Aspen Group Limited

Appendix 4D and Interim Financial Report

31 December 2021

ASPEN GROUP LIMITED
ABN 50 004 160 927

ASPEN PROPERTY TRUST
ARSN 104 807 767

Appendix 4D
For the period ended
31 December 2021

Results for announcement to the market

Aspen Group Limited & Aspen Property Trust

Details of reporting periods:

Current period	31 December 2021
Corresponding period	31 December 2020

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from continuing operations	up	13.65%	to	20,479
Profit or (loss) after tax	up	206.96%	to	29,269
Profit or (loss) after tax attributable to securityholders of Aspen Group	up	206.96%	to	29,269
Operating profit before tax*	up	15.62%	to	6,121

* 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 2021		31 December 2020	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
3.10	4,327	3.10	3,607

Aspen Property Trust

31 December 2021			31 December 2020		
Period	Cents per Unit	Total $ '000	Period	Cents per Unit	Total $ '000
Jul 21 – Dec 21	3.10	4,327	Jul 20 – Dec 20	3.10	3,607
	3.10	4,327		3.10	3,607

Aspen Group Limited

31 December 2021				31 December 2019			
Period	Cents per Share	Total $ '000	Tax rate for franking credit %	Period	Cents per Share	Total $ '000	Tax rate for franking credit %
Jul 21 – Dec 21	-	-	-	Jul 20 – Dec 20	-	-	-
	-	-			-	-	

Interim distribution dates

Ex-dividend date	30 December 2021
Record date	31 December 2021
Payment date (on or around)	25 February 2022

Net tangible assets per security

	31 December 2021	31 December 2020
Net tangible assets per security*	**$1.47**	**$1.18**

* Includes Right of Use Assets and Net Investment in Sublease

This information should be read in conjunction with the 30 June 2021 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 2021 (attached).

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 December 2021

Interim financial report table of contents

Directors' report

The directors present their report together with the consolidated condensed interim financial statements of Aspen Group ("Aspen") comprising Aspen Group Limited (the "Company") and its subsidiaries, and its stapled entity Aspen Property Trust (the "Trust") and its subsidiaries, for the half-year ended 31 December 2021 ("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:

Clive Appleton	Independent Non-executive Chairman
Guy Farrands	Independent Non-executive Director
John Carter	Executive Director and Joint Chief Executive Officer

Evolution Trustees Limited is the Responsible Entity (RE) of the Trust. The following persons held office as Directors of Evolution Trustees Limited during or since the end of the period:

David Grbin	Non-executive Chairman
Alexander Calder	Non-executive Director
Rupert Smoker	Executive Director
Ben Norman	Alternate Director

Aspen Funds Management Limited is the investment manager. The following persons held office as Directors of Aspen Funds Management Limited during or since the end of the period:

Clive Appleton	Independent Non-executive Chairman
Guy Farrands	Independent Non-executive Director
John Carter	Executive Director
David Dixon	Executive Director

Operating and financial review

Statutory net profit after tax attributable to ordinary equity holders of the parent entity for the period was $29.269 million (up 207% on 1H FY21 of $9.54 million) calculated in accordance with international financial reporting standards (IFRS).

Operating results

Operating Profit for the period was $6.12 million (up 16% from $5.29 million in 1H FY21). A reconciliation between Operating Profit and statutory net profit is shown below.

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 periods, and taking into consideration property industry practices.

Operating results as assessed by the directors for 1H FY22 compared to 1H FY21 were:

- Total revenue from operations and development & trading increased 46% to $26.01 million
- EBITDA increased 16% to $6.94 million
- Operating Profit per security increased 2% to 4.64 cents (based on increase in weighted number of securities from 116.4 million to 131.8 million)
- Ordinary distributions per security remained at 3.10 cents equating to a payout ratio of 67%

Operating and financial review (continued)

Operating results (continued)

- Operating revenue increased 7% to $15.95 million. Park revenue was impacted by a decline in tourism activity due to travel restrictions and lockdowns in NSW and SA due to the COVID-19 pandemic, and also a material decline in revenue at Aspen Karratha Village ("AKV") post expiry of Woodside's lease in January 2021. This was largely offset by increased revenue from all of our residential and land lease properties, and an increase in tourism activity at Darwin Freespirit Resort.
- Net operating income decreased 8% to $6.49 million and operating margin decreased from 47% to 41%, mainly due to a change in business mix, the expiry of Woodside's contract at AKV, and a reduction in government subsidies (eg. Job Keeper subsidies totalling $0.6 million were received for the previous corresponding period and $nil for the current period).
- Development and trading profit increased 196% to $2.88 million[1]. 28 house sales were settled in 1H FY22 at an average margin of approximately $103,000 compared to 11 settlements in 1H FY21 at an average margin of approximately $88,000.
- Management Expense Ratio (MER) reduced to 1.4% (annualised) from 1.7% (annualised) in the previous corresponding period. Net corporate overheads increased 19% to $2.43 million. Gross overheads were $2.92 million and project management fees earned on the Mill Hill Capital funds' projects totalled $0.49 million.
- Net finance expense increased 21% to $0.81 million due to an increase in debt and interest rates.

[1] For the purposes of presenting operating profit, the profit earned from the sale of Perth Houses is based on cash profit. The cash profit is calculated based on the sales proceeds less actual costs of the properties, ignoring the effects of revaluations made in prior periods.

Note that all the tables below have not been reviewed by Deloitte Touche Tohmatsu.

