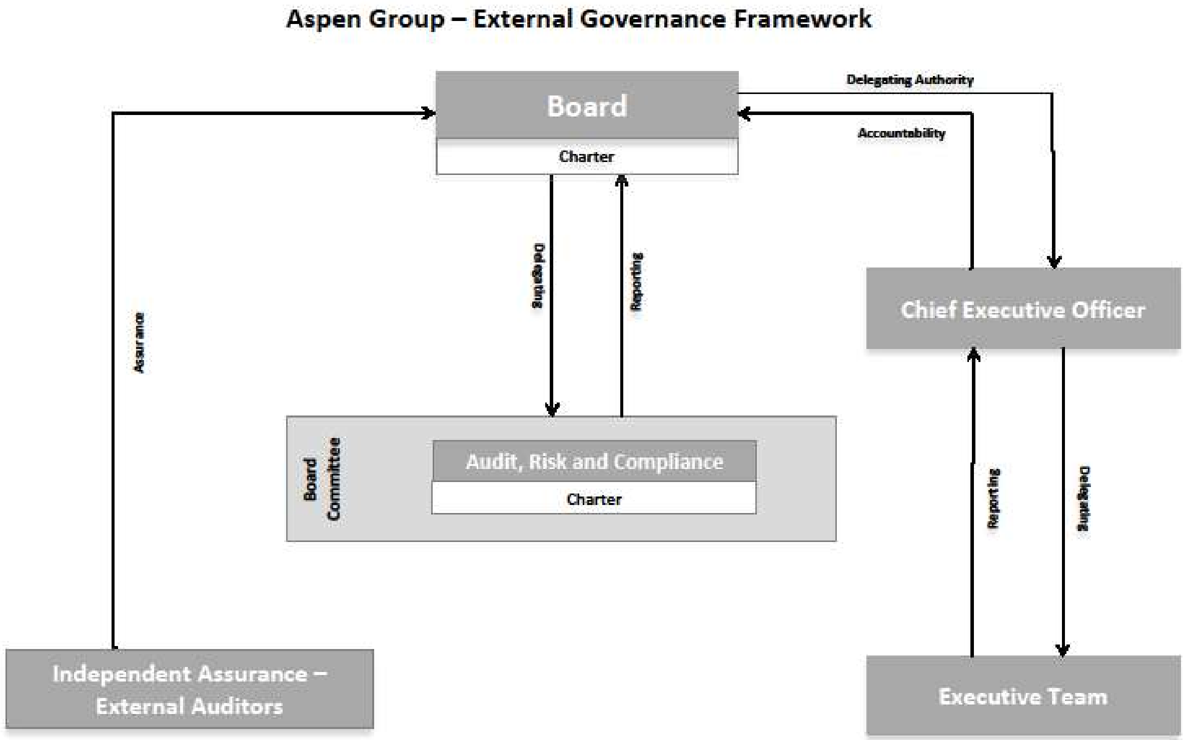
Details of the amounts paid to the auditor of Aspen, PwC (respectively for 2017 and 2016), and their related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2017 $	2016 $
Audit services:		
Audit and review of financial reports		
PwC	**221,000**	257,700
	221,000	257,700
Assurance related services		
PwC		-
Other	**-**	-
	-	-
Non-assurance related services		
PwC	**-**	162,000
	-	162,000

9. Corporate governance statement

The Board is responsible for establishment of a corporate governance framework that provides a level of accountability and processes and systems which support the day to day operations of Aspen. Aspen's governance framework has been prepared with regard to the ASX Corporate Governance Council's published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles). Aspen has established policies, charters and practices that support this commitment.
Aspen's Corporate Governance Statement is available on our website at
http://www.aspengroup.com.au/shareholder-information/corporate-governance/

At a glance, Aspen's governance framework is outlined below, showing the relationship between the Board, its Committees and the CEO position.



10. 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 30 and forms part of the Directors' Report.

11. 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

Clive Appleton

Chairman

SYDNEY, 31 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Aspen Group Limited for the year ended 30 June 2017, 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 audit; and

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

This declaration is in respect of Aspen Group Limited and the entities it controlled during the period.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
31 August 2017

Independent auditor's report

To the stapled security holders of Aspen Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aspen Group Limited (the Company) and its controlled entities (together, the Group or the Aspen Group) is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Aspen Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

We have audited the accompanying financial report of the Aspen Group which comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of profit and loss for the year ended 30 June 2017
- the consolidated statement of comprehensive income for the year ended 30 June 2017
- the consolidated statement of changes in equity for the year ended 30 June 2017
- the consolidated cash flow statement for the year ended 30 June 2017
- a summary of significant accounting policies and other explanatory notes
- the directors' declaration for the Aspen Group

The Aspen Group comprises Aspen Group Limited and Aspen Property Trust (together the stapled entity) and the entities they controlled at year's end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report.

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

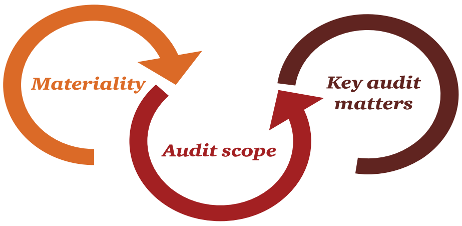
Independence

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the organisational and management structure of the Aspen Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit of the Aspen Group we applied an overall materiality of $170k, which represents approximately 5% of the average adjusted profit/loss before tax over the past three years, inclusive of the year ended 30 June 2017.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose average adjusted profit/loss before tax of the Aspen Group as the benchmark because, in our view, it is a key industry metric against which the performance of the Aspen Group is regularly measured, whilst also having regard for fluctuations in the earnings of Aspen Group over the past three years.
- Profit/loss before tax is mainly adjusted for fair value movements in assets held for sale, investment properties, property, plant and equipment and depreciation because they are non-cash items that are often excluded when assessing the underlying financial performance of the Aspen Group.
- We selected 5% based on our professional judgement, noting it is within the range of commonly acceptable profit-related materiality thresholds.

Audit scope

- Aspen Group owns and manages accommodation facilities across New South Wales, South Australia and Western Australia. The accounting processes are structured around a consolidated entity finance function at its head office in Sydney. Our audit procedures were predominately performed at the head office of the Group.
- Our audit focused on where we identified a higher risk of material misstatement to the financial report including areas where subjective judgements were made by the Aspen Group management; for example significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. The key audit matters were addressed in the context of our audit of the Aspen Group financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcome of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combinations of parks acquired *(Refer to Note 19)* The Aspen Group acquired two accommodation parks during the year detailed in Note 19. The acquisitions included the park businesses and operations including the tangible assets. These transactions are accounted for as business combinations using the acquisition method in accordance with Australian Accounting Standards. Acquisition-related costs are expensed as incurred. The excess of the consideration paid over the fair value of the net identifiable assets of the park businesses acquired is recorded as goodwill. Given the acquisitions are significant events for the year and the fair value of the net assets acquired on the acquisition date are inherently subjective, we consider this to be a key audit matter. The impact from the acquisition of the two accommodation parks are presented in the consolidated statement of profit and loss and consolidated balance sheet respectively as follows: • *Addition of $17.0 million property plant and equipment* • *Addition of $3.3 million goodwill* • *Acquisition costs of $1.4 million* • *Consolidated park revenues of $1.7 million and a net profit of $0.6 million*	We performed the following procedures, amongst others: • Tested transaction details disclosed per note 19 of the financial statement to sale and purchase agreements. • Assessed the relevant accounting treatment of the business combinations and recognition of goodwill in light of the requirements of Australian Accounting Standards • Agreed a sample of acquisition costs incurred to invoices and bank statements. Assessed if the acquisition costs were expensed as incurred. • Agreed the consideration paid to bank statements and settlement statements. • Agreed the valuations of the property, plant and equipment acquired to external valuations. • Assessed the competency and capabilities of the relevant external valuers. • Assessed management's allocation of consideration to net identifiable assets.

Valuation of property, plant and equipment in relation to accommodation parks *(Refer to Note 7)* The Aspen Group's property, plant and equipment comprises land, buildings, leasehold improvements and plant and equipment in relation to seven accommodation parks. These assets had a carrying value of $52.7 million as at 30 June 2017. These assets are measured at fair value at each balance sheet date. The Aspen Group determines the fair value of the property, plant and equipment on the basis of independent valuations prepared by external valuers or director's valuations at balance sheet date. The valuation is determined by factors such as prevailing market conditions, the individual nature, condition and location of each asset and the expected future income of each park. Key assumptions include the capitalisation rate and the NOI. We considered this to be a key audit matter due to the judgement required in determining key assumptions, the significance of these assets to the balance sheet and significant impact of changes in fair value to the consolidated statement of profit and loss.	We performed the following procedures, amongst others to assess the valuation: • Reconciled the list of accommodation park values to prior and current year supporting evidence to check compliance with the Aspen Group policy that all parks had been externally valued at least once in the last three years. • Agreed fair values of those accommodation parks externally valued at balance sheet date to the external valuations. Assessed the competency and capabilities of the relevant external valuers. • For a sample of parks, compared the net operating income (NOI) adopted in the valuations to the current year NOI. • Challenged management's adjustments made to the NOI with reference to the current year result. • Compared the capitalisation rates adopted in the current year to prior year and the last external capitalisation valuations. Challenged the rationale supporting the capitalisation rate applied in the valuation by discussing with management the reasons to support the adopted rate for a sample of valuations. • Considered the sensitivity of the calculation of the internal valuation by varying key assumptions and applying other values within a reasonable possible range; for example, by increasing the capitalisation rate or reducing NOI. • Agreed the fair value of the property, plant and equipment to the latest independent or directors' valuations of the accommodation parks at balance date.
The appropriateness of goodwill carrying value *(Refer to Note 20)* Goodwill is allocated to the Group's individual parks and is considered to have an indefinite useful life. Due to size of the goodwill balance ($17 million as at 30 June 2017) and because the director's assessment of the recoverable amount of the Aspen Group's cash generating units ('CGU') involves judgments about the future results of the park businesses and the capitalisation rates applied to future cash flow forecasts, we considered the carrying value of goodwill is a key audit matter.	We performed the following procedures, amongst others: • For a sample of parks compared the carrying amount of the property, plant and equipment of the parks, and related goodwill, with the recoverable amount of the park assets. • For a sample, the recoverable amount of the park assets was agreed to the latest independent and directors' valuations. • For a sample of parks, compared the net operating income (NOI) adopted in the valuations to the current year NOI. • Challenged management's adjustments made to derive the adopted NOI with reference to the current year result. • Tested the sensitivity of the calculation for a sample of internal valuations by varying key assumptions and applying other values within a reasonable possible range; for example, by increasing the capitalisation rate or reducing NOI.

