



ASPEN GROUP LIMITED

ABN 50 004 160 927

ASPEN PROPERTY TRUST

ARSN 104 807 767

Appendix 4D

(ASX Listing rule 4.2A)

**For the period ended
31 December 2018**

Results for announcement to the market

Aspen Group Limited & Aspen Property Trust

Details of reporting periods:

Current period	31 December 2018
Corresponding period	31 December 2017

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount \$'000
Revenue from ordinary operations	up	46.77%	to	13,658
Profit (loss) after tax from ordinary operations	up	139.67%	to	622
Profit (loss) after tax from all operations	up	151.17%	to	436
Profit (loss) after tax attributable to securityholders of Aspen Group Limited	up	167.28%	to	547
Operating profit (loss) before tax*	down	(16.99%)	to	1,524

* Operating profit represents earnings before tax excluding non-underlying items. Non-underlying items include depreciation, gains and losses on fair value movements and disposals together with non-recurring items which are not part of ordinary operating performance.

Dividends/Distributions

Combined

31 December 2018			31 December 2017		
	Cents per Stapled Security	Total \$ '000		Cents per Stapled Security	Total \$ '000
	2.3	2,215		2.1	2,120

Aspen Property Trust

31 December 2018			31 December 2017		
Period	Cents per Unit	Total \$ '000	Period	Cents per Unit	Total \$ '000
Jul 18 – Dec 18	2.3	2,215	Jul 17 – Dec 17	2.1	2,120
	2.3	2,215		2.1	2,120

Aspen Group Limited

31 December 2018				31 December 2017			
Period	Cents per Share	Total \$ '000	Tax rate for franking credit %	Period	Cents per Share	Total \$ '000	Tax rate for franking credit %
Jul 18 – Dec 18	-	-	-	Jul 17 – Dec 17	-	-	-
	-	-			-	-	

Aspen Group Limited & Aspen Property Trust (continued)

Interim distribution dates

Ex-dividend date	28 December 2018
Record date	31 December 2018
Payment date (on or around)	26 February 2019

Net tangible assets per security

	31 December 2018	31 December 2017
Net tangible assets per security	\$0.92	\$0.94

This information should be read in conjunction with the 30 June 2018 annual report and any public announcements made by Aspen Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated interim financial statements for the half-year ended 31 December 2018 (attached).

The report is based on the consolidated half-year financial statements which have been reviewed by PricewaterhouseCoopers.



ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED
31 December 2018**

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Directors' report

The directors present their report together with the consolidated interim financial statements of Aspen Group comprising Aspen Group Limited ("the Company"), its subsidiaries, Aspen Group's interest in associates, and its stapled entity Aspen Property Trust ("the Trust") and its subsidiaries, which form the Aspen Group ("Aspen Group"), for the period ended 31 December 2018 ("period") and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are:

Non – Executive Directors

Clive Appleton

Guy Farrands

John Carter

On 30 November 2018 Evolution Trustees Limited replaced Aspen Funds Management Limited as the Responsible Entity (RE) of the Trust. Aspen Funds Management Limited remained as investment manager and custodian for the period.

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

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

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

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

Operating and financial review

Aspen recorded a statutory net profit after tax of \$0.436 million for the period (1H FY18: loss of \$0.852 million) and total comprehensive income of \$1.120 million (1H FY18: income of \$3.743 million) calculated in accordance with International Financial Reporting Standards ("IFRS").

Operating results

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

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

Directors' Report (continued)

Operating and financial review (continued)

Operating results (continued)

Operating profit as assessed by the directors for the period was \$1.524 million (1H FY18: \$1.836 million)

The table below has not been audited by PricewaterhouseCoopers.

	31 December 2018 \$'000	31 December 2017 \$'000
Consolidated statutory net profit / (loss) after tax	436	(852)
Specific non-underlying items		
Change in fair value of property plant & equipment	660	(107)
Change in fair value of equity investment	-	79
Change in responsible entity and custodian and proposals for change in investment manager	164	-
Finance costs	100	105
Other expenses (including transaction / acquisition costs)	177	2,440
(Gain)/Loss on disposal of assets held for sale (after income tax)	(13)	171
Total specific non-underlying items profit	1,088	2,688
Total operating profit before tax	1,524	1,836
Represented by:		
Tourism / retirement operating profit before tax	2,986	2,037
Corporate operating profit before tax	1,634	1,690
Non-core operating profit before tax	-	858
Finance, administration and other operating expenses before tax	(3,096)	(2,749)
Total operating profit before tax	1,524	1,836

Distributions

Distributions paid during the period and payable as at 31 December 2018 to Aspen securityholders were as follows:

	Cents per Unit	Total \$ '000
Paid during the period		
Final distribution for the previous year	2.1	2,022
Proposed and unpaid at the end of the period		
Interim distribution for the period	2.3	2,215

Directors' Report (continued)

Operating and financial review (continued)