Operating Profit:

	1H FY22 ($'000)	1H FY21 ($'000)	% Change
Operating revenue	**15,954**	14,876	7%
Operating expenses	**(9,462)**	(7,829)	21%
Net operating income (NOI)	**6,492**	7,047	(8%)
Operating margin	**41%**	47%	
Revenue from development and trading activities**	**10,051**	2,894	247%
Cost of sales	**(7,174)**	(1,922)	273%
Development and trading profit	**2,877**	972	196%
Development and trading margin (profit / revenue)	**29%**	34%	
Operating and development and trading net income	**9,369**	8,019	17%
Net corporate overheads	**(2,434)**	(2,054)	19%
EBITDA	**6,935**	5,965	16%
Net finance expense	**(814)**	(671)	21%
Tax*	**-**	-	
Operating profit	**6,121**	5,294	16%
Securities (weighted)	**131,820**	116,359	13%
Operating profit per security (cents)	**4.64**	4.55	2%
Ordinary distributions per security (cents)	**3.10**	3.10	0%

* For the purpose of illustrating operating profit above, the net deferred tax asset movement has been excluded.

** Revenue from development includes proceeds from sale of investment properties totalling $6.082 million which is excluded from the statutory revenue reported.

Directors' Report (continued)

Operating and financial review (continued)

Operating results (continued)

Reconciliation of Statutory Profit and Operating Results:

	1H FY22 ($'000)	1H FY21 ($'000)	% Change
Statutory net profit attributable to parent entity	**29,269**	9,535	207%
Adjustments:			
Depreciation of property, plant and equipment	471	354	
Asset revaluation gains [1]	(20,734)	(4,832)	
Reversal of previous impairment on property, plant and equipment	(2,876)	-	
Fair value loss on retirement village resident loans	131	-	
Asset transaction costs & other	610	237	
Deferred tax benefit recognised	(750)	-	
Operating profit	**6,121**	5,294	16%
Net finance expense	814	671	
EBITDA	**6,935**	5,965	16%
Net corporate overheads and other	2,434	2,054	19%
Operating and development & trading net income	**9,369**	8,019	17%

[1] Excludes revaluation gains on Perth residential houses which are recognized in development & trading income based on cash profit. The cash profit is calculated based on the sales proceeds less actual costs of the properties, ignoring the effects of revaluations made in prior periods.

Directors' Report (continued)

Operating and financial review (continued)

Operating results (continued)

Balance Sheet

Aspen's balance sheet is below. As at 31 December 2021, compared to 30 June 2021:

- Total assets increased 46% to $358.73 million
- Total property assets increased by 48% to $338.74 million. During the half-year, Aspen acquired three investment properties: the Wodonga Gardens Estate retirement community in West Wodonga VIC for $22.07 million[1 2], the Meadowbrooke retirement community in Boyanup WA for $3.26 million[1], and a Portfolio of Perth Apartments in WA for $52.00 million[1].
- Six properties were independently revalued during the period (in addition to the new acquisitions above): Four Lanterns ($19.25 million from $12.44 million at 30 June 2021), Sweetwater Grove ($16.30 million from $13.63 million at 30 June 2021), Koala Shores ($11.50 million from $9.75 million at 30 June 2021), Darwin Freespirit ($23.50 million from $17.59 million at 30 June 2021), Kiah Treatts ($8.90 million from $7.00 million at 30 June 2021), and Kalinda Pacific ($4.90 million from $5.06 million at 30 June 2021).
- Total financial debt increased to $112.07 million as a result of funding the 3 acquistions during the period. Gearing (net financial debt / total assets less cash less resident loans) increased from 28% to 32% which is at the low end of our long term target range of 30-40%
- During the period, the Group issued 23.2 million new stapled securities at $1.33 per security via institution placements and a share purchase plan to eligible securityholders. The proceeds were primarily used to fund the acquisition of the Perth Apartments WA.
- NAV per security increased by 15% to $1.51

[1] Based on purchase price, excluding transaction costs

[2] Leases at these properties are regulated under Retirement Village Act and residents are obligated to pay Deferred Management Fees (DMF) under contracts. The independent valuation reflects the fair value of the estimated DMF revenue stream plus the fair value of spare land. The book value grosses up for the value of the freehold land and buildings that are owned by Aspen and leased to the residents. Corresponding resident loans and deferred revenue (DMF) are recorded as liabilities in the balance sheet.

	31 December 2021 ($'000)	30 June 2021 ($'000)	% Change
Investment properties	**310,431**	209,774	
Investment properties held for sale	**-**	1,200	
Inventories – Mt Barker land	**4,719**	-	
Property, plant and equipment	**23,586**	17,680	
Carrying value of properties	**338,736**	228,654	48%
Cash	**7,793**	8,277	
Other assets	**12,197**	9,565	
Total assets	**358,726**	246,496	46%
Financial debt	**112,071**	74,197	51%
Other liabilities	**36,317**	19,748	84%
Total liabilities	**148,388**	93,945	58%
Net Asset Value	**210,338**	152,551	38%
NAV per security ($)	**1.51**	1.31	15%

Environmental, Social, and Corporate Governance

Aspen aims to be a trusted and ethical business wherever our operations are located and in doing so, return value to investors as well as local stakeholders. This objective applies across our business of owning, operating and developing real estate.

The needs of current and future generations are at the heart of our decision-making processes. Our key decisions recognise the interdependence between environment, people and economics. Sustainability practices underline our day-to-day operations and are integrated into our organisational culture, stakeholder engagement, governance and management practices. This environment helps our people excel and our customers and communities to prosper. Aspen's employees proudly deliver sustainable outcomes for investors, customers, communities and the environment.