- Compared the capitalisation rate adopted in current year to prior year, and the last external valuations. Challenged the rationale supporting the capitalisation rate applied in the valuation by discussing with management the reasons and evidence to support the adopted rate.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the following information which is expected to be made available to us after that date and included in the Annual Report:

- Chairman's letter
- Business Overview

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of Aspen Group Limited and the directors of Aspen Funds Management Limited, the Responsible Entity of Aspen Property Trust (collectively referred to as "the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Aspen Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Aspen Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 25 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the remuneration report of Aspen Group Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Aspen Group Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
31 August 2017

Consolidated Financial Statements Contents

Consolidated statement of profit and loss

for the year ended 30 June 2017

	Note	CONSOLIDATED 2017 $'000	2016 $'000
Continuing operations			
Revenue	1	**15,079**	33,447
Cost of sales	2	**(8,090)**	(17,865)
Gross profit		**6,989**	15,582
Expenses and other items			
Administration expenses	2	**(5,425)**	(14,311)
Property depreciation, fair value adjustments and other	2	**(2,923)**	(14,394)
		(8,348)	(28,705)
Fair value gain on deconsolidation of APPF		**-**	17,492
Gain on termination of Management rights in APPF		**-**	5,000
Share of losses of associates		**-**	(7)
		-	22,485
Earnings before interest and income tax expense (EBIT)		**(1,359)**	9,362
Finance income	2	**727**	817
Finance costs	2	**(181)**	(3,779)
(Loss)/profit before income tax		**(813)**	6,400
Income tax expense	3	**-**	-
(Loss)/profit from continuing operations		**(813)**	6,400
Discontinued operations			
Profit for the year from discontinued operations	22	**590**	3,513
(Loss)/profit for the year		**(223)**	9,913
Profit attributable to ordinary equity holders of the parent entity		**409**	9,540
(Loss)/profit attributable to non-controlling interest		**(632)**	373
(Loss)/profit for the year		**(223)**	9,913
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations			Cents
Basic earnings per security	15	**(0.80)**	5.69
Diluted earnings per security	15	**(0.80)**	5.58
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	15	**0.40**	8.44
Diluted earnings per security	15	**0.40**	8.28

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

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Note	CONSOLIDATED 2017 $'000	2016 $'000
(Loss)/profit for the year		**(223)**	9,913
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		**1,961**	393
Other comprehensive income for the year, net of tax		**1,738**	10,306
Total comprehensive income for the year from:			
Continuing operations		**1,148**	6,793
Discontinued operations		**590**	3,513
		1,738	10,306
Total comprehensive income/(loss) for the year attributable to:			
Securityholders of Aspen		**2,370**	9,745
Non-controlling interests		**(632)**	561
		1,738	10,306

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

Consolidated balance sheet

as at 30 June 2017

	Note	CONSOLIDATED 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	4	**22,741**	48,800
Trade and other receivables	5	**3,205**	2,888
Assets classified as held for sale	9	**35,493**	8,210
Inventories		**287**	78
Deposit for park acquisition		**510**	-
Total current assets		**62,236**	**59,976**
Non-current assets			
Investment property	8	**-**	29,000
Property, plant and equipment	7	**52,804**	34,904
Intangible asset - goodwill	20	**17,534**	14,248
Other		**540**	520
Total non-current assets		**70,878**	**78,672**
Total assets		**133,114**	**138,648**
Liabilities			
Current liabilities			
Trade and other payables	6	**6,334**	7,528
Liabilities classified as held for sale	10	**123**	12
Provisions	11	**3,088**	3,344
Total current liabilities		**9,545**	**10,884**
Non-current liabilities			
Interest bearing loans and borrowings	16	**-**	-
Total non-current liabilities		**-**	-
Total liabilities		**9,545**	10,884
Net assets		**123,569**	127,764
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	**500,985**	501,665
Reserves	14	**2,030**	69
Accumulated losses		**(359,467)**	(354,623)
Total equity attributable to equity holders		**143,548**	147,111
Non-controlling interest	23	**(19,979)**	(19,347)
Total equity		**123,569**	127,764

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

Consolidated cash flow statement

for the year ended 30 June 2017

	Note	CONSOLIDATED 2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**21,504**	45,712
Payments to suppliers and employees (inclusive of GST)		**(17,269)**	(40,712)
Dividends and distributions received from associates		**-**	352
Interest received		**733**	867
Borrowing costs		**-**	(2,057)
Income tax received		**-**	556
Net cash flows from operating activities	4	**4,968**	4,718
Cash flows (used in)/from investing activities			
Proceeds from sale of interest in APPF, net of selling costs		**-**	60,860
Proceeds resulting from termination of APPF management rights		**-**	5,000
Proceeds from sale of assets held for sale, net of selling costs		**30**	71,807
Proceeds from funds held in escrow		**-**	2,000
Acquisition of property, plant and equipment and goodwill		**(22,550)**	(23,939)
Net cash flows (used in)/from investing activities		**(22,520)**	115,728
Cash flows from/(used in) financing activities			
Proceeds from borrowings		**-**	9,300
Repayment of borrowings		**-**	(75,800)
Payments for securities buy-back and transaction costs		**(697)**	(12,869)
Distributions paid		**(7,382)**	(10,341)
Settlement of Interest rate swaps		**-**	(1,367)
Payment of financing costs		**(359)**	(115)
Payment for securities bought from non-controlling interest		**-**	(49)
Distributions paid to non-controlling interest		**-**	(2,258)
Net cash flows used in financing activities		**(8,438)**	(93,499)
Net (decrease)/increase in cash and cash equivalents		**(25,990)**	26,947
Cash and cash equivalents at beginning of year (including cash assets classified as held for sale)		**50,441**	24,797
less: cash derecognised on deconsolidation of APPF		**-**	(1,303)
less: cash included in assets of disposal group held for sale		**(1,710)**	(1,641)
Cash and cash equivalents at end of year		**22,741**	48,800

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

Consolidated statement of changes in equity

for the year ended 30 June 2017

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controllin interest $'000	Total equity $'000
Balance at 1 July 2015		514,473	2,660	(357,179)	36,108	196,062
Net profit for the year		-	-	9,540	373	9,913
Revaluation of property, plant & equipment		-	205	-	188	393
Total comprehensive income for the year		-	205	9,540	561	10,306
Issue of stapled securities	14	59	-	-	-	59
Transfer to accumulated loss		-	(2,796)	2,796	-	-
Purchase of securities by parent entity		-	-	-	(49)	(49)
Security buy-back	14	(12,841)	-	-	-	(12,841)
Effect of deconsolidation of APPF		-	-	-	(53,678)	(53,678)
Transaction costs	14	(26)	-	-	(7)	(33)
Security based compensation		-	-	647	-	647
Distributions payable or paid to securityholders		-	-	(10,427)	(2,282)	(12,709)
Balance at 30 June 2016 and 1 July 2016		501,665	69	(354,623)	(19,347)	127,764
Net profit for the year		**-**	**-**	**409**	**(632)**	**(223)**
Revaluation of property, plant & equipment		-	1,961	-	-	**1,961**
Total comprehensive income/(loss) for the year		**-**	**1,961**	**409**	**(632)**	**1,738**
Issue of stapled securities	14	**13**	**-**	**-**	**-**	**13**
Security buy-back	14	**(692)**	**-**	**-**	**-**	**(692)**
Transaction costs	14	**(1)**	**-**	**-**	**-**	**(1)**
Security based compensation		**-**	**-**	**(399)**	**-**	**(399)**
Distributions payable or paid to securityholders		**-**	**-**	**(4,854)**	**-**	**(4,854)**
Balance at 30 June 2017		**500,985**	**2,030**	**(359,467)**	**(19,979)**	**123,569**

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

The Aspen Group ("the Group" or "Aspen") is a stapled entity comprising Aspen Group Limited ("the Company") and its controlled entities, and Aspen Property Trust ("the Trust") and its controlled entities.