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

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

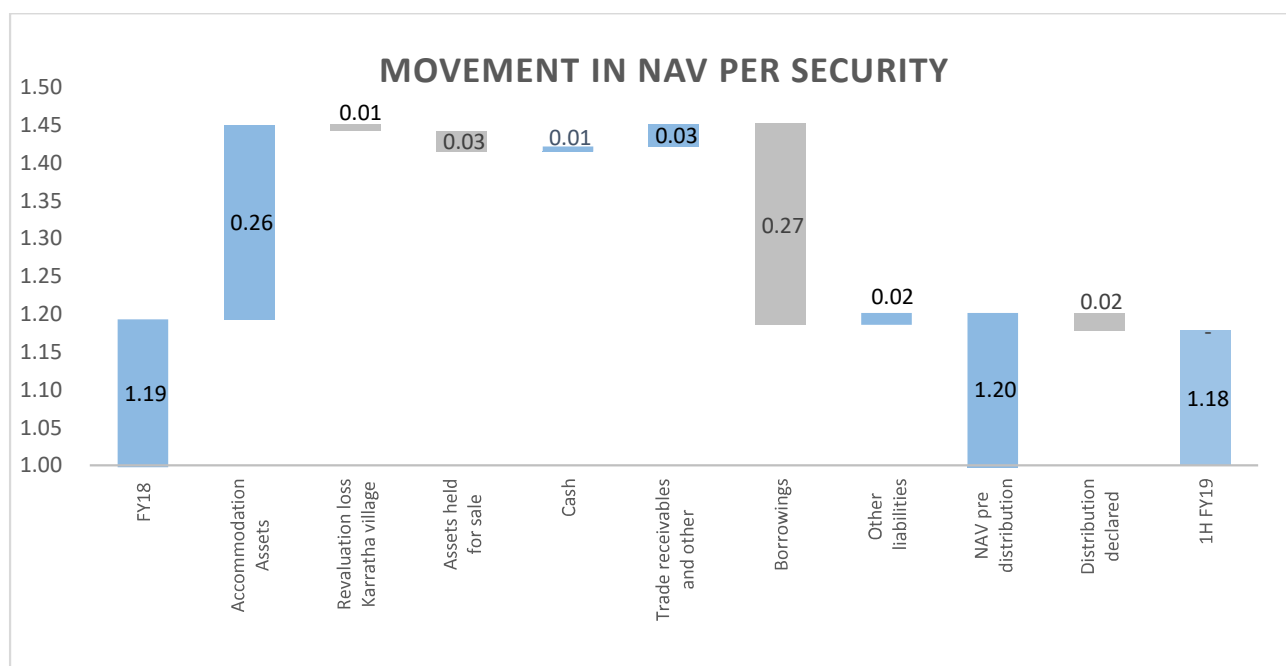
NAV is determined having regard to principles which include providing clear reconciliation between net assets in the Consolidated Balance Sheet and NAV in the Directors' Report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration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

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

The table below has not been audited by PricewaterhouseCoopers.

	31 December 2018 \$'000	30 June 2018 \$'000
Property, plant and equipment per the statutory Consolidated Balance Sheet	105,829	81,996
Goodwill per the Consolidated Balance Sheet	24,948	24,250
Less: Central services property, plant & equipment	(71)	(87)
Carrying value of properties per the Consolidated Balance Sheet	130,706	106,159
Non-statutory property carrying value adjustments	0	250
Adjusted value of properties	130,706	106,409
Net assets per the statutory Consolidated Balance Sheet	113,621	114,676
Non-statutory property carrying value adjustments	0	250
NAV	113,621	114,926
NAV per security (\$)	1.18	1.19

The movement in NAV per security from \$1.19 to \$1.18 during the six months period includes the following significant items.



Aspen Group Limited

for the period ended 31 December 2018

Directors' Report (continued)

Operating and financial review (continued)

Segment performance

Aspen has three business segments:

ACCOMMODATION		Non-Core
Tourism / Retirement	Corporate	
<ul style="list-style-type: none"> 2 land lease communities ("LLC") previously referred to as "MHE" 2 mixed use tourism parks 5 tourism parks GAV¹ of \$120.198 million Caters to short stay residents (cabins and sites), and permanent residents 	<ul style="list-style-type: none"> 1 workforce accommodation GAV¹ of \$10.250 million Caters primarily to corporate resource clients and contractors. 	<ul style="list-style-type: none"> Fully divested Midland development disposal settled 8 August 2018.

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

Accommodation

Aspen's accommodation business comprises two key business segments:

- Tourism / retirement; and
- Corporate

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

	31 December 2018 \$'000	31 December 2017 \$'000	Change %
Tourism / retirement			
Underlying profit	2,986	2,037	47%
Non-underlying items	(170)	(1,893)	(91%)
Total tourism / retirement	2,816	144	1856%
Corporate			
Underlying profit	1,634	1,690	(3%)
Non-underlying items	(660)	19	(3574%)
Total corporate	974	1,709	43%
Total accommodation profit	3,790	1,853	105%
Non-controlling interest	-	-	-
APZ share	3,790	1,853	105%

Tourism / retirement

As at 31 December 2018, Aspen owned nine assets. Five of these are 100% short stay tourism, two are 100% LLC retirement and two are mixed tourism / retirement park.

During the period, Aspen acquired the mixed-use tourism asset Highway 1 Caravan & Tourist Park with a value of \$23.060 million (plus acquisition costs). Aspen's wholly owned total tourism / retirement assets, as at 31 December 2018, had a GAV of \$120.198 million.

Aspen Group Limited

for the period ended 31 December 2018

Directors' Report (continued)

Operating and financial review (continued)

Segment performance (continued)

Tourism / retirement (continued)

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 31 December 2018, Aspen had \$3.388 million of value enhancing works in progress at its parks, primarily associated with development works at Four Lanterns Estate.

a) Underlying earnings

Aspen's operating profit from tourism / retirement parks during the period was \$2.986 million (1H FY18: \$2.037 million), a 47% increase against the comparative period. This is inclusive of the operating profit generated from properties purchased during the period.

b) Non-underlying earnings

Aspen had a non-underlying loss of \$0.170 million (1H FY18: loss of \$1.893 million) within the tourism / retirement segment. These non-underlying transactions were all attributable to acquisition costs.