Social

Aspen improves society and reduces inequality by providing quality accommodation on affordable terms to a wide variety of Australian households in residential, retirement and park communities. Many of our customers are disadvantaged with below-average wealth and income, and therefore find it difficult to secure suitable accommodation. We typically rent dwellings for under $400 per week and land sites for under $200 per week and sell new houses at our land lease communities for under $400,000.

Aspen values quality stakeholder relationships that are connected, responsive and collaborative. Through these relationships we understand the communities' needs, aspirations, cultures and their sense of place. We support our customers in a variety of ways so that they can live happier and healthier lives. For instance, we foster a social, diverse and inclusive culture in our communities by providing on-site management, customer services and community spaces and facilities. This gives our customers a sense of home and meaningful connections to the community. We often collaborate with charitable organisations suchs as the Salvation Army and churches to help people with extra needs.

Some of our properties are located in past and present Indigenous communities and we actively seek to help these communities and conserve heritage items. For instance, to help protect the Barlings Beach Aboriginal Place, we completed an archaeological dig within our Barlings Beach park community with the assistance of the Mogo Local Aboriginal Land Council. Another example is the protection and proposed public display of an Aboriginal Scar Tree within our Mount Barker residential community.

Environmental

With a growing portfolio of properties located across Australia, the environmental impact of our communities, environmental risks, and opportunities to mitigate risks and reduce our ecological footprint are a key focus of our ESG program.

Looking after the environment, today and for future generations is essential. We recognise the need to continually reduce environmental impacts, work towards sustainable resource use and ensure emissions are at or below levels that can be reabsorbed without harm. Additionally, we apply the precautionary principle when considering environmental impacts: uncertainty in the long-term outcomes of environmental effects should not delay action to reduce pollution and reduce consumption of non-renewable materials. Aspen has a carbon emission reduction target for the assets that it controls that is in accordance with the 2015 Paris Agreement.

Our portfolio is highly diversified in terms of age, location and community types which presents some challenges and opportunities around environmental impacts and performance, and we consider this through our acquisition, operating and development processes. In reviewing our environmental performance and objectives we consider not only the impact of our own operations but the performance of the dwellings within our communities that are owned by our customers.

Reduced resource use, energy intensity and CO_2 emissions are inherent in Aspen's business model because we provide accommodation with some or all the following attributes:

- Communal living – more efficient sharing of resources such as living, dining, entertaining and recreational spaces, and transport (eg. community bus)
- Dwelling size less than half the Australian average for new homes – about 40% of household energy use is for temperature control (heating and cooling) and this is proportional to floorspace
- New homes and community facilities with improved building techniques, designs and materials that meet current regulated building standards including energy efficiency (eg. replacing obsolete vans/annexes with highly insulated modern dwellings that require significantly less energy to operate)
- Renewable energy installations such as rooftop solar, solar-boosted gas/electric water heaters and solar street lighting – we intend to install batteries at our properties if they become economic for our customer base
- Water saving devices and recycling – clean water requires energy to produce and distribute
- Community gardens – local food production reduces transport requirements and absorbs CO_2
- Recycling and composting facilities – composting food reduces CO_2 emissions relative to burying food
- Relatively high levels of vegetation that absorbs CO_2

Enironmental, Social, and Corporate Governance (continued)

***Environmental* (continued)**

- Replacing our vehicles with more efficient or electric/hybrid versions when appropriate
- Metering – making customers more aware of their electricity, gas and water use and charging directly for it to influence behaviour

We continually embrace new technologies to deliver innovative products and services to our customers whilst minimising costs and our ecological footprint.

Some of our properties, particularly our park communities, are located in attractive natural environments and are therefore subject to heightened environmental risks and increasing insurance costs. This includes properties located along coastlines and other waterways and close to bushland, which increases the risks of erosion, flood and fire. We also own properties in regions where cyclones are common such as Karratha and Darwin. We seek to protect these properties through, amongst other things, undertaking physical risk assessments, constructing more robust buildings and infrastructure and maintaining them well, and good land management practices such as bushfire management programs and maintaining sand dunes and natural waterways. None of Aspen's properties have suffered material physical damage from flood, fire or cyclones over the past 10 years.

Sustainable Procurement

Aspen has commenced a review of its procurement processes to understand how ESG considerations could be more deeply embedded into its processes. Based on this review, we will identify a prioritised set of initiatives to ensure we are appropriately managing ESG risk in our supply chain, including considering modern slavery as a priority.

The Property Council of Australia has established and launched a supplier platform for Modern Slavery reporting. The initiative aims to engage suppliers to the industry via a common modern slavery questionnaire, and achieve greater consistency, efficiency and transparency in reporting. Aspen may invite its key suppliers across its highest risk categories to disclose their labour management practices via the tool, which will allow us to deepen our understanding of modern slavery risk in our supply chain and identify areas for further supplier engagement.

Due to the types of inputs Aspen uses and that the majority are produced and sourced onshore, we believe the risk is low.

Employees

Aspen's employees provide a competitive advantage for our business, with a high level of sector knowledge and expertise that is critical to our overall business performance. The wellbeing and engagement of our team is essential in providing quality communities for our residents and guests and ensuring the ongoing growth and success of the business.

We work to maintain a performance oriented and inclusive culture, to attract, develop and retain talented people, and to drive a high level of employee engagement and success. We embrace and value all employee differences including gender, gender-identity, age, culture, race, religion and lifestyle choices, and support each of our employees to achieve their potential and their career goals. Our commitment to diversity extends to all aspects of employment, from recruitment to career development, promotion and remuneration. We recognize the competing demands that are often placed on employees outside of work and we seek to provide appropriate options to achieve work-life balance.