Aspen was established for the purpose of facilitating a joint quotation of the Trust and the Company and their controlled entities on the ASX, with both entities being stapled together. 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. With the establishment of Aspen via a stapling arrangement, the combined group has common business objectives, and operates as a combined entity in the core business of investing in the affordable accommodation sector.

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 consolidated financial statements of Aspen as at and for the year ended 30 June 2017 are combined financial statements that present the financial statements and accompanying notes of both 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 affordable accommodation and operation of accommodation parks.

The consolidated financial statements were authorised for issue by the Board on 31 August 2017.

The consolidated financial report is a general purpose financial report which:

- has 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 Corporations Instrument 2016/191;
- represents comparative information where required for consistency with the current year's presentation; reclassification of Spearwood South profit from continuing operations to discontinued operations in the consolidated statement of profit and loss was a material reclassification of comparative information (refer notes 15 and 22 for details);
- 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 29 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 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 consolidated financial statements are found in the following notes:

Note 7:	Property, plant and equipment	Page 52
Note 8:	Investment property	Page 55
Note 11:	Provisions	Page 58
Note 19:	Business combinations	Page 68
Note 20:	Goodwill	Page 68

Basis of consolidation

These consolidated financial statements consist of the Company, the Trust, and their controlled entities. A list of controlled entities (subsidiaries) at year end is contained in note 21.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Aspen's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees, when the consolidated entity's interest in such entities is disposed of.

Further details on the basis of consolidation can be found within the following notes:

Note 19:	Business combinations	Page 68
Note 21:	Subsidiaries	Page 69
Note 23:	Non-controlling interests	Page 71

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the consolidated financial statements are provided throughout the notes to the financial statements.

The notes to the financial statements

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the consolidated financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the capital management practices of Aspen and security returns for the year;

Risk: discusses Aspen's exposure to various financial risks, explains how these affect Aspen's financial position and performance and what Aspen does to manage these risks;

Corporate structure: explains aspects of Aspen's structure and how changes have affected the financial position and performance of Aspen;

Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on Aspen's financial position and performance; and

Other: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of Aspen.

Financial Position

During the year ended 30 June 2017 Aspen recorded a statutory loss after tax of $0.223 million (2016: profit of $9.913 million). At 30 June 2017 Aspen had net assets of $123.569 million (30 June 2016: $127.764 million), cash reserves of $22.741 million (30 June 2016: $48.800 million) and current assets exceeded current liabilities by $52.691 million (30 June 2016: $49.092 million).

The consolidated 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 believe 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 the consolidated financial statements.

Significant changes in the current reporting period

There have been no significant changes to the structure and presentation of this financial report, except where otherwise indicated in this financial report.

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 year ended 30 June 2016, 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 corporate accommodation park, being Aspen Karratha Village. This property primarily caters to one corporate client.

  In addition, for the year ended 30 June 2016, 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 corporate accommodation parks. With the deconsolidation of APPF on 9 December 2015, earnings from the 4 APPF corporate parks were no longer reported in this segment.
- Non-core – this segment includes income and expenses relating to discontinued industrial, development and resort / short stay assets 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 year ended 30 June 2016, 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.
- 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 year ended 30 June 2016, this segment includes the gain on deconsolidation of APPF on 9 December 2015.

Recognition and measurement

An operating segment is a component of Aspen that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aspen's other components. All segments' operating results are reviewed regularly by Aspen's executive management team to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the executive management team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, corporate office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographical segments

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

Major customers

Revenues from one customer of Aspen's property portfolio represent approximately $7.828 million of Aspen's total revenues within the corporate segment (2016: $8.128 million), while revenue from another major customer represents approximately $3.940 million of total revenues within the non-core operations segment (2016: $3.758 million).

	Tourism / retirement		Corporate		Non-core		Other		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue [1]	**7,086**	21,392	**7,993**	12,055	**3,940**	7,928	**-**	-	**19,019**	41,375
Operating EBIT [2]	**3,018**	8,392	**2,947**	4,022	**3,012**	4,011	**(5,147)**	(8,877)	**3,830**	7,548
Finance income	**-**	-	**-**	-	**2**	2	**725**	817	**727**	819
Finance costs	**-**	-	**-**	-	**-**	(8)	**(55)**	(2,386)	**(55)**	(2,394)
Opening profit/(loss) before income tax	**3,018**	8,392	**2,947**	4,022	**3,014**	4,005	**(4,477)**	(10,446)	**4,502**	5,973
Non-underlying items [3]	**(1,255)**	(1,587)	**(673)**	(10,060)	**(2,517)**	(456)	**(280)**	16,043	**(4,725)**	3,940
Income tax benefit/(expense)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
(Loss)/profit after tax	**1,763**	6,805	**2,274**	(6,038)	**497**	3,549	**(4,757)**	5,597	**(233)**	9,913
Other segment information										
Segment assets	**61,293**	37,859	**11,735**	12,046	**36,398**	38,366	**947**	1,577	**110,373**	89,848
Cash and cash equivalents	**-**	-	**-**	-	**-**	-	**22,741**	48,800	**22,741**	48,800
Total assets	**61,293**	37,859	**11,735**	12,046	**36,398**	38,366	**23,688**	50,377	**133,114**	138,648
Segment liabilities	**3,114**	2,258	**567**	702	**723**	465	**5,141**	7,459	**9,545**	10,884
Total liabilities	**3,114**	2,258	**567**	702	**723**	465	**5,141**	7,495	**9,545**	10,884
Net assets	**58,179**	35,601	**11,168**	11,344	**35,675**	37,901	**18,547**	42,918	**123,569**	127,764
Share of net profit or loss of associates included in profit	**-**	-	**-**	-	**-**	7	**-**	-	**-**	7

1 *All segment revenues are derived from external customers.*
2 *Operating EBIT represents earnings before interest and tax excluding non-underlying items.*
3 *Non-underlying items include gains and losses on fair value movements and disposals, and non-recurring items which are not part of ordinary operating performance.*

1: Revenue

	Consolidated 2017 $'000	2016 $'000
Revenue from accommodation parks	**14,839**	31,343
Fund management fees from associates	**-**	410
Revenue from development activities	**240**	1,694
Revenue	**15,079**	33,447

Recognition and measurement

Revenue from investment property

Rental income from investment property is recognised over the rental period when it is due from tenants and recognised in the period when it is earned. It is measured at the fair value of revenue received or receivable.

Revenue from accommodation parks

Accommodation income is recognised when the amount of revenue can be measured reliably and it is probable that it will be received by Aspen. It is measured at the fair value of revenue received or receivable.

Management fees from associates

Management fees from associates include fund management fees and property development fees.

Fund management fee income is recognised monthly on an accruals basis based on the gross asset value of the fund, in accordance with fees disclosed in the relevant Product Disclosure Statement or Offer Document. Transaction specific fees including project development, acquisition, incentive and establishment fees recognised as development or acquisition costs are incurred.

During the period of consolidation of APPF, management fee income continued to be received by the parent entity but was eliminated on consolidation for group reporting.

Revenue from development activities

Revenue from development activities is recognised when development assets are contracted for sale.

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 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.

Reclassification of investment property

On 29 June 2017, Aspen reclassified the Spearwood South property from investment property to assets held for sale following the execution of a contract for sale. Refer to note 9 for details.

Profit from Spearwood South has been presented in discontinued operations including the representation of comparative year profit of $3.364 million from continuing operations to discontinued operations which has resulted in comparative year information being represented within this note and additionally in notes 2, 15 and 22.

2: Expenses and other items

(a) Cost of sales

	Consolidated 2017 $'000	2016 $'000
Cost of sales from accommodation parks	**6,049**	10,726
Direct employee benefits expenses	**1,813**	6,001
Cost of sales from development activities	**228**	1,138
Cost of sales	**8,090**	17,865

(b) Administration expenses

	2017	2016
Salary and wages	**2,870**	5,593
Superannuation	**153**	368
Security-based payments expense	**(399)**	647
Less: employee benefits capitalised	**(200)**	(360)
Occupancy costs	**99**	322
Restructuring and relocation costs	**-**	443
Onerous lease expense	**469**	-
Net loss on disposal of fixtures included in property, plant & equipment	**-**	3
Transaction costs	**-**	3,348
Depreciation	**107**	147
Corporate and fund administration costs	**2,181**	3,300
Other expenses	**145**	500
Administration expenses	**5,425**	14,311

(c) Property depreciation, fair value adjustments and other

	2017	2016
Acquisition costs	**1,398**	1,195
Depreciation expense	**1,026**	3,194
Fair value adjustment of PPE	**723**	10,005
Gain on bargain purchase	**(200)**	-
Fair value adjustment on equity investments	**(24)**	-
	2,923	14,394

Recognition and measurement

Cost of sales from investment property

Cost of sales from investment property includes all direct property costs excluding employee benefits.

Cost of sales from accommodation parks

Cost of sales from accommodation parks includes all direct property expenses excluding employee benefits.

Security-based payments expense

Securities may be issued to employees of Aspen under the PRP. The securities issued are accounted for as options in Aspen. The fair value of the options granted is recognised as an employee expense by Aspen with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of security options that vest, except for those that fail to vest due to market conditions not being met. The fair value is measured at the grant date using an appropriate pricing model, taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period.

Employee benefits expense

Aspen's accounting policy for liabilities associated with employee benefits is set out in note 11.