Corporate

At 31 December 2018, Aspen held one corporate asset on its balance sheet, being Aspen Karratha Village (AKV). Aspen's contract with its primary tenant has been extended to January 2020.

a) Underlying earnings

Aspen's operating profit from corporate assets during the period was \$1.634 million (1H FY18: \$1.690 million), 3% decrease against the prior period, primarily driven by above inflation cost increases for insurance and council rates.

b) Non-underlying items

Aspen had a total non-underlying loss of \$0.660 million (1H FY18: profit of \$0.019 million) within the corporate segment. This is attributed to net changes in the fair value of AKV.

Non-core

During the period, Aspen recorded an operating profit of Nil (1H FY18: \$0.858 million) and a non-underlying loss of Nil (1H FY18: loss of \$0.142 million). The reduction in both underlying earnings and non-underlying items is due to the divestment of the industrial asset, Spearwood South, in 1H FY18.

Aspen Group Limited

for the period ended 31 December 2018

Directors' Report (continued)

Operating and financial review (continued)

Segment performance (continued)

Balance sheet overview

Assets held for sale

During the period, Aspen has completed the sale of its Midland development site. This sale was settled on 8 August 2018, yielding proceeds of \$2.537 million.

Aspen continues the wind up of four of the five development syndicates.

Capital management

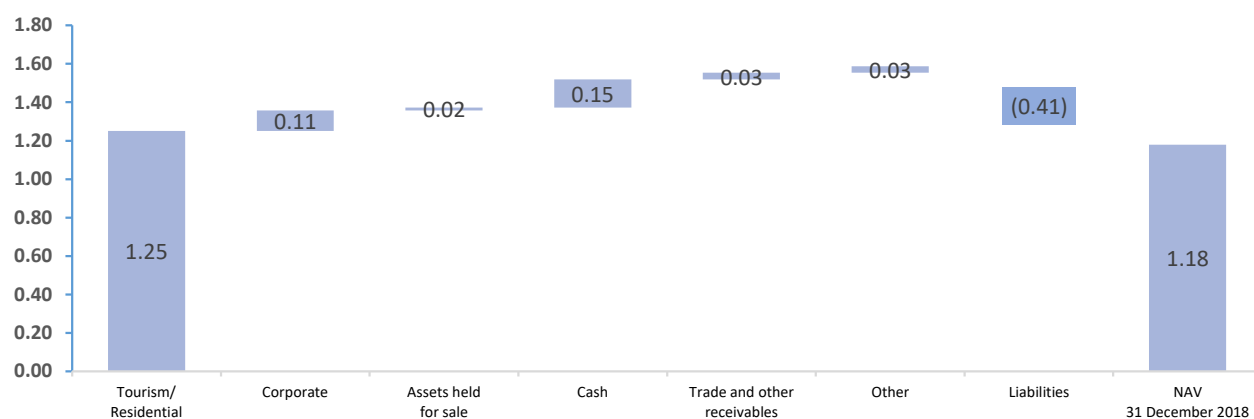
The Group has an \$55.0m facility which expires in June 2020. Drawings against the facility totaled \$30.5 million at 31 December 2018 represented by debt of \$30.2 million and bank guarantees issued totaling \$0.3 million

Cash reserves as at 31 December 2018 totalled \$14.0 million.

Financial position

The NAV of Aspen at 31 December 2018 is \$1.18 per security (30 June 2018: \$1.19 per security).

The following diagram outlines the key components of the NAV assessed as at 31 December 2018:



Aspen Group Limited

for the period ended 31 December 2018

Directors' Report (continued)

Operating and financial review (continued)

Balance sheet overview (continued)

Assets

Total assets have increased by \$25.147 million to \$152.809 million during the period. This was primarily due to:

- the acquisition of Highway 1 Caravan and Tourist Park in South Australia for \$23.060 million.
- Value enhancing development \$1.969 million.
- Increase in pre-sale inventory due to Four Lanterns development \$1.645 million.

Offset by:

- Asset value decrement of (\$0.750 million).
- Distributions paid to equity holders (\$2.022 million).

Liabilities

Total liabilities increased by \$26.202 million to \$39.188 million during the period, primarily as a result of the following:

- Drawdown of debt to fund Highway 1 acquisition and Four Lanterns development \$25.600 million.
- Offset by net movements in provisions of \$0.337 million.

Equity

Total equity decreased by \$1.055 million during the period, primarily as a result of the following:

- Distributions to securityholders (\$2.215 million)

Offset by

- Net profit for the period \$0.436 million
- Revaluation of property for the period \$0.684 million.

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.

Safety and environment

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

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

Significant changes in the state of affairs

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

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*.

Principal activities

The principal activities of Aspen during the period was to invest in the affordable accommodation sector. Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the period.

Aspen Group Limited

for the period ended 31 December 2018

Directors' Report (continued)

Events subsequent to reporting date

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

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

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

Rounding off

The Consolidated Group is of the kind referred to in ASIC Class Order 2016/191 and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to Sec 298(2) of the *Corporations Act 2001*.