We are committed to improving diversity and in particular, the number of females in leadership and other traditionally male dominated roles within the business. Some of the leadership roles held by females include our Head of Marketing & Sales and Operations Manager. We have also increased the proportion of female property managers. Our senior management team including all our head office employees and our property managers is currently 45% female.

Aspen's rapid business growth has created significant opportunities for employees. We believe that investing in the development of our people will benefit the business as well as motivate individual employees to achieve their own career objectives while delivering sustainable results. Our development, talent and succession planning processes seek to ensure that we maximise learning and progression for our people and continue to attract and retain individuals aligned with our vision and values. These processes include:

- A defined performance management process that sets clear and measurable goals for individual employees that are aligned with the Group's strategy, culture and values
- Continuous performance reviews
- Career development planning
- Customer service training for all levels of the business
- Role-specific training across all departments

Environmental, Social, and Corporate Governance (continued)

Employees **(continued)**

Individual performance is regularly assessed both internally and through customer feedback and all of our head office employees and senior management at the properties can benefit from Aspen's incentive schemes.

Occupational Health and Safety

In operating and developing our communities the safety and health of our people, residents and guests is paramount. We continue to create and maintain safe and healthy environments, ensuring that the operations of the Group are conducted in a manner which safeguards the health and wellbeing of our teams, residents, guests, contractors and other visitors to our communities. Relevant staff have KPIs which are related to health and safety, reinforcing the importance of our health and safety framework. We ensure that contractors who control development activity and tradespeople hold appropriate accreditation standards for health, safety, environment and quality and are appropriately inducted on work practices required at our sites.

We engage the services of Donesafe, insurers and other experts to provide support and training to on the ground teams, to help identify and mitigate health and safety risks, and to help ensure compliance with relevant legislation. Ensuring that we have adequate resources and processes to address risks to health and safety, responding to any issues in a timely manner and reporting to management and the Board are key priorities.

We also continue to review and implement the requirements of each state's COVID-19 Safety Plans to ensure the safety of all our employees and customers, including providing encouragement to all our employees to be fully vaccinated.

Governance

Aspen Group comprises the stapled head entities Aspen Group Limited and Aspen Property Trust. Aspen Group Limited is a company with a Board of Directors. Aspen Property Trust is a trust governed by a Responsible Entity, Evolution Trustees Limited which is independent from Aspen Group Limited and has its own Board. Between the two entities' Boards, there are currently six members of which four are considered independent. The member of the AGL Board who is considered non-independent is the Joint Chief Executive Officer by virtue of his executive role and substantial shareholding in Aspen Group.

Aspen's governance framework is led by the Aspen Group Limited Board and the senior executives. They currently focus on the following from a sustainability perspective:

- The health and safety of employees, contractors, customers and visitors
- Legal and regulatory requirements
- Environmental impacts
- Stakeholder engagement

The Board has ultimate responsibility for ensuring that Aspen's sustainability strategies are robust and that systems are in place for managing Aspen's key areas of sustainability risk and opportunity.

Our senior executives ensure that the organisation continues to perform in a way that demonstrates integrity on our environmental position, our commitment to the communities in which we operate and the opportunities we provide for our people and business partners to contribute to current and future generations.

Our current Key Management Personnel include the Joint Chief Executive Officers. They are aligned to the long-term performance of Aspen Group through their substantial personal shareholdings and the structure of their remuneration packages with 50% of total remuneration deferred for up to 3 years and subject to vesting conditions including qualitative and quantitative performance measures.

Aspen's Corporate Governance Statement is available on its website at

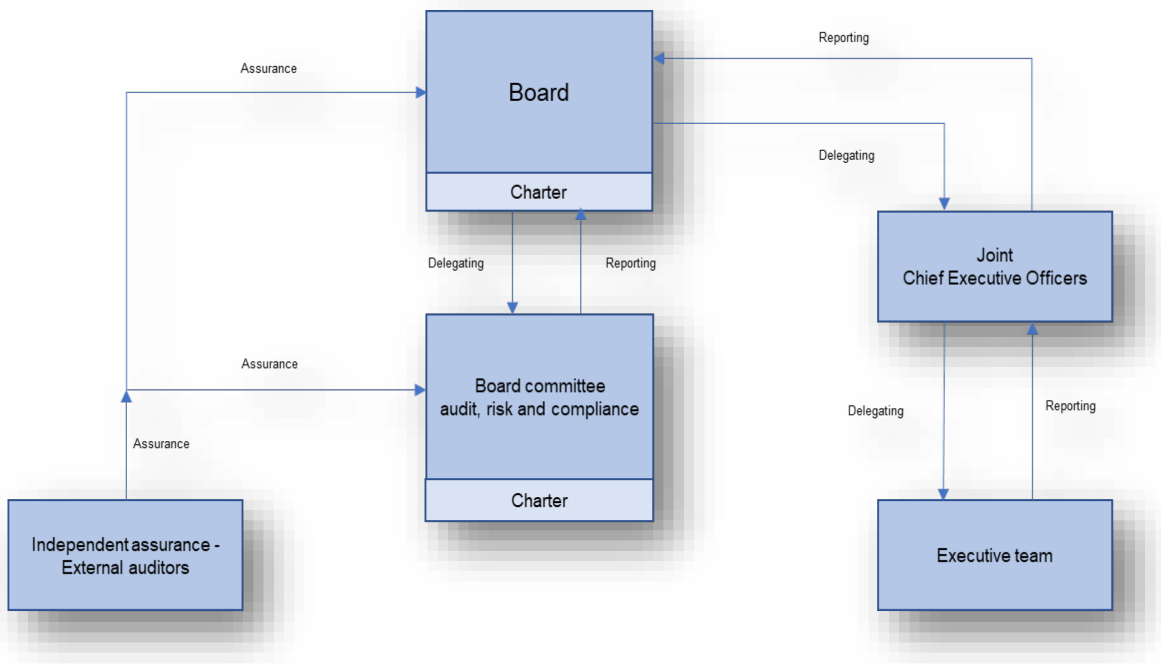
http://www.aspengroup.com.au/shareholder-information/corporate-governance/

Aspen's governance framework is outlined below, showing the relationship between the Board, its Committees and the Joint CEOs position.