Employee benefit expenses are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Operating lease expenses

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense and are recognised on a straight line basis over the term of the lease.

The present obligation of onerous lease contracts are recognised and measured as provisions through profit or loss. An onerous lease contract is a lease contract in which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under the contract.

Depreciation expense

Refer to note 7 on depreciation expense.

Impairment

Impairment expenses are recognised to the extent that the carrying amount of assets exceeds their recoverable amount. Refer to note 18 for further details on impairment.

Transaction costs

Transaction costs relate to due diligence and implementation costs of merger, disposal and acquisition proposals.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Finance income and costs

	Consolidated	
	2017	2016
	$'000	$'000
Interest – bank deposits	**727**	817
Finance income	**727**	817
Interest and borrowing costs – loan and borrowings	**128**	2,625
Unwinding of discount on provisions	**53**	44
Change in fair value of interest rate swap	**-**	1,110
Finance costs	**181**	3,779

Finance income

Finance income comprises interest income on bank deposits and interest income on loans to related parties. Interest income is recognised as it accrues, using the effective interest method.

Finance costs

Finance costs comprise interest on borrowings, unwinding of the discount on provisions, and mark to market losses through profit or loss and impairment losses recognised on financial liabilities that are recognised in the profit or loss. Borrowing costs that are not capitalised are recognised in profit or loss using the effective interest model.

Key estimate: discounting

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Capitalisation of borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of significant value enhancing property, plant and equipment that takes a prolonged period of time to complete. Once capitalised, these borrowing costs form part of the qualifying asset.

In addition, borrowing costs are capitalised when they pertain to the establishment of a new debt facility, with these capitalised borrowing costs being amortised over the term of the debt facility.

3: Tax expense

	Consolidated 2017 $'000	2016 $'000
Income statement (continuing operations)		
Current income tax expense		
Current year	-	-
Deferred income tax expense		
Temporary differences	-	-
Deferred tax assets derecognised	-	-
Income tax reported in the income statement	**-**	-
Tax reconciliation		
(Loss)/profit before tax	**(223)**	9,913
Income tax at the statutory tax rate of 30%	**(67)**	2,974
Prima facie income tax on (profit)/loss from trusts	**(1,089)**	471
Non-deductible items	**119**	44
Unrecognised temporary difference, including utilisation of unrecognised tax losses	**1,037**	(3,489)
Income tax on profit before tax	**-**	-
Deferred tax not recognised on the balance sheet relates to the following:		
Deferred tax assets	**88,362**	88,597
Deferred tax liabilities (set off against deferred tax assets)	**190**	185
Net deferred tax assets	**88,172**	88,412
Unrecognised deferred tax assets	**88,172**	88,412
Net deferred tax recognised	**-**	-

At 30 June 2017, the Group has approximately $32.3 million (2016: $31.4 million) of tax effected unrecognised tax losses including approximately $11.9 million of tax effected unrecognised capital losses, calculated on a provisional basis.

Recognition and measurement

Current taxes

Current tax represents expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred taxes

Deferred tax is recognised using the liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the dividend liability is recognised.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

This disclosed analysis of the deferred tax not recognised on the balance sheet is not finalised for taxation purposes, is unaudited and may change due to calculation adjustment, denial, offset or recoupment.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is the Company.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the Company only.

The Trust

Under current Australian Income Tax Legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unit holders each year. Tax allowances for building and plant and equipment depreciation may be distributed to unit holders in the form of tax deferred components of distributions.

Key judgement

At 30 June 2017 a deferred tax asset of $88.172 million (2016: $88.412 million) for deductable temporary differences has not been recognised based on the assessment that it is not certain when future taxable profits will be available against which they can be utilised.

4: Cash and cash equivalents

	Consolidated	
	2017	2016
	$'000	$'000
Cash at bank and in hand	**10,747**	9,183
Term deposits	**11,994**	39,617
Cash and cash equivalents at end of the year	**22,741**	48,800

Australian Financial Services Licence ("AFSL") regulations require Aspen Group's subsidiary, Aspen Funds Management Limited ("AFM"), to maintain a minimum $5.000 million of cash and Net Tangible Assets ("NTA"), as defined by the regulations, of $10.000 million. At 30 June 2017 cash and cash equivalents of $8.024 million contributed to AFM maintaining the minimum NTA requirement.

Reconciliation of net (loss)/profit after tax to net cash flows from operations	**2017**	2016
	$'000	$'000
Net (loss)/profit for the year	**(223)**	9,913
Adjustments for:		
FV Gain on deconsolidation of APPF	**-**	(17,492)
Gain on termination of APPF management rights	**-**	(5,000)
Depreciation	**1,133**	3,338
Change in fair value of property, plant & equipment	**723**	10,005
Change in fair value of equity investment	**(24)**	-
Change in fair value of assets held for sale	**2,152**	(87)
Share of profit/(losses) of associates	**-**	7
Loss on disposal of property, plant & equipment	**-**	3
Change in fair value of interest rate swap	**-**	1,110
Share based payments expense	**(399)**	647
Other items	**32**	19
Business combination costs	**1,343**	1,343
Loss on disposal of properties	**-**	128
Adjusted profit before movements in working capital and provisions	**4,737**	3,934
Decrease/(increase) in assets		
Trade and other receivables	**430**	(138)
Investments in associates	**-**	30
Other assets	**(209)**	845
Increase in liabilities		
Trade and other payables	**10**	47
Net cash inflows from operating activities	**4,968**	4,718

Recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash balances which are immediately available only.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

5: Trade and other receivables

	Consolidated	
	2017	2016
	$'000	$'000
Trade receivables	2,114	1,600
Recharges receivable from APPF	-	935
Other debtors	462	159
Prepayments and other	629	194
	3,205	2,888
Trade receivables past due		
Under 90 days	51	861
Over 90 days	65	108
Trade receivables past due	116	969
Doubtful debts	(47)	(10)
Trade receivables past due after provision for doubtful debts	69	959

Recognition and measurement

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost less provision for doubtful debts. The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful debts. Aspen's policy is to provide for any debtors greater than 90 days, unless it has sufficient security over a debtor asset or the specific circumstances of the debt have been assessed and recoverability is considered probable.

Aspen's credit terms for commercial customers is typically 30 days.

6: Trade and other payables

	Consolidated	
	2017	2016
	$'000	$'000
Trade payables	2,029	2,116
Distributions payable	2,645	5,174
Unearned revenue	410	106
Deferred purchase consideration	1,250	-
Other	-	132
	6,334	7,528

Recognition and measurement

Trade and other payables are recognised initially at their fair value and subsequently measured at their amortised cost using the effective interest method.

Aspen's credit terms for suppliers is typically between 7 - 30 days.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

A liability is recognised for the amount of any distribution declared by the Group on or before the end of the reporting period but not distributed at Balance Sheet date.

7: Property, plant and equipment

	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Corporate assets $'000	Total $'000
Year ended 30 June 2017						
Cost or valuation	31,870	13,240	-	9,418	352	**54,880**
Accumulated depreciation and impairment	-	(557)	-	(1,316)	(203)	**(2,076)**
Net carrying amount	**31,870**	**12,683**	**-**	**8,102**	**149**	**52,804**
Movement						
Net carrying amount at the beginning of the year	24,400	7,646	-	2,598	260	**34,904**
Additions	5,600	5,986	-	6,212	51	**17,849**
Disposals and write-offs	-	-	-	-	(55)	**(55)**
Depreciation	-	(292)	-	(733)	(107)	**(1,132)**
Revaluation gains / (losses)	1,603	(657)	-	292	-	**1,238**
Reclassification	267	-	-	(267)	-	**-**
Net carrying amount at the end of the year	**31,870**	**12,683**	**-**	**8,102**	**149**	**52,804**
Year ended 30 June 2016						
Cost or valuation	24,400	7,910	-	3,181	401	35,892
Accumulated depreciation and impairment	-	(264)	-	(583)	(141)	(988)
Net carrying amount	24,400	7,646	-	2,598	260	34,904
Movement						
Net carrying amount at the beginning of the year	32,608	123,587	23,158	30,122	319	209,794
Additions	9,200	1,503	70	3,296	71	14,140
Disposals and write-offs	-	-	-	-	(6)	(6)
Depreciation	-	(1,413)	(186)	(1,618)	(124)	(3,341)
Revaluation gains / (losses)	-	(9,292)	147	(467)	-	(9,612)
Transfer from/(to) goodwill	860	(2,487)	-	(1,016)	-	(2,643)
Reclassification	5,240	(4,864)	-	(376)	-	-
Deconsolidation of APPF	(23,508)	(99,388)	(23,189)	(27,343)	-	(173,428)
Net carrying amount at the end of the year	24,400	7,646	-	2,598	260	34,904

Property, plant and equipment (PPE) is initially measured at the historical cost of the asset, less depreciation and impairment. The cost of PPE includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections when constructing PPE.

Subsequent measurement

PPE, except for corporate assets, is subsequently measured at fair value at each balance date. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the balance sheet date or directors' valuation. Corporate office assets are not subsequently revalued and are carried at historical cost.

Independent valuations of PPE are obtained at intervals of not more than 3 years. Independent valuations are performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

The fair value of PPE is measured based on adopting the highest and best use, which is determined via either the capitalisation method, the discounted cash flow approach, or by comparison to comparable sales. Aspen considers all three techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply.