On behalf of the directors of Aspen Group Limited



Clive Appleton

Chairman

SYDNEY, 20 February 2019



Auditor's Independence Declaration

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

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J A Dunning', with a large, stylized loop at the end.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
20 February 2019

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Independent auditor's review report to the members of Aspen Group Limited

Report on the Half-Year Financial Report

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

Independence

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

Conclusion

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

PricewaterhouseCoopers, ABN 52 780 433 757

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1. giving a true and fair view of the consolidated stapled entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
20 February 2019

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

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Aspen Group Limited

Condensed consolidated interim statement of profit or loss

for the period ended 31 December 2018

		Consolidated	
		31 December 2018	31 December 2017
	Note	\$'000	\$'000
Continuing operations			
Revenue	1	13,658	9,306
Cost of sales	2	(7,925)	(4,926)
Gross profit		5,733	4,380
Expenses and other items			
Administration expenses	2	(2,892)	(2,864)
Property depreciation, fair value adjustments and other	2	(1,778)	(2,904)
		(4,670)	(5,768)
Earnings/(loss) before interest and income tax expense (EBIT)		1,063	(1,388)
Finance income	2	127	249
Finance costs	2	(568)	(429)
Profit/(Loss) before income tax		622	(1,568)
Income tax expense	2	-	-
Profit/(loss) from continuing operations		622	(1,568)
Discontinued operations			
(Loss)/profit for the period from discontinued operations	12	(186)	716
Profit/(loss) for the period		436	(852)
Profit/(loss) attributable to ordinary equity holders of the parent entity			
Loss attributable to non-controlling interest	13	(111)	(39)
Profit /loss) for the period		436	(852)
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations			
		Cents	Cents
Basic earnings per security	8	0.65	(1.54)
Diluted earnings per security	8	0.65	(1.54)
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	8	0.45	(0.80)
Diluted earnings per security	8	0.45	(0.80)

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

Aspen Group Limited

Condensed consolidated interim statement of comprehensive income

for the period ended 31 December 2018

	Note	Consolidated	
		31 December 2018	31 December 2017
		\$'000	\$'000
Profit/(loss) for the period		436	(852)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		684	4,595
Other comprehensive income for the period, net of tax		1,120	3,743
Total comprehensive income /(loss) for the period from:			
Continuing operations		1,306	3,027
Discontinued operations	12	(186)	716
		1,120	3,743
Total comprehensive income / (loss) for the period attributable to:			
Security holders of Aspen		1,231	3,782
Non-controlling interest	13	(111)	(39)
		1,120	3,743

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

Aspen Group Limited

Condensed consolidated interim balance sheet

as at 31 Dec 2018

	Note	Consolidated	
		31 December 2018	30 June 2018
		\$'000	\$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents		13,994	13,370
Trade and other receivables		3,266	1,950
Assets classified as held for sale	4	1,486	4,157
Inventories		2,920	1,566
Total current assets		21,666	21,043
<i>Non-current assets</i>			
Property, plant and equipment	3	105,829	81,996
Intangible asset	11	24,948	24,250
Other		366	373
Total non-current assets		131,143	106,619
Total assets		152,809	127,662
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		6,867	5,841
Liabilities classified as held for sale	5	108	43
Provisions		1,913	2,402
Total current liabilities		8,888	8,286
<i>Non-current liabilities</i>			
Interest bearing loans and borrowings		30,300	4,700
Total non-current liabilities		30,300	4,700
Total liabilities		39,188	12,986
Net assets		113,621	114,676
Equity			
<i>Equity attributable to equity holders of the parent</i>			
Issued capital	7	490,348	490,361
Reserves	7	7,814	7,130
Accumulated losses		(364,397)	(362,782)
Total equity attributable to equity holders		133,765	134,709
Non-controlling interest	13	(20,144)	(20,033)
Total equity		113,621	114,676

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

Aspen Group Limited

Condensed consolidated interim cash flow statement

for the period ended 31 December 2018

	Notes	Consolidated	
		31 December 2018	31 December 2017
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,785	12,231
Payments to suppliers and employees (Inclusive of GST)		(14,616)	(9,347)
Interest received		118	259
Net cash flows from operating activities		287	3,143
Cash flows (used in)/from investing activities			
Proceeds from sale of assets held for sale, net of selling costs		2,543	31,087
Acquisition of property, plant and equipment and goodwill		(25,529)	(31,368)
Investment in term deposit		-	(2,500)
Net cash flows used in investing activities		(22,986)	(2,781)
Cash flows (used in)/ from financing activities			
Proceeds from borrowings		25,600	-
Payments for security buy-back and transaction costs		-	(1,009)
Payment of financing costs		(257)	(96)
Capital return		-	(5,094)
Distributions paid		(2,020)	(2,531)
Net cash flows used in financing activities		23,323	(8,730)
Net decrease in cash and cash equivalents		624	(8,368)
Cash and cash equivalents at beginning of period (including cash assets classified as held for sale)		13,370	24,451
Less: cash included in assets of disposal groups held for sale		-	(1,765)
Cash and cash equivalents at end of period		13,994	14,318