Environmental, Social, and Corporate Governance (continued)

***Governance* (continued)**

External Governance Framework



Likely developments

Aspen intends to continue to pursue opportunities in the affordable accommodation sector through acquisitions and developing existing assets.

Safety and environment

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

Significant changes in the state of affairs

Other than as noted elsewhere in this Directors' Report, there were no significant changes in the state of affairs of Aspen that occurred during the period.

Proceedings on behalf of the company

No person has applied for leave to the Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of Aspen, or intervened 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.

Principal activities

The principal activities of Aspen during the half-year period were owning, operating and developing properties in the affordable accommodation sector. There was no significant change in the nature of the activities of Aspen during the period.

Distributions

On 16 December 2021, Aspen announced a distribution of 3.10 cents per security in respect of the half-year ended 31 December 2021. This distribution is payable to securityholders on or around 25 February 2022.

Events subsequent to reporting date

The impacts of COVID-19 have continued into the second half of FY22, and to the date of this financial report, Aspen Group's operating conditions are largely unchanged. While Aspen's operating environment is expected to improve over the next 12 months with inbound migration and tourism restrictions lifted, the Group remains prudent in monitoring longer stay versus short stay patronage and continues to monitor and exercise tight control of costs. The Directors believe Aspen Group will continue to perform relatively well in the current environment due to pent-up travel demands, and domestic households and tourists continuing to seek lower cost accommodation in attractive locations. Nonetheless there is still uncertainty due to the COVID-19 pandemic and the Group's operating performance may continue to be negatively impacted.

On 24 February 2022, Aspen announced a proposal to acquire the Marina Hindmarsh Island Fund (MHIF) for total consideration of 16.2m APZ securities with a notional value of $24.5m at Aspen's NAV of $1.51 per security. MHIF shareholders can elect to receive up to $4.0m of the consideration in cash. The transaction is subject to several conditions including Aspen securityholder approvals and MHIF shareholders agreeing to the transaction and entering into formal documentation.

Other than as disclosed above, 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 10 and forms part of the Directors' Report.

Rounding off

The Consolidated Group is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial 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, 24 February 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors of Aspen Group Limited and the
Responsibility Entity of Aspen property Trust
Upper Ground, 285A Crown St
Surry Hills NSW 2010

24 February 2022

Dear Board Members

Aspen Group Limited and the
Responsibility Entity of Aspen Property Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aspen Group Limited and the directors of the Responsibility Entity of Aspen Property Trust.

As lead audit partner for the review of the financial report of Aspen Group Limited and Aspen Property Trust for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

Independent Auditor's Review Report to the Stapled Security Holders of Aspen Group Limited and Aspen Property Trust

Conclusion

We have reviewed the half-year financial report of Aspen Group Limited (the "Company"), Aspen Property Trust (the "Trust") and their subsidiaries (together referred to as the "Group"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2021, and the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 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*.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 24 February 2022

Interim Consolidated Financial Statements Contents

Aspen Group Limited
Condensed consolidated interim statement of profit or loss
for the period ended 31 December 2021

	Note	CONSOLIDATED 31 December 2021 $'000	31 December 2020 $'000
Continuing operations			
Rental income		**14,499**	13,712
Home sales		**3,970**	2,894
Food and Beverage, other ancillary sales, and net gaming revenue		**1,520**	1,164
Other revenue	1	**490**	250
Total revenue		**20,479**	18,020
Other income – insurance claim	2	**-**	577
Net fair value gain on Investment properties		**22,068**	4,832
Reversal of previous impairment on property, plant and equipment		**2,876**	-
Gain from sale of investment properties		**157**	-
Fair value loss on retirement village resident loans	12	**(131)**	-
Expenses and other items			
Operational expenses	2	**(2,162)**	(2,759)
Property expenses	2	**(4,281)**	(3,143)
Cost of Homes sold		**(2,584)**	(1,922)
Employee expenses	2	**(5,454)**	(3,679)
Administration expenses	2	**(827)**	(786)
Depreciation and amortisation expenses		**(471)**	(354)
Other expenses		**(1,212)**	(605)
Total expenses		**(16,991)**	(13,248)
Earnings before interest and income tax expense (EBIT)		**28,458**	10,181
Finance income	2	**75**	99
Finance costs	2	**(865)**	(736)
Other finance income / cost – fair value gain / (loss) on interest rate swaps		**851**	(9)
Profit before income tax		**28,519**	9,535
Income tax benefit		**750**	-
Profit from continuing operations		**29,269**	9,535
Profit for the year		**29,269**	9,535
Profit attributable to ordinary equity holders of the parent entity		**29,269**	9,535
Profit/(Loss) attributable to non-controlling interest	11	**-**	-
Profit for the year		**29,269**	9,535
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations		Cents	Cents
Basic earnings per security	7	**22.20**	8.19
Diluted earnings per security	7	**22.00**	8.19
Earnings per security attributable to ordinary equity holders of the parent entity		Cents	Cents
Basic earnings per security	7	**22.20**	8.19
Diluted earnings per security	7	**22.00**	8.19