The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of asset.

The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, escalation (of sales and costs), and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

A revaluation decrease is recognised in profit or loss except to the extent that the decrease is reducing an existing revaluation surplus in respect of the asset, which is recognised in other comprehensive income. A revaluation increase is recognised in other comprehensive income except to the extent that it reverses a revaluation decrease previously recognised in profit or loss in respect of the asset, which is recognised in profit or loss.

Revaluation surpluses are accumulated in the revaluation reserve within equity (note 14).

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis over their useful lives. The estimated useful life of buildings is between 10 and 40 years; plant and equipment is between 5 and 10 years and corporate office is between 3 and 10 years. Land is not depreciated. Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

De-recognition

An item of PPE is de-recognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit.

Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the PPE) is included in the income statement in the period the item is derecognised.

Key estimates:

The fair value methodology which is used when valuing via the capitalisation method requires significant assumptions to be made by the valuers, and subsequently by the directors, including:

- The estimated future earnings of properties have been capitalised using capitalisation rates in the range of 7.7% - 9.5% for tourism / retirement properties, and 29.3% for the sole corporate property;
- Net operating income margins of between 44.0% - 70.4% for tourism / retirement properties, and 45.2% for the sole corporate property;
- Occupancy assumed to be between 49.0% - 100.0% for tourism / retirement properties, and 89.0% for the sole corporate property;
- Room rates assumed to be between $19 - $133 per day for tourism / retirement properties, and $108 - $187 per day for the sole corporate property;
- The fair values of excess land adjacent to the properties have been assessed having regard to arm's length transactions noted within an acceptable timeframe of the valuation date; and
- Fixtures, fittings and other equipment used in the operations are an integral part of the properties and have been included in the assessment of the properties' fair values.

The estimated fair value would increase (decrease) if:

- Capitalisation (or discount/risk) rate is lower (higher)
- Net operating income margins are higher (lower)
- Occupancy rates are higher (lower)
- Room rates are higher (lower)

Level 3 fair value

The fair value measurement of PPE of $52.804 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.

Valuation of assets

The Board has reviewed the carrying value of all properties as at 30 June 2017, and adopted directors' and independent valuations for all properties as at this date, taking in to account current and forecast trading performance, the most recent valuations, and market evidence.

Independent valuations were commissioned for three properties in the portfolio during the financial year including the two properties acquired during the year.

As a result of the independent valuations received, as well as the use of directors' valuations as at 30 June 2017, there was a net upwards movement of $0.654 million in the portfolio carrying value during the year ended 30 June 2017. A valuation increase of $1.603 million was recorded against the Group's retirement/tourism portfolio offset by valuation decrease of $0.949 million against the corporate property.

An overview of asset values from the latest independent valuations are as follows:

Segment	Percentage of portfolio revalued	Total of latest independent valuation $'000	Total carrying value $'000
Retirement/ Tourism	50%	59,500	59,863
Corporate	-	12,000 – 17,000	10,329
Other	-	-	147
Total		**71,500 –76,500**	**70,339**

If Aspen's total land, buildings and plant and equipment were measured using the cost model, the carrying amount would be as follows:

Property	Land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Year ended 30 June 2017				
Cost	30,267	24,356	8,820	63,443
Accumulated depreciation and impairment	-	(12,228)	(1,300)	(13,528)
Net carrying amount	**30,267**	**12,128**	**7,520**	**49,915**

Aspen Karratha Village valuation

As at 30 June 2017, the Board adopted a carrying value of $10.329 million. This carrying value took into account the independent valuation of $12.000 million received in February 2016, and makes an adjustment by way of directors' valuation for amortisation of AKV's lease for 83% of the property and the extension of the lease to January 2019.

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.

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

8: Investment property

	Consolidated 2017 $'000	2016 $'000
Net carrying amount at beginning of year	**29,000**	-
Fair value adjustments	**(1,080)**	-
Transfer (to)/from assets held for sale*	**(27,920)**	29,000
Net carrying amount at end of year	**-**	29,000

* Refer to note 9 for information on assets held for sale.

Recognition and measurement

The Group did not hold Investment Property as at 30 June 2017 having transferred the Spearwood South property to Assets classified as held for sale following the execution of unconditional contract of sale on 29 June 2017.

Investment properties are properties which are held either to generate rental income, capital appreciation, or both. Investment properties are initially recognised at cost and are subsequently measured at fair value at each balance date. Fair value is determined on the basis of either an independent valuation prepared by independent valuers as at the balance sheet date or directors' valuation.

Independent valuations are obtained at intervals of not more than 3 years. Independent valuations are performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

The fair value of investment properties is measured based on the capitalisation method and the discounted cash flow approach. Aspen considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply.

The capitalisation method estimates the sustainable net income (where applicable) of any asset, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of the asset.

The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

9: Assets classified as held for sale

	Non-core assets classified as held for sale	Assets of disposal groups held for sale	Discontinued operations' assets classified as held for sale	Assets classified as held for sale
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2015	2,525	8,443	97,517	108,485
Additions	-	412	892	1,304
Disposals	-	(3,212)	(69,496)	(72,708)
Transfers	-	-	(29,000)	(29,000)
Other movements	-	42	-	42
Fair value adjustments	-	-	87	87
Closing balance at 30 June 2016 and opening balance at 1 July 2016	**2,525**	**5,685**	**-**	**8,210**
Additions	-	423	27,920	28,343
Transfers	(2,525)	-	2,525	-
Other movements	-	12	-	12
Fair value adjustments	-	(1,072)	-	(1,072)
Closing balance at 30 June 2017	**-**	**5,048**	**30,445**	**35,493**

Recognition and measurement

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 30 June 2017, the sole remaining property asset in the AWSS syndicate was subject to a conditional contract for sale with the four other development syndicates included in disposal groups held for sale being in liquidation. Settlement of the AWSS property sale occurred on 16 August 2017. Refer to page 10 of the director's report for further details on these development syndicates.

On 29 June 2017, Aspen announced that it had entered into an unconditional contract to sell Spearwood South for $28.000 million and was reclassified to discontinued operations' assets held for sale with the carrying value being measured at the sale price less costs to sell. Settlement of Spearwood South is scheduled for 29 September 2017. Aspen's Midland property which is subject to a conditional contract for sale, with a carrying value of $2.525 million, was also reclassified to discontinued operations on this date with all non-core property assets being held for sale.

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

Impairment

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with Aspen's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Cumulative income or expense included in Other Comprehensive Income ("OCI")

There is no cumulative income or expenses included in OCI relating to the assets classified as held for sale.

10: 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**
Opening balance at 1 July 2015	-	602	-	602
Disposals	-	-	-	-
Other movements		(590)	-	(590)
Transfers out	-	-	-	-
Closing balance at 30 June 2016 and opening balance at 1 July 2017	**-**	**12**	**-**	**12**
Disposals	-	-	-	-
Other movements	-	**111**	-	**111**
Transfers out	-	-	-	-
Closing balance at 30 June 2017	-	**123**	-	**123**

11: Provisions

	Consolidated 2017 $'000	2016 $'000
Current		
Employee benefits	**594**	627
Deferred purchase consideration	**900**	900
Onerous lease	**1,013**	634
Restructure and relocation	**-**	758
Other	**581**	425
	3,088	3,344

Movements in provisions during the financial year

	Consolidated 2017 $'000	2016 $'000
Carrying amount at beginning of the year	**3,344**	5,244
Additional provisions recognised	**1,310**	2,538
Provisions used	**(1,566)**	(2,189)
Deconsolidation of APPF	**-**	(2,022)
Disposal with sale of parks	**-**	(227)
Carrying amount at end of the year	**3,088**	3,344

Recognition and measurement

A provision is recognised if, as a result of a past event, Aspen has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Key estimate: discounting

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Short term employee benefits

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that Aspen expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if Aspen has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long term employee benefits

Aspen's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increase in wages and salary rates including related on-costs and expected settlement dates.

Key estimate: discounting

Management judgement is required in determining the following key assumptions used in the calculation of long service leave at balance date:

– future increases in salaries and wages;

– future on-cost rates; and

– experience of employee departures and period of service.

The total long service leave liability is $0.03 million (2016: $0.06 million)

12: Capital management

Aspen's capital management objectives

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of Aspen's business.

The Board monitors the level of distributions paid to securityholders.

	Consolidated	
	2017	2016
	$'000	$'000
Equity and reserves		
Issued capital	**500,985**	501,665
Reserves	**2,030**	69
Accumulated losses	**(359,467)**	(354,623)
Non-controlling interests	**(19,979)**	(19,347)
Net capital	**123,569**	127,764
Net financial debt		
Net interest bearing debt less cash*	**-**	-

**Aspen had nil debt at 30 June 2016 and 2017*

Aspen regularly assesses the adequacy of its capital requirements, cost of capital and gearing as part of its broader strategic plan.

The Board can alter the capital structure of Aspen by:

- issuing new securities;
- buying back securities;
- adjusting the amount of distributions paid to securityholders;
- returning capital to securityholders;
- selling assets to reduce debt or increase cash on hand;
- buying assets to increase debt or decrease cash on hand;
- adjusting the timing of development and capital expenditure; and
- by the operation or suspension of a dividend reinvestment plan.