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

Aspen Group Limited

Condensed consolidated interim statement of changes in equity

for the period ended 31 December 2018

		Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
CONSOLIDATED	Note					
Balance at 1 July 2017		500,985	2,030	(359,467)	(19,979)	123,569
Net profit for the period		-	-	(813)	(39)	(852)
Revaluation of property, plant & equipment		-	4,595	-	-	4,595
Total comprehensive income for the period		-	4,595	(813)	(39)	3,743
Security buy back		(1,009)	-	-	-	(1,009)
Capital Return		(5,094)	-	-	-	(5,094)
Security based compensation		-	-	1	-	1
Distributions payable or paid to the security holders		-	-	(2,120)	-	(2,120)
Balance at 31 December 2017		494,882	6,625	(362,399)	(20,018)	119,090
Balance at 1 July 2018		490,361	7,130	(362,782)	(20,033)	114,676
Net profit for the period		-	-	547	(111)	436
Revaluation of property, plant & equipment	7	-	684	-	-	684
Total comprehensive income/(loss) for the period		-	684	547	(111)	1,120
Securities cancelled	7	(13)	-	-	-	(13)
Security based compensation		-	-	53	-	53
Distributions payable or paid to security holders	6	-	-	(2,215)	-	(2,215)
Balance at 31 December 2018		490,348	7,814	(364,397)	(20,144)	113,621

The above condensed 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 and operating within 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 period ended 31 December 2018 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 and operation of affordable accommodation assets.

The consolidated financial statements were authorised for issue by the Board on 20 February 2019.

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;
- 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 2018. Refer to note 17 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 3:	Property, plant and equipment	Page 24
Note 10:	Business combinations	Page 29
Note 11:	Intangible Assets	Page 29

Comparative information

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

Financial Position

During the period ended 31 December 2018 Aspen recorded a statutory after-tax profit of \$0.436 million (1H FY18: after tax loss of \$0.852 million). At 31 December 2018 Aspen had net assets of \$113.621 million (31 December 2017: \$119.090 million), cash reserves of \$13.994 million (31 December 2017: \$14.318 million) and current assets exceeded current liabilities by \$12.778 million (31 December 2017: \$13.857 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.

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, five tourism parks and two mixed use accommodation parks. These properties cater to permanent and short stay residents.
- 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.
- 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.

- Other – this segment includes income and expenses that are not allocated to an operating segment. This includes corporate overheads, interest income and interest expenses.

Geographical segments

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

Aspen Group Limited

Notes to the condensed consolidated interim financial statements (continued) for the period ended 31 December 2018

Segment information

	Tourism / retirement		Corporate		Non-core		Other		Consolidated	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue ¹	9,409	5,315	4,249	3,991	-	-	-	-	13,658	9,306
Operating EBIT ²	2,986	2,037	1,634	1,690	-	858	(2,755)	(2,641)	1,865	1,944
Finance income	-	-	-	-	-	-	127	249	127	249
Finance costs	-	-	-	-	-	-	(468)	(357)	(468)	(357)
Opening profit / (loss) before income tax	2,986	2,037	1,634	1,690	-	858	(3,096)	(2,749)	1,524	1,836
Non-underlying items ³	(170)	(1,893)	(660)	19	-	(142)	(258)	(672)	(1,088)	(2,688)
Income tax benefit / (expense)	-	-	-	-	-	-	-	-	-	-
Profit / (loss) after tax	2,816	144	974	1,709	-	716	(3,354)	(3,421)	436	(852)

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.

Aspen Group Limited

Notes to the condensed consolidated interim financial statements (continued)

for the period ended 31 December 2018

1. Revenue

	31 December 2018 \$'000	31 December 2017 \$'000
Revenue from accommodation assets	13,638	8,930
Revenue from development activities	20	376
Revenue	13,658	9,306

2. Expenses and other items

	31 December 2018 \$'000	31 December 2017 \$'000
Cost of sales from accommodation assets	5,385	3,580
Direct employee benefits expenses	2,515	1,100
Cost of sales from development activities	25	246
Cost of sales	7,925	4,926

Administration expenses

Salary and wages	1,232	1,347
Superannuation	96	86
Security- based payment expenses	40	1
Less: Employee benefits capitalised	59	(53)
Occupancy costs	92	76
Depreciation	15	63
Corporate administration costs	1,332	1,177
Other expenses	26	167
Administration expenses	2,892	2,864

Property depreciation, fair value adjustments and other

Acquisition costs	178	1,951
Depreciation expense	1,091	653
Fair value adjustment of property, plant & equipment	660	(107)
Change in investment manager, responsible entity and custodian	164	-
Licence Amortisation	25	-
Fair value adjustment on equity investment	-	79
Other provisions	(340)	328
Property depreciation, fair value adjustments and other	1,778	2,904

Finance costs

Interest – bank deposits	127	249
Finance income	127	249
Interest and borrowing costs – loans and borrowings	536	377
Unwinding of discount on provisions	32	52
Finance costs	568	429

Income tax expense

Aspen has a nil income tax expense for the period ended 31 December 2018 as it has unrecognised carried forward tax losses in excess of taxable profits generated during the period.

3. Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Corporate assets \$'000	Total \$'000
Year ended 30 June 2018					
Cost or valuation	47,197	22,024	16,154	407	85,782
Accumulated depreciation and impairment	-	(1,052)	(2,414)	(320)	(3,786)
Net carrying amount	47,197	20,972	13,740	87	81,996
Period ended 31 December 2018					
Movements					
Net carrying amount at the beginning of the year	47,197	20,972	13,740	87	81,996
Additions	6,400	13,040	5,188	-	24,628
Depreciation	-	(426)	(665)	(16)	(1,107)
Revaluation gains / (losses)	-	(324)	348	-	24
Reclassification and transfers	-	406	(118)	-	288
Net carrying amount at the period end	53,597	33,668	18,493	71	105,829
Period ended 31 December 2018					
Cost or valuation	53,597	35,146	21,572	407	110,722
Accumulated depreciation and impairment	-	(1,478)	(3,079)	(336)	(4,893)
Net carrying amount	53,597	33,668	18,493	71	105,829

Valuation of assets

Independent valuations were commissioned for one property during the period. This was in relation to the acquisition of Highway 1 Caravan and Tourist Park. This valuation was considered by the Directors in ascertaining asset valuations as at 31 December 2018.