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

Condensed consolidated interim statement of comprehensive income

for the period ended 31 December 2021

		CONSOLIDATED	
	Note	**31 December 2021 $'000**	31 December 2020 $'000
Profit for the year		**29,269**	9,535
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		**2,945**	-
Total comprehensive income for the year, net of tax		**32,214**	9,535
Total comprehensive income for the year from:			
Continuing operations		**32,214**	9,535
		32,214	9,535
Total comprehensive income for the year attributable to:			
Securityholders of Aspen		**32,214**	9,535
Non-controlling interests		**-**	-
		32,214	9,535

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

Aspen Group Limited
Condensed consolidated interim statement of financial position
as at 31 December 2021

		Consolidated	
		31 December 2021	30 June 2021
	Note	**$'000**	$'000
Assets			
Current assets			
Cash and cash equivalents		**7,793**	8,277
Trade and other receivables		**3,517**	1,556
Investment property assets held for sale		**-**	1,200
Inventories		**5,664**	1,081
Net Investment in sublease	14	**799**	1,256
Total current assets		**17,773**	13,370
Non-current assets			
Investment properties	4	**310,431**	209,774
Property, plant and equipment	3	**23,586**	17,680
Intangible asset		**120**	103
Right of use assets	13	**705**	798
Deferred tax assets		**4,750**	4,000
Net Investment in sublease	14	**-**	158
Derivative asset	10	**851**	-
Other		**510**	613
Total non-current assets		**340,953**	233,126
Total assets		**358,726**	246,496
Liabilities			
Current liabilities			
Trade and other payables		**10,058**	9,023
Resident loans	12	**19,776**	6,420
Provisions		**1,324**	1,473
Lease liability	15	**1,137**	1,630
Deferred management revenue (DMF)	16	**701**	-
Total current liabilities		**32,996**	18,546
Non-current liabilities			
Interest bearing loans and borrowings	8	**112,071**	74,197
Deferred management revenue (DMF)	16	**2,693**	-
Lease liability	15	**628**	937
Derivative liability	10	**-**	265
Total non-current liabilities		**115,392**	75,399
Total liabilities		**148,388**	93,945
Net assets		**210,338**	152,551
Equity			
Equity attributable to equity holders of the parent			
Issued capital	6	539,212	509,745
Reserves	6	4,359	981
Accumulated losses		**(329,396)**	(354,338)
Total equity attributable to equity holders		**214,175**	156,388
Non-controlling interest	11	**(3,837)**	(3,837)
Total equity		**210,338**	152,551

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

Aspen Group Limited
Condensed consolidated interim statement of cash flows
for the period ended 31 December 2021

		Consolidated	
		31 December 2021	31 December 2020
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**21,804**	18,312
Receipts from government incentives		**-**	827
Payments to suppliers and employees (inclusive of GST)		**(17,023)**	(14,401)
Net cash flows from operating activities		**4,781**	4,738
Cash flows used in investing activities			
Proceeds from sale of investment property assets, net of selling costs		**5,876**	-
Acquisition of property, plant and equipment		**(429)**	(373)
Acquisition of investment properties, including transaction costs [1]		**(37,708)**	(11,224)
Interest received		**75**	99
Net cash flows used in investing activities		**(32,186)**	(11,498)
Cash flows from financing activities			
Proceeds from borrowings		**3,558**	11,054
Proceeds from net investment in sublease		**615**	492
Payment of financing and borrowing costs		**(1,737)**	(733)
Payment of lease liability		**(802)**	(584)
Distributions paid		**(4,075)**	(3,776)
Issue of shares, net of issue costs		**29,362**	-
Net cash flows from financing activities		**26,921**	6,453
Cash and cash equivalents at beginning of the period		**8,277**	8,161
Net decrease in cash and cash equivalents		**(484)**	(307)
Cash and cash equivalents at end of period		**7,793**	7,854

[1] 1H FY22 excludes the non-cash impact of:

- Funding from borrowings for acquisition of Meadowbrooke Lifestyle Estate ($3.09 million) and Perth Apartments ($31.44 million) which were arranged to be paid directly to the vendor on settlement date

The above condensed consolidated statement of cash flows 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 2021

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 July 2020		509,715	201	(372,049)	(3,837)	134,030
Net profit for the period		-	-	9,535	-	9,535
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	9,535	-	9,535
Security based compensation		-	217	-	-	217
Distributions payable or paid to security holders	5	-	-	(3,607)	-	(3,607)
Issue of stapled securities		31	-	-	-	31
Balance at 31 December 2020		509,746	418	(366,121)	(3,837)	140,206
Balance as at 1 July 2021		**509,745**	**981**	**(354,338)**	**(3,837)**	**152,551**
Net profit for the period		**-**	**-**	**29,269**	**-**	**29,269**
Revaluation of property, plant & equipment		**-**	**2,945**	**-**	**-**	**2,945**
Total comprehensive income for the period		**-**	**2,945**	**29,269**	**-**	**32,214**
Security based compensation	6	**-**	**433**	**-**	**-**	**433**
Distributions payable or paid to security holders	5	**-**	**-**	**(4,327)**	**-**	**(4,327)**
Issue of stapled securities, net of transaction costs	6	**29,467**	**-**	**-**	**-**	**29,467**
Balance at 31 December 2021		**539,212**	**4,359**	**(329,396)**	**(3,837)**	**210,338**

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

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 unitholders 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 owning, developing and operating affordable accommodation assets.

The Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen's registered office is Suite 21, 285A Crown Street, Surry Hills, New South Wales 2010.

The consolidated financial statements of Aspen as at and for the half year ended 31 December 2021 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.

The consolidated financial statements were authorised for issue by the Board on 24 February 2022.