The Group established new finance facilities totalling $80.000 million during the year. The facility, comprising of $70.000 million debt, $5.000 million overdraft and $5.000 million bank guarantees, has a 3 year tenure ending June 2020 and is aligned to support the broader strategic objectives of the group. The facility has been established on commercial terms consistent with the scale and operations of the group.

Aspen had cash on deposit with its previous financier of $1.300 million and $0.150 million, respectively, to secure a bank guarantee facility and credit card facility.

During the year, Aspen Group bought back 0.590 million securities, at an average price of $1.17.

At 30 June 2017 Aspen had net cash of $22.741 million (including cash require to satisfy AFSL requirements – refer to Note 4).

Aspen was compliant with its debt covenants during the year, and remains compliant with its debt covenants at the date of signing this financial report.

13: Distributions

	Aspen securityholders			
	Cents per security		Total amount	
	2017	2016	**2017**	2016
	Cents	Cents	**$'000**	$'000
Paid during the year				
Final distribution for the previous year	**4.6**	4.5	**4,990**	5,093
Interim distribution for the year	**2.1**	4.6	**2,140**	5,208
	6.7	9.1	**7,130**	10,301
Proposed and unpaid at the end of the year				
Final distribution for the year	**2.5**	4.6	**2,547**	4,990
	2.5	4.6	**2,547**	4,990

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

	APPF securityholders			
	Cents per security		Total amount	
	2017	2016	**2017**	2016
	Cents	Cents	**$'000**	$'000
Paid during the period				
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
	-	1.674	-	3,892

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

Dividend franking accounts	**2017** **$'000**	2016 $'000
Franking credits - calculated at current tax rate of 30% (2016: 30%) available to securityholders of Aspen for subsequent financial years	**2,183**	2,183

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) Franking credits that the Company may be prevented from distributing in subsequent years.

14: Equity and reserves

Movement in stapled securities	Securities '000 units	Securities $'000
At 1 July 2015	113,161	514,473
Issue of stapled securities	45	59
Security buy-back (including transaction costs)	(10,730)	(12,867)
At 30 June 2016 and 1 July 2016	102,476	501,665
Issue of stapled securities	**11**	**13**
Security buy-back (including transaction costs)	**(590)**	**(693)**
At 30 June 2017	**101,897**	**500,985**

The nature of Aspen's contributed equity

Aspen does not have an authorised capital or par value in respect of its issued 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.

Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by Aspen. Issue related costs directly attributable to the issue of capital are accounted for as a deduction from equity, net of tax, from the proceeds.

Reserves	Revaluation reserve $'000	Total Reserves $'000
At 1 July 2015	2,660	2,660
Transfer to retained losses	(2,796)	(2,796)
Revaluation of property, plant and equipment, net of tax	205	205
At 30 June 2016 and 1 July 2016	69	69
Transfer to retained losses	-	-
Revaluation of property, plant and equipment, net of tax	**1,961**	**1,961**
At 30 June 2017	**2,030**	**2,030**

Revaluation reserve

The revaluation reserve represents the amount to which PPE has been revalued in excess of historical cost.

15: Earnings per stapled security

	Consolidated 2017	2016*
Profit for the year attributable to ordinary equity holders of the parent entity ($ '000)	**409**	9,540
Basic weighted average number of stapled securities (No. '000)	**102,011**	113,065
Diluted weighted average number of stapled securities (No. '000)	**102,773**	115,276
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**0.401**	8.438
Diluted earnings per stapled security (cents per security)	**0.398**	8.276
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**(0.797)**	5.693
Diluted earnings per stapled security (cents per security) **	**(0.797)**	5.584
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	**1.198**	2.745
Diluted earnings per stapled security (cents per security)	**1.189**	2.692

**Prior year continuing and discontinuing EPS have been recalculated since the prior year financial report to reflect the impact of the reclassification of Spearwood South profit from discontinuing to continuing operations.*

***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 security granted under security plans accounted for as options and rights granted under employee security plans.

16: Interest bearing loans and borrowings

	Consolidated 2017 $'000	2016 $'000
Current		
Secured debt facilities	-	-
Non-current		
Secured debt facilities	-	-
Total interest-bearing loans and borrowings	-	-

Recognition and measurement

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowing on an effective interest basis.

Funding activities

During the year, Aspen secured a new finance facility with a total limit of $80.000 million (inclusive of a $5.000 million overdraft facility and a $5.000 million guarantee facility). This facility was secured with first ranking registered real property mortgages over Aspen Group's directly owned properties, and a fixed and floating charge over Aspen Group Ltd, Aspen Property Trust, Aspen Living Villages Pty Ltd and Aspen Property Developments Pty Ltd.

Terms and debt repayment schedule

		Consolidated		Consolidated	
		Face value	**Carrying value**	Face value	Carrying value
		2017	**2017**	2016	2016
		$'000	**$'000**	$'000	$'000
Secured	Maturity				
Debt facility	June 2020	-	-	-	-

As at 30 June 2017, Aspen also had an additional bank guarantee facility, which was carried forward from the prior year, with its previous financier. This bank guarantee facility limit was reduced to $1.300 million by 30 June 2017 and is secured by cash on deposit.

17: Financial risk management

Aspen holds financial instruments for the following purposes:

Financing: to raise finance for Aspen's operations or, in the case of short-term deposits, to invest surplus funds.

Operational: Aspen's activities generate financial instruments, including cash, trade receivables, trade payables and finance advances.

Risk management: to reduce risks arising from the financial instruments described above, including interest rate swaps.

Aspen's holding of these financial instruments exposes it to risk. The Board reviews and approves policies for managing each of these risks, which are summarised below:

- credit risk
- liquidity risk; and
- market risk, including interest rate risk.

These risks affect the fair value measurements applied by Aspen.

Credit risk

Nature of the risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to Aspen. Aspen is exposed to credit risk from its operating activities (primarily from trade and other receivables) and from its financing activities, including deposits with financial institutions and other financial instruments.

Credit risk management: trade and other receivables

Aspen's policy is to, wherever possible, trade with recognised, creditworthy third parties and to obtain sufficient collateral or other security where appropriate as a means of mitigating the risk of financial loss from defaults. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. Management performs ongoing monitoring of settlements based on contract terms.

Other than as disclosed as major customers on page 43, Aspen has a diverse range of customers and tenants, and therefore there are no significant concentrations of credit risk either by nature of industry or geographically.

An ageing of trade receivables past due is included in note 5. The credit risk of trade receivables neither past due nor impaired has been assessed as low on the basis of credit ratings (where available) or historical information about counterparty default. Refer to note 2 for the details on the impairment recognised on Aspen's financial assets.

The following concentrations of the maximum credit exposure of current trade and other receivables are shown for the consolidated entity:

	Consolidated	
	2017	2016
	$'000	$'000
Trade receivables (net of provisions)	**2,114**	1,600
Receivable from APPF	**-**	935
GST and other receivables	**462**	159
Subsidiary held for sale – cash	**1,710**	1,641
Subsidiary asset held for sale – receivables	**110**	180
	4,396	4,515

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 (see note 12).

Liquidity risk management

Liquidity risk is managed by monitoring cash flow requirements on 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. Surplus funds are, where possible, paid against debt, or invested in instruments that are tradeable in highly liquid markets with highly rated counterparties.

	Consolidated	
	2017	2016
	$'000	$'000
Financing facilities		
Secured debt facilities	**70,000**	-
Bank overdraft and guarantees	**11,300**	1,509
	81,300	1,509
Facilities used at balance date		
Secured debt facilities	**-**	-
Bank guarantees	**2,547**	1,509
	2,547	1,509
Facilities unused at balance date		
Secured debt facilities	**70,000**	**-**
Bank overdraft and guarantees	**8,753**	**-**
	78,753	**-**

Assets pledged as security

At 30 June 2017, Aspen's property assets, comprising PPE and goodwill, have been pledged as security against debt facilities. Refer to note 16 regarding the secured debt facilities.

In addition, Aspen has a bank guarantee and credit facility with its previous financier of $1,450 million which is secured by cash held on deposit by the financier.

Maturity of financial liabilities

The following tables analyse Aspen's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet. The future cashflows on derivative instruments may be different from the amount in the table as interest rates change. Except for these liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Year ended 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Trade and other payables	7,528	-	-	-	-	7,528	7,528
Liabilities of subsidiaries held for sale	12	-	-	-	-	12	12
Loans and borrowings before swaps	-	-	-	-	-	-	-
Total non-derivatives	7,540	-	-	-	-	7,540	7,540
Derivatives	-	-	-	-	-	-	-
Year ended 30 June 2017							
Non-derivatives							
Trade and other payables	**5,084**	**-**	**-**	**-**	**-**	**-**	**5,084**
Liabilities of subsidiaries held for sale	**123**	**-**	**-**	**-**	**-**	**-**	**123**
Deferred consideration	**-**	**1,250**	**-**	**-**	**-**	**-**	**1,250**
Loans and borrowings before swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivatives	**5,207**	**1,250**	**-**	**-**	**-**	**-**	**6,457**
Derivatives	-	-	-	-	-	-	-

Market risk

Aspen is exposed to market risk primarily due to interest rates and equity prices that can affect Aspen's income or the value of its holdings of financial instruments.

Nature of interest rate risk

Aspen adopted a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Combined with fixed rate securities, interest rate swaps denominated in Australian dollars have been entered into to achieve an appropriate mix of fixed and floating rate interest rate exposures.