Level 3 fair value

The fair value measurement of property plant & equipment of \$105.829 million (30 June 2018: \$81.996 million) has been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used.

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

Segment	Percentage of property assets independently valued during the period	Total of latest independent valuation *	Total carrying value ⁽¹⁾
		\$'000	\$'000
Retirement / Tourism	20%	116,750	120,198
Corporate	0%	10,250	10,250
Other	-	-	71
Total	-	127,000	130,519

(1) The carrying values outlined in the above table include goodwill of \$24.691 million as outlined in Note 11, however exclude any non-statutory carrying value adjustments costs which are included in Aspen's NAV as calculated on page 5 of the directors' report.

Aspen Group Limited

Notes to the condensed consolidated interim financial statements (continued)

for the period ended 31 December 2018

4. Assets classified as held for sale

	Assets of disposal group held for sale	Discontinued operations' assets classified as held for sale	Assets classified as held for sale
	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	5,048	30,445	35,493
Additions	-	-	-
Disposed	(3,205)	(27,920)	(31,125)
Other movements	(211)	-	(211)
Fair value adjustments	-	-	-
Closing balance at 30 June 2018 and opening balance at 1 July 2018	1,632	2,525	4,157
Disposed	-	(2,525)	(2,525)
Other movements	(146)	-	(146)
Closing balance at 31 December 2018	1,486	-	1,486

During the period ended 31 December 2018, Aspen settled the sale of Midlands property for \$2.537 million (ex GST). Disposal groups held for sale includes all assets and liabilities pertaining to development syndicates consolidated by Aspen. These development syndicates have all made resolutions to sell all of their remaining assets and liabilities, and to complete an orderly wind up. At 31 December 2018, four development syndicates included in disposal groups held for sale were in liquidation.

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

5. Liabilities classified as held for sale

	Liabilities of disposal group held for sale	Liabilities classified as held for sale
	\$'000	\$'000
Opening balance at 1 July 2017	123	123
Other movements	(80)	(80)
Closing balance at 30 June 2018 and opening balance at 1 July 2018	43	43
Other movements	65	65
Closing balance at 31 December 2018	108	108

Aspen Group Limited

Notes to the condensed consolidated interim financial statements (continued)

for the period ended 31 December 2018

6. Distributions

	Aspen security holders			
	Cents per security		Total amount	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	Cents	Cents	\$'000	\$'000
Paid during the period				
Final distribution for the previous year	2.1	2.5	2,022	2,547
Capital return	-	5.0	-	5,094
Proposed and unpaid at the end of the period				
Interim distribution for the period	2.3	2.1	2,215	2,120

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

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

7. Equity and reserves

	Securities	
	'000 units	\$'000
Movement in stapled securities		
At 1 July 2017	101,897	500,985
Issue of stapled securities	36	38
Capital return*	-	(5,094)
Security buy-back	(5,600)	(5,568)
At 30 June 2018 and 1 July 2018	96,333	490,361
Issue of stapled securities	-	-
Capital return	-	-
Security buy-back and cancellation	(11)	(13)
At 31 December 2018	96,322	490,348

*A special capital distribution of 5 cents per security was declared and paid during the period.

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.

	Revaluation reserve	Total Reserves
	\$'000	\$'000
Reserves		
At 1 July 2017	2,031	2,031
Revaluation of property, plant and equipment, net of tax	5,099	5,099
At 30 June 2018 and 1 July 2018	7,130	7,130
Revaluation of property, plant and equipment, net of tax	684	684
At 31 December 2018	7,814	7,814

8. Earnings per stapled security

	31 December 2018	31 December 2017
Profit for the period attributable to ordinary equity holders of the parent entity (\$ '000)	547	(813)
Basic weighted average number of stapled securities (No. '000)	96,322	101,620
Diluted weighted average number of stapled securities (No. '000)	96,322	102,085
EPS from total operations:		
Basic earnings per stapled security (cents per security)	0.453	(0.800)
Diluted earnings per stapled security (cents per security) *	0.453	(0.800)
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	0.646	(1.543)
Diluted earnings per stapled security (cents per security) *	0.646	(1.543)
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	(0.193)	0.743
Diluted earnings per stapled security (cents per security)	(0.193)	0.740

* 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 period.

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 period after adjusting for the effective dilutive securities granted under security plans accounted for as options and rights granted under employee security plans.

9. Financial risk management

Financial risk management

Aspen Group financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 30 June 2018.

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.

Liquidity risk

Nature of the risk

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

Liquidity risk management

Liquidity risk is managed by monitoring cash flow requirements on 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	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Secured financing facilities		
Cash advance facility	45,000	45,000
Bank overdraft and guarantees	10,000	10,000
	55,000	55,000
Facilities used at balance date		
Cash advance facility	30,300	4,700
Bank guarantees	298	298
	30,598	4,998
Facilities unused at balance date		
Cash advance facility	14,700	40,300
Bank overdraft and guarantees	9,702	9,702
	24,402	50,002

Fair values

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

Fair values (continued)

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.

Valuation of financial instruments (continued)

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 \$0.304 million (30 June 2018: \$0.304 million).

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period ended 31 December 2018 (1H FY18: \$Nil).