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

- has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 as appropriate for for-profit entities;
- complies with International Financial Reporting Standards (IFRS) IAS 134 *Interim Financial Reporting*;
- the principal accounting policies adopted are consistent with those in the previous financial year and corresponding interim reporting period, unless otherwise stated;
- 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;
- 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 2021. Refer to note 18 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public annoucemens made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 judgements, 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 25
Note 4	Investment properties	Page 27

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;

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 period ended 31 December 2021 Aspen recorded a profit after tax of $29.269 million (31 December 2020: profit after tax of $9.535 million). At 31 December 2021 Aspen had net assets of $210.338 million (30 June 2021: $152.551 million), cash reserves of $7.793 million (30 June 2021: $8.277 million).

The consolidated statement of financial position also shows a net current asset deficiency as at 31 December 2021 totalling $15.223 million (30 June 2021: $5.176 million). This position arises solely as a result of the current classification of Resident Loans totalling $19.776 million (30 June 2021: $6.420 million) which as described in Note 12 are not expected to result in an equivalent outflow of funds during the next twelve months.

In addition, the potential funds from the incoming residents that is used to settle the outgoing resident loans are recognised as part of the carrying value recognised in the Investment Properties as Non-Current Assets resulting in a mismatch between the liabilities recognised as current against an underlying asset recognised as non-current.

Financial position (continued)

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

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

Comparatives

Certain comparatives have been reclassified to align with the current period presentation.

Operating segments

Aspen has four operating segments as detailed below, that offer different products and services and are based on Aspen's management reporting and oversight.

The identification of Aspen's operating segments has changed since the comparative half year reporting period ending 31 December 2020, but remains consistent with the segment reporting included in the Group's full year financial statements for the financial year ending 30 June 2021. The 2020 comparative information has been reclassified to align with the operating segments identified in the current 2021 reporting period.

The following details the operating and reporting segments, namely residential, retirement communities, park communities and other:

- Residential – this segment consists of the two Lindfield apartment buildings, the Perth House Portfolio, the Cooks Hill co-living community, the Burleigh Heads residential community, the Mount Barker land site, the Upper Mount Gravatt co-living community, and the Perth Apartment Portfolio
- Retirement Communities – this segment consists of six communities that cater to customers who are typically over-50 years old including Four Lanterns, Sweetwater Grove, Mandurah Gardens, Lewis Fields, Wodonga Gardens, and Meadowbrooke
- Park Communities – this segment consists of seven park communities that cater to a broad range of customers on varying lease types and terms
- Other – this segment includes items that are not allocated to an operating segment. This includes corporate overheads and income, interest income and interest expense.

Operating segments (continued)

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. The operating results of all segments are reviewed regularly by Aspen's Joint Chief Executive Officers (Chief Operating Decision Makers – "CODM") 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 CODM 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 and are allocated to the "other" segment.

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 based in Australia and has its current operating activities are spread throughout Australia. There are no other geographical segments.

	Residential		Retirement Communities		Park Communities		Other		Consolidated	
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020	**31 Dec 2021**	31 Dec 2020	**31 Dec 2021**	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Rental income	**2,788**	1,046	**2,237**	1,738	**9,474**	10,928	**-**	-	**14,499**	13,712
Home sales[1]	**6,081**	-	**3,970**	2,894	**-**	-	**-**	-	**10,051**	2,894
Food and Beverage and other ancillary sales	**-**	-	**-**	-	**1,520**	1,164	**-**	-	**1,520**	1,164
Other revenue	**-**	-	**-**	-	**-**	-	**490**	250	**490**	250
Total segment revenue [2]	**8,869**	1,046	**6,207**	4,632	**10,994**	12,092	**490**	250	**26,560**	18,020
Operating EBITDA [3]	**2,513**	647	**2,693**	1,994	**4,163**	5,379	**(2,434)**	(2,055)	**6,935**	5,965
Finance income	**-**	-	**-**	-	**-**	-	**2**	3	**2**	3
Finance costs	**-**	-	**-**	-	**-**	-	**(816)**	(674)	**(816)**	(674)
Operating profit / (loss) before depreciation and income tax	**2,513**	647	**2,693**	1,994	**4,163**	5,379	**(3,248)**	(2,726)	**6,121**	5,294
Depreciation and amortisation	**-**	-	**-**	-	**(332)**	(326)	**(139)**	(28)	**(471)**	(354)
Net Fair value gain/(loss) on Investment properties	**6,011**	-	**9,357**	(53)	**5,235**	4,885	**-**	-	**20,734**	4,832
Reversal of previous impairment on property, plant and equipment	**-**	-	**-**	-	**2,876**	-	**-**	-	**2,876**	-
Fair value loss on retirement village resident loans	**-**	-	**(131)**	-	**-**	-	**-**	-	**(131)**	-
Other income / (expenses) [4]	**(594)**	(745)	**(400)**	-	**66**	-	**318**	(69)	**(610)**	(814)
Insurance claim proceeds	**-**	-	**-**	-	**-**	-	**-**	577	**-**	577
Income tax benefit	**-**	-	**-**	-	**-**	-	**750**	-	**750**	-
Profit / (loss) after tax attributable to parent entity	**7,930**	(98)	**11,519**	1,941	**12,008**	9,938	**(2,319)**	(2,246)	**29,269**	9,535
Segment assets and liabilities reviewed by CODM can be analysed as follows										
Segment assets	**130,620**	44,717	**84,963**	39,284	**123,067**	101,606	**20,076**	19,835	**358,726**	205,442
Segment liabilities	**-**	-	**-**	-	**-**	-	**(148,388)**	(65,236)	**(148,388)**	(65,236)
Net assets / liabilities	**130,620**	44,717	**84,963**	39,284	**123,067**	101,606	**(128,312)**	(45,401)	**210,338**	140,206