Aspen manages a proportion of its cash flow interest rate risk through the use of fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, Aspen agrees with hedge counterparties to exchange at specified intervals the difference between fixed contract rates and floating rate interest amounts, calculated with reference to the agreed notional principal amount.

At 30 June 2017, Aspen did not have any interest rate swaps (30 June 2016: nil).

Interest risk management

Aspen's policy is to limit exposure to adverse fluctuations in interest rates, which could erode Group profitability and adversely affect securityholder value. The policy requires Aspen to hedge between 50% - 85% of its debt. In circumstances where Aspen is outside of this policy bandwidth, a clear path to returning to within the policy within a reasonable timeframe is required, otherwise Aspen must either put in place or cancel (as applicable) hedging.

To manage the interest rate exposure, Aspen generally enters into interest rate swaps, in which Aspen agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Exposure

As at the reporting date, Aspen had the following financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments, classified as variable rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. Other financial instruments of Aspen that are not included in the following table are non-interest-bearing and are therefore not subject to interest rate risk.

	2017 Balance $'000	**2017** Weighted average interest rate %	2016 Balance $'000	2016 Weighted average interest rate %
Fixed rate instruments				
Term deposits	**11,994**	**2.14%**	39,617	2.74%
Interest rate derivatives	**-**	**-**	-	-
Variable rate instruments				
Cash and cash equivalents	**5,747**	**1.46%**	4,183	1.44%
Cash held in restricted funds	**5,000**	**1.75%**	5,000	1.75%
Cash and cash equivalents - subsidiaries held for sale	**1,710**	**0.36%**	1,641	0.39%
	12,457		10,824	
Total fixed and variable rate instruments	**24,451**		50,441	

Aspen's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Aspen's profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data.

	Impact on profit $'000	**Impact on equity $'000**
2016		
Australian variable interest rate +100bps	108	108
Australian variable interest rate -100bps	(108)	(108)
2017		
Australian variable interest rate +100bps	**125**	**125**
Australian variable interest rate -100bps	**(125)**	**(125)**

The interest rates used to discount estimated cash flows, where applicable, are based on the Commonwealth government yield curve at the reporting date plus an appropriate credit spread, and were as follows:

	2017 %	2016 %
Interest rate	**3.28%**	3.09%

Equity price risk

Equity investments are long term investments that have been classified as available for sale. Aspen is exposed to insignificant equity price risk arising from its equity investments.

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 report directly to the Chief Financial Officer.

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, Risk and Compliance Committee.

Aspen's financial instruments are valued using market observable inputs (Level 2) with the exception of available for sale financial assets at fair value (level 3) which were valued at $0.440 million (30 June 2016: $0.416 million).

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2017 (2016: 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 years ended 30 June 2017 and 30 June 2016:

	2017	2016
	$'000	$'000
Opening Balance	**416**	431
Total gains or losses		
In profit or loss	**24**	(15)
Closing Balance	**440**	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 year-end date. The investment comprises an investment in a closed fund which is not currently meeting redemption requests.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss reversal in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

18: Impairment of non-financial assets

Non-financial assets

The carrying amounts of Aspen's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or where there is any indicator of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Reversal of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Impairment losses previously recognised in Aspen's investment in equity accounted investments are subsequently reversed if the associate subsequently recognises an impairment charge on its assets, and results in Aspen recognising an increased share of equity accounted losses.

19: Business combinations

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Aspen. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of Aspen's share of the net identifiable assets acquired is recorded as goodwill. Any goodwill that arises is tested for impairment at each reporting date or where any indication of impairment is identified. Any gain on a bargain purchase is, after review, recognised in profit or loss immediately.

Acquisition transactions costs that Aspen incurs in connection with a business combination are expensed as incurred. These are included as *acquisition costs* disclosed in Note 2(c) above. Any contingent consideration payable is measured at fair value at the acquisition date.

If all the business combinations during the year had occurred on 1 July 2016, the Group would have generated an estimated revenue and profit for the year ended 30 June 2017 of $20.798 million and $0.355 million respectively.

Acquisition of business – accommodation properties

During the year, Aspen acquired two accommodation properties:

- Tweens Village Van Park on 13 December 2016; and
- Barlings Beach Holiday Park on 31 January 2017.

These acquisitions included the tangible assets of the park properties as well as the existing park businesses and as a result, these transactions are accounted for as business combinations.

Goodwill calculations	**$'000**
Consideration transferred	**20,050**
Less: fair value of identifiable net assets	**(16,964)**
Less: gain on bargain purchase	**200**
Goodwill	**3,286**

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

	$'000
Consideration transferred	
Cash	**18,800**
Deferred consideration	**1,250**
	20,050
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**16,964**
	16,964

Revenue and profit contribution

The accommodation properties acquired during the period contributed revenues of $1.722 million and a net profit of $0.561 million to Aspen for the period from settlement of each accommodation property to 30 June 2017.

20: Goodwill

	Consolidated	
	2017	2016
	$'000	$'000
Opening	**14,248**	11,953
Additions	**3,286**	8,605
Transfers	**-**	2,643
Deconsolidation of APPF	**-**	(8,953)
	17,534	14,248

The goodwill outlined above is an indefinite life intangible asset and exists solely in respect to the tourism / retirement operating segment.

Recognition and measurement

Goodwill

Goodwill that is recognised by Aspen is measured at cost less accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually at each balance sheet date or where any indication of impairment is identified.

Goodwill - additions

The business combinations of two park acquisitions, as disclosed in note 19, resulted in the acquisition of $3.286 million of goodwill.

Key judgement: goodwill impairment testing

At the reporting date, management tested the goodwill of $17.534 million relating to its tourism / retirement business and concluded the goodwill did not require impairment. This goodwill exists solely in respect to properties held by Aspen for the retirement / tourism segment. In testing the goodwill, Aspen considered the latest independent and directors' valuations for each of its properties.

21: Subsidiaries

Parent entity	Ownership interest 2017 %	Ownership interest 2016 %
Aspen Group Limited (stapled entity - Aspen Property Trust)		
Subsidiaries		
Aspen Funds Management Limited	100	100
Aspen Living Villages Pty Limited	100	100
Aspen (Septimus Roe) Pty Limited (in members voluntary liquidation)	100	100
Aspen Property Developments Pty Limited	100	100
Aspen Communities Property Fund [1]	100	100
Aspen Villages Property Fund [2]	100	100
Aspen Equity Investments Pty Limited	100	100
Midland Property Trust	100	100
Caversham Property Development Pty Ltd	100	100
Aspen Whitsunday Shores Pty Limited	54	54
Aspen Development Fund No1 Pty Limited [3]	75	75
Aspen Dunsborough Lakes Pty Ltd (“ADLL”)	43	43
Aspen Dunsborough Lakes Resort Pty Ltd (in members voluntary liquidation)	43	43
Fern Bay Seaside Village Pty Ltd (“FBSV”)	45	45

[1] Aspen Communities Property Fund comprises:
- Aspen Communities Nominees Pty Limited (in members voluntary liquidation)
- Aspen Communities Management Pty Limited (in members voluntary liquidation)
- Aspen Communities Construction Pty Limited (in members voluntary liquidation)

[2] Aspen Villages Property Fund comprises:
- Aspen Villages Property Trust (in members voluntary liquidation)
- Aspen Villages Nominees Pty Limited (in members voluntary liquidation)

[3] Aspen Development Fund No1 Pty Limited comprises:
- Aspen Development Fund No1 Pty Ltd (in members voluntary liquidation)
- Caversham Property Pty Ltd (in members voluntary liquidation)
- Bradwell Pty Ltd (in members voluntary liquidation)

Recognition and measurement

Subsidiaries

Subsidiaries are entities controlled by either the Company or the Trust. The Company or the Trust controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with Aspen’s accounting policies.

Loss of control of subsidiaries

Upon the loss of control, Aspen derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Aspen retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

22: Discontinued operations

	Disposal groups held for sale		Non-core and accommodation operations held for sale		Total discontinued operations	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Results of discontinued operations						
Revenue	-	-	3,940	7,928	3,940	7,928
Expenses	(658)	(498)	(555)	(3,876)	(1,213)	(4,374)
Profit/(loss) before income tax	(658)	(498)	3,385	4,052	2,727	3,554
Finance income	15	-	-	-	15	-
Gain/(loss) on disposal after income tax	-	(81)	-	(47)	-	(128)
Net change in fair value	(1,072)	-	(1,080)	87	(2,152)	87
Profit/(loss) after tax from discontinued operations	(1,715)	(579)	2,305	4,092	590	(3,513)
Assets and liabilities of discontinued operations						
Assets						
Cash and cash equivalents	1,710	1,641	-	-	1,710	1,641
Trade and other receivables	110	180	-	-	110	180
Properties held for sale	3,205	3,854	30,445	-	33,650	3,854
Investment Property	-	-	-	29,000	-	29,000
Prepayments and other assets	23	10	-	-	23	10
Total assets	5,048	5,685	30,445	29,000	35,493	34,685
Liabilities						
Trade and other payables	103	12	-	-	103	12
Provisions and other liabilities	20	-	-	-	20	-
Total liabilities	123	12	-	-	123	12
Net assets	4,925	5,673	30,445	29,000	35,370	34,673
Cash flows of discontinued operations						
Net cash from / (used in) operating activities	(697)	(471)	3,622	3,466	2,925	2,995
Net cash from investing activities	(423)	2,306	-	68,675	(423)	70,981
Net cash from/ (used in) financing activities	-	-	-	-	-	-
Net cash flows for the year	(1,120)	1,835	3,622	72,141	2,502	73,976

Recognition and measurement

Discontinued operations

A discontinued operation is a component of Aspen's business, the operations and cash flows of which can be clearly distinguished from the rest of Aspen and which:

- represents a major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative Consolidated Income Statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Disposal groups held for sale

Aspen has a number of its development subsidiaries classified as a disposal group held for sale. At 30 June 2017, this primarily comprises AWSS, being the sole development subsidiary with property assets yet to be sold.