The following table shows a reconciliation of movements in Aspen's financial instruments classified as Level 3 within the fair value hierarchy for the periods ended 31 December 2018 and year ended 30 June 2018:

	31 December 2018 \$'000	30 June 2018 \$'000
Opening Balance at 1 July	304	440
<i>Total gains or losses</i>		
In profit or loss	-	(136)
Closing Balance	304	304

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

10. Business combinations

Acquisition of business – accommodation properties

During the period, Aspen acquired a tourism accommodation asset:

- Highway 1 Caravan & Tourist Park

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

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

Goodwill calculations	\$'000
Consideration transferred	23,060
Less: fair value of identifiable net assets	(22,341)
Goodwill	719

10. Business combinations (continued)

Acquisition of business–accommodation properties (continued)

The goodwill is attributable to the value of the existing business which is in excess of property, plant & equipment acquired.

	\$'000
Consideration transferred	
Cash – acquisition of accommodation properties	23,060
	23,060
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	22,341
	22,341

Revenue and profit contribution

The accommodation properties acquired during the period contributed revenues of \$0.706 million and a net profit of \$0.352 million to Aspen for the period from acquisition settlement to 31 December 2018.

11. Intangible assets

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Goodwill	24,691	23,972
Licenses	200	225
Software	57	53
	24,948	24,250

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Movements		
Opening	24,250	17,534
Additions	723	6,741
Amortisation	(25)	(25)
	24,948	24,250

Goodwill - additions

Business combinations during the period as disclosed in note 10, resulted in the acquisition of \$0.719 million of goodwill. This amount is recognised on a provisional basis pending the finalisation of acquisition values of identified assets.

12. Discontinued operations

	Disposal groups held for sale		Non-core operations held for sale		Total discontinued operations	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Results of discontinued operations						
Revenue	-	-	1	1,013	1	1,013
Expenses	(216)	(118)	(13)	(154)	(229)	(272)
Profit / (loss) before income tax	(216)	(118)	(12)	859	(228)	741
Finance income	13	13	-	-	13	13
Gain/(loss) on disposal after income tax	17	17	12	(55)	29	(38)
Net change in fair value	-	-	-	-	-	-
Profit / (loss) after tax from discontinued operations	(186)	(88)	-	804	(186)	716
	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
Assets and liabilities of discontinued operations						
Assets						
Cash and cash equivalents	1,492	1,765	-	-	1,492	1,765
Trade and other receivables	-	-	-	-	-	-
Properties held for sale	-	-	-	2,525	-	2,525
Prepayments and other assets	34	9	-	-	34	9
Total assets	1,526	1,774	-	2,525	1,526	4,299
Liabilities						
Trade and other payables	108	99	-	-	108	99
Provision and other liabilities	-	-	-	-	-	-
Total liabilities	108	99	-	-	108	99
Net assets	1,418	1,675	-	2,525	1,418	4,200

Disposal groups held for sale

Aspen has five development syndicates comprising the disposal groups held for sale.

The disposal group held for sale includes \$1.492 million of cash, which is restricted from use until the wind up of these entities is finalised by an external liquidator. On finalisation of wind up, after settling liabilities and related costs the remaining cash will be paid to Aspen and will be available for use.

Aspen Group Limited

Notes to the condensed consolidated interim financial statements (continued)

for the period ended 31 December 2018

13. Non-controlling interests

	ADF	AWSS	FBSV	ADLL	Total
NCI percentage as at 31 December 2018	24.9%	45.9%	54.6%	56.8%	
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	(15,053)	(3,797)	918	(2,048)	(19,980)
Share of comprehensive income / (expense)	(8)	(40)	9	(14)	(53)
Closing balance at 30 June 2018 and opening balance at 1 July 2018	(15,061)	(3,837)	927	(2,062)	(20,033)
Share of comprehensive income / (expense)	-	-	(106)	(5)	(111)
Closing balance at 31 December 2018	(15,061)	(3,837)	821	(2,067)	(20,144)

Negative non-controlling interests

Aspen has recognised non-controlling interests (NCI) for AWSS, ADF and ADLL as at 31 December 2018 even though these NCIs are negative. AWSS, ADF and ADLL are limited companies, and there is no ability for Aspen to recoup the negative equity attributed to NCI.

14. Commitments and contingencies

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Contingent liabilities		
Defect maintenance periods	2,500	2,500
	2,500	2,500
Operating lease commitments		
<i>Group as lessee (i)</i>		
Within 1 year	1,479	1,477
Greater than 1 year but not more than 5 years	4,008	4,292
More than 5 years	19	85
	5,506	5,854
<i>Group as lessor (ii)</i>		
Within one year	6,321	6,151
Greater than 1 year but not more than 5 years	1,750	4,413
More than 5 years	-	-
	8,071	10,564
Capital commitments (iii)		
<i>Contracted but not provided for and payable:</i>		
Within 1 year (iv)	-	2,107
	-	2,107
Other expenditure commitments		
Bank guarantees issued to third parties	298	298
Insurance bond guarantees	2,500	2,500
	2,798	2,798

14. Commitments and contingencies (continued)

- (i) Aspen leases various offices under non-cancellable operating leases. In addition, Aspen leases properties, under non-cancellable leases, on which it operates accommodation businesses. Operating lease expense for the period was \$0.725 million (1H FY18: \$0.065 million).
- (ii) Relates to leases of Aspen owned properties and former corporate offices sub leased.
- (iii) Comprises commitments to expenditure on property plant & equipment.
- (iv) Relates to contracted development expenditure for development currently underway at Four Lanterns Estate.

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 31 December 2018 or at the date of completion of these condensed consolidated interim condensed financial statements.

15. Subsequent events

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

16. Related party transactions

Related party arrangements during the period are consistent with those at 30 June 2018. Refer to the consolidated financial statements for the year ended 30 June 2018 for details of related party arrangements.

17. Changes in accounting policies

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

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

(b) Recently changed accounting standards

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

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

AASB 9 Financial Instruments

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

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

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

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

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

(ii) Impairment of financial assets

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

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

(iii) Derivatives and hedge accounting

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

(iv) Accounting policies

Policy applicable from 1 July 2018

AASB 9 contains three principal classification categories for financial assets:

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

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

AASB 9 Financial Instruments (continued)

Recoverability of loans and receivables

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

Aspen recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Aspen uses historical information and other current observable data as a means to estimate lifetime ECL. Other current observable data may include:

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

Debts that are known to be uncollectable are written off when identified.

Derivatives and hedge accounting

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

Aspen did not utilise derivatives during the reporting period.

AASB 15 Revenue from Contracts with Customers

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

Classification and measurement of revenue

Revenue is recognised over time if:

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

Where the above criteria is not met, revenue is recognised at a point in time.

The table below summarises the changes in terminology with respect to the timing of revenue recognition between AASB 111 and AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15. From our assessment of when performance obligations are satisfied, there is no change in the timing of revenue recognition when comparing the previous accounting policies to those now under AASB 15.

17. Changes in accounting policies (continued)

(b) Recently changed accounting standards (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Classification and measurement of revenue (continued)

Type of revenue	Description	Revenue Recognition policy under AASB 111 and AASB 118	Revenue Recognition policy under AASB 15
Tourism short stay accommodation revenue	The Group receives revenue from customers for lodging at our properties. These services are typically provided with a short duration of 1-30 days. The customer is invoiced for these services typically at the commencement of their stay at the Groups facilities.	Recognised in the period in which the services are rendered.	Point in time
Tourism annuals and extended stay accommodation revenue	The Group receives revenue from customers for site rental at our properties. Site rental may be in the form of annuals or extended stay visitors who typically store their caravan or similar vehicle in situ for a period greater than 30 days. In the case of annuals, these arrangements are billed on a quarterly basis in advance.	Recognised in the period in which the services are rendered.	Point in time
Retirement land lease community lease income	At a number of the Groups facilities, long term rental arrangements are entered into with tenants. These are lease agreement backed and typically subject to annual escalation clauses which may be CPI or fixed in nature. Billing of the lease rental income is typically conducted fortnightly in advance.	Recognised in the period in which the services are rendered.	Point in time
Development revenue – sale of residences	In retirement communities, the Group sells residences to incoming tenants. These inventory sales may occur following the purchase of existing residences or be the result of the expansion in site numbers at a facility. The sale process involves a contract of sale for the residence where a clear contractual commitment with the purchaser is established.	When significant risk and rewards are transferred	Point in time
Fixed term contracts for the supply of food and lodging	In our corporate asset, a contractual arrangement is in place for the provision of both food and lodging services to the employees of a corporate entity. The contract for these services is of a multi-year duration and provides guaranteed supply of rooms at pre-agreed rates. The services are billed to the corporate entity in arrears on a monthly basis.	Recognised in the period in which the services are rendered.	Point in time

Transition

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

17. Changes in accounting policies (continued)

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

The following standards and amendments to standards are relevant to Aspen.

Reference	Description	Application of standard by the group
AASB 16 Leases	AASB 16 will change the way lessees account for leases by eliminating the current dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be a single, on-balance sheet accounting model that is similar to the current finance lease accounting. Where Aspen is the lessee, this new treatment will result in recognition of a right of use asset along with the associated lease liability in the Consolidated Statement of Financial Position and both a depreciation and interest charge in the Consolidated Statement of Comprehensive Income. In contrast, lessor accounting will remain similar to current practice.	1 July 2019

18. Impact of adopting the new accounting standards

The table below sets out the impact of adopting the new accounting standards set out in note 17.

Reference	Impact
AASB 9 Financial Instruments	Management has assessed the provisions of AASB 9 in respect of trade and other receivables and the impact has been determined as immaterial.
AASB 15 Revenue from contracts with customers	Adoption of this standard has been applied retrospectively. There has been no impact on the Consolidated Trust's current or previously reported financial position as a result of the adoption AASB 15.
AASB 16 Leases	The new leasing model requires the recognition of operating leases on the consolidated balance sheet. In relation to these operating leases, if Aspen adopted the new standard and applied it retrospectively from 01 July 2018, management estimates a decrease to operating retained earnings of \$2.06 million. Assets would increase by \$2.59 million and liabilities would increase by \$3.64 million.

Directors' declaration

1. In the opinion of the directors of Aspen Group Limited:
 - (a) the condensed consolidated interim financial statements and notes on pages 14 to 36, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Aspen's Group's consolidated entity's financial position as at 31 December 2018 and of its performance for the financial period ended on that date; and
 - (ii) complying with Accounting Standards, *Corporations Regulations 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 Chief Executive Officer and Chief Financial Officer for the period ended 31 December 2018.
3. The directors draw attention to the notes to the condensed consolidated interim financial statements, which includes statement of compliance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

Signed in accordance with a resolution of the directors.



Clive Appleton

Chairman

SYDNEY, 20 February 2019