Non-core and accommodation operations held for sale

This comprises of resort parks and commercial and industrial properties that have been disposed or are held for sale.

23: Non-controlling interests

	ADF	AWSS	FBSV	ADLL	APPF	Total
NCI percentage as at 30 June 2017	**24.9%**	**45.9%**	**54.6%**	**56.8%**	**-**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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)
Equity costs	-	-	-	-	(7)	(7)
Effect of deconsolidation of APPF	-	-	-	-	(53,678)	(53,678)
Closing balance at 30 June 2016 and opening balance at 1 July 2016	(15,047)	(3,180)	922	(2,042)	-	(19,347)
Share of comprehensive income/(expense)	(5)	(617)	(4)	(6)	-	(632)
Closing balance at 30 June 2017	**(15,052)**	**(3,797)**	**918**	**(2,048)**	**-**	**(19,979)**

Recognition and measurement

Non-controlling interests – consolidation and deconsolidation of APPF

On 9 December 2015, Aspen lost control of APPF and has deconsolidated APPF from this date, which has resulted in derecognition of the NCI related to APPF.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on the proportionate amount of the net assets of the subsidiary.

Negative non-controlling interests

Aspen has recognised non-controlling interests for AWSS, ADF and ADLL as at 30 June 2017 even though these NCI's are negative. AWSS and ADF are limited companies, and there is no ability for Aspen to recoup the negative equity attributed to non-controlling interests.

24: Commitments and contingencies

	Consolidated 2017 $'000	2016 $'000
Contingent liabilities		
Defect maintenance periods	**3,006**	3,006
Tenant fitout incentives received	**646**	903
Finance facility bonds	**100**	100
	3,752	4,009
Operating lease commitments		
Group as lessee (i)		
Within 1 year	**1,240**	1,595
Greater than 1 year but not more than 5 years	**5,476**	7,012
More than 5 years	**253**	253
	6,969	8,860
Group as lessor (ii)		
Within one year	**9,245**	9,354
Greater than 1 year but not more than 5 years	**12,428**	16,501
More than 5 years	**48**	452
	21,721	26,307
Capital commitments *(iii)*		
Contracted by not provided for and payable:		
Within 1 year (iv)	**10,271**	-
Greater than 1 year but not more than 5 years	**-**	-
	10,271	-
Other expenditure commitments		
Bank guarantees issued to third parties	**2,547**	1,509
Insurance bond guarantees	**2,500**	2,500
	5,047	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 year was $0.097 million (2016: $0.923 million).
(ii) Relates to leases of Aspen owned properties and former corporate offices sub leased.
(iii) Comprises commitments to expenditure on PPE.
(iv) Includes total purchase price of $10.200 million for Koala Shores Holiday Park which is subject to conditions of the contract being satisfied before settlement can occur. PPE and Goodwill components will be determined as part of the business combination accounting. A deposit of $0.510 million was paid on this acquisition during the year.

Bank guarantees issued to third parties

Bank Guarantees primarily relate to provision of guarantees for Aspen's subsidiaries and associates, security for office lease obligations, and security for deferred purchase consideration.

25: Subsequent events

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

- On 15 August 2017, Aspen settled the sale of its AWSS property for $3.500 million

Other than 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.

26: Parent entity disclosures

	Parent	
	2017	2016
	$'000	$'000
Assets		
Current assets	**17,527**	13,317
Non-current assets	**5,675**	5,675
Total assets	**23,202**	18,992
Liabilities		
Current liabilities	**59,764**	51,413
Non-current liabilities	**-**	-
Total liabilities	**59,764**	51,413
Net liabilities	**(36,562)**	(32,421)
Equity		
Issued capital	**123,619**	123,691
Accumulated losses	**(160,181)**	(156,112)
Total Equity	**(36,562)**	(32,421)
Profit/(loss) attributable to members of the parent	**(3,672)**	23,686
Total comprehensive profit/(loss) for the year, net of tax, attributable to members of the parent	**(3,672)**	23,686
Guarantees		
Guarantees to external parties		
Insurance bond guarantees	**2,500**	2,500
Total guarantees to external parties	**2,500**	2,500
Guarantees to subsidiaries		
ADF	**2,500**	2,500
Total guarantees to subsidiaries	**2,500**	2,500

The directors have not identified any material contingencies as at 30 June 2017 (30 June 2016: nil).

Parent entity financial information

The financial information for the parent entity of Aspen Group has been prepared on the same basis as Aspen Group's consolidated financial statements, except as set out below.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of the parent entity. Dividends received from associates and subsidiaries are recognised in the parent entity's statement of profit or loss when its right to receive the dividend is established.

Guarantees

The Parent has provided performance guarantees to third parties in respect of certain obligations of its subsidiaries.

The Parent and its subsidiaries as per note 22 provide an unlimited guarantee and indemnity in favour of the Trust's banking facilities. The Parent and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen's subsidiaries. Under the terms of the agreements, the Parent and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due.

Parent entity financial information

As at 30 June 2017 the Parent had a loan payable to the Trust of $26.090 million (2016: $16.642 million) which is subject to a loan agreement with a maturity date of 30 June 2018. The Parent also had an at call loan payable to Aspen Fund Management of $31.277 million.

Going concern

The Parent has a negative asset position of $36.562 million. This is due to the Parent not being able to recognise an uplift in the value of its equity in its wholly owned subsidiaries, AFM and Aspen Living Villages Pty Ltd ("ALV"), which hold net assets of $50.066 million.

When allowing for these net assets, which can be distributed from AFM and ALV by way of dividends solely to the Parent, the Parent's net asset position would increase to a positive net asset position of $13.504 million. As a consequence, the Board considers it appropriate for the Parent to be classified as a going concern.

Current liabilities exceed current assets by $42.237 million. This is due to loans owing to related entities within Aspen Group. One of these loans is subject to a loan agreement and the balance of the loans are at call. The Parent has obtained agreement from these related parties that the loans will not be called upon within 12 months of the date of this financial report unless the Parent is in a financial position to repay the loans.

As a consequence of the above, the Board considers it appropriate for the Parent to be classified as a going concern.

27: Auditor's remuneration

Fees paid or payable for services provided by the auditor of the Aspen Group:	Consolidated 2017 $	2016 $
Audit and review of financial reports		
PwC	**221,000**	257,700
	221,000	257,700
Assurance related services		
PwC	-	-
Other	-	-
	-	-
Non-assurance related services		
PwC	-	162,000
	-	162,000

28: Related party transactions

Identity of related parties

Aspen has a related party relationship with its associates

Associates

Associate management fees

	Consolidated 2017 $	2016 $
Management fees from APPF *	-	410,117
	-	410,117

*2016 fees relate to the period from 9 December 2015, when APPF was deconsolidated until 5 February 2016, when Aspen Group's management rights terminated.

Director and executive remuneration

The remuneration disclosures are provided in sections 1 to 9 of the remuneration report on pages 13 to 25 of this annual report designated as audited and forming part of the directors' report.

	Consolidated 2017 $	2016 $
Short-term benefits	**1,523,956**	2,338,097
Long-term benefits	**95,596**	151,617
Termination benefits	**39,446**	560,053
Equity compensation benefits	**102,918**	630,690
	1,761,916	3,680,457

29: Other accounting policies

a) New and amended accounting standards and interpretations adopted from 1 July 2016

All new and amended accounting policies and measurement bases have been adopted in this report for the period ended 30 June 2017. 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.

b) New and amended standards and interpretations issued but not yet adopted by the Group

The following standards, amendments to standards and interpretations are relevant to current operations. They are not mandatory for the year ended 30 June 2017 and 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 *Financial Instruments* 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 *Financial Instruments: Recognition and Measurement*. 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. Management is currently assessing the effects of applying the new standard on the Group's financial statements. Management does not expect a material impact on the Group's consolidated financial statements from the adoption of this standard amendment.	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	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. A new five-step process must be applied before revenue can be recognised: • Identify contracts with customers • Identify the separate performance obligations • Determine the transaction price of the contract • Allocate the transaction price to each of the separate performance obligations, and • Recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • 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. • 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. • 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. • There are new specific rules on licences, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. Management is currently assessing the effects of applying the new standard on the Group's financial statements. Management does not expect a material impact on the Group's consolidated financial statements from the adoption of this standard amendment.	1 January 2018	1 July 2018
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

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 consolidated financial statements and notes set out on pages 39 to 75, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Aspen's Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), 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 financial year ended 30 June 2017.

3. The directors draw attention to note 2(a) to the consolidated 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.

Clive Appleton

Chairman

SYDNEY, 31 August 2017