[1] *Home sales revenue includes proceeds on sale of Perth residential investment properties totalling $6.081 million, consistent with reporting format to CODM . This is excluded from statutory revenue and recognised on a net basis as 'Gain from sale of investment properties' totalling $0.157 million.*

[2] *All segment revenues are derived from external customers.*

[3] *Operating EBITDA represents earnings before interest, tax, depreciation and amortisation and excludes non-underlying items.*

[4] *Other expenses are expenses which are excluded from CODM's review of operating profits. This includes expenses such as share-based payments, fair value adjustment on interest rate swaps, and asset acquisition transaction costs.*

1. Revenue

(a) Other revenue

	31 December 2021 $'000	31 December 2020 $'000
Management fees	**490**	200
Miscellaneous income	**-**	50
Total other revenue	**490**	250

Recognition and measurement

Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental income (short and long stay) is recognised on a straight-line basis over the accommodation period. Fixed rental increases are recognised on a straight-line basis until the next market review date. Rent received in advance is recognised as contract liabilities.

Revenue from the sale of homes is recognised at the point in time when control of the home is transferred to the customer, being on settlement of the sale of the home.

Food and beverage, other ancillary revenue, and net gaming revenue are recognised when the provision of the service is provided to the customer.

Management fees are recognised over the period the provision of the related service is transferred to the customer.

Interest income is recognised as the interest accrues, using the effective interest rate method.

2. Other income / Expenses and other items

(a) Other income – insurance claim

In HY2021, the Group made claims for material damages and business distruption arising from the bush fires in FY2020 at two of its parks, Barlings Beach Holiday Park and Tween Waters Holiday Park. The parties agreed to a net payment to Aspen of $577k (after deductibles and expenses). There were no claims made in HY2022.

(b) Operational expenses

	31 December 2021 $'000	31 December 2020 $'000
Contractors	**(117)**	(803)
Consumables	**(565)**	(579)
Services and supplies	**(550)**	(457)
Marketing expenses	**(90)**	(95)
Other operational costs	**(840)**	(825)
Total operational expenses	**(2,162)**	(2,759)

2. Expenses and other items (continued)

(c) Property expenses

	31 December 2021 $'000	31 December 2020 $'000
Repairs and maintenance	**(422)**	(346)
Motor vehicle expenses	**(42)**	(40)
Utilities	**(1,648)**	(1,468)
Insurance	**(815)**	(698)
Rates and taxes	**(1,057)**	(583)
Other property expenses	**(297)**	(8)
Total property expenses	**(4,281)**	(3,143)

(d) Employee expenses

	31 December 2021 $'000	31 December 2020 $'000
Salary and wages [1]	**(4,574)**	(3,138)
Superannuation	**(338)**	(266)
Security-based payments	**(434)**	(217)
Other employee costs	**(108)**	(58)
Total employee expenses	**(5,454)**	(3,679)

[1] Government incentives received in 1H FY2021 in the form of JobKeeper payments totalling $0.6 million have been netted off against salary and wages.

(e) Administrative expenses

	31 December 2021 $'000	31 December 2020 $'000
Corporate administration costs	**(807)**	(728)
Occupancy costs	**(20)**	(58)
Total administrative expenses	**(827)**	(786)

(f) Finance income / expenses

	31 December 2021 $'000	31 December 2020 $'000
Interest – bank deposits	**2**	3
Interest – investment in sublease	**73**	96
Finance income	**75**	99
Interest and borrowing costs – loans and borrowings	**(813)**	(650)
Interest on lease liability	**(52)**	(86)
Finance costs	**(865)**	(736)

(g) Income tax expense

Aspen has recognised a current income tax expense during the period in respect of taxable income, and has also recognised income tax benefit to re-establish the deferred tax asset balance for tax losses not recognised in prior years, that are now expected to be recouped through future taxable income. Accordingly a net $750,000 income tax benefit was recognised in the statement of profit or loss.

3. Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Corporate assets $'000	Total $'000
Year ended 30 June 2021					
Cost or valuation	8,639	5,826	4,925	108	19,498
Accumulated depreciation and impairment	-	(630)	(1,169)	(19)	(1,818)
Net carrying amount – 30 June 2021	8,639	5,196	3,756	89	17,680
Period ended 31 December 2021					
Movements					
Net carrying amount at the beginning of the period	**8,639**	**5,196**	**3,756**	**89**	**17,680**
Additions	**-**	**-**	**420**	**9**	**429**
Depreciation	**-**	**(86)**	**(246)**	**(12)**	**(344)**
Revaluation	**5,594**	**86**	**141**	**-**	**5,821**
Net carrying amount at the end of the period	**14,233**	**5,196**	**4,071**	**86**	**23,586**
Period ended 31 December 2021					
Cost or valuation	**14,233**	**5,912**	**5,486**	**117**	**25,748**
Accumulated depreciation and impairment	**-**	**(716)**	**(1,415)**	**(31)**	**(2,162)**
Net carrying amount – 31 December 2021	**14,233**	**5,196**	**4,071**	**86**	**23,586**

Property, plant and equipment (PPE) represent assets held principally for use in the supply of services (provision of accommodation and ancillary services – Darwin Freespirit Resort) or for administration purposes – Corporate assets.

Recognition and measurement

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.

PPE 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 and are performed by external, independent property valuers with appropriate professional qualifications and experience in the category of the property being valued.

The fair value of PPE can be measured via either the capitalisation method, the discounted cash flow approach, or by comparison to comparable sales. Aspen may consider all three techniques and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. A revaluation increase is recognised directly against an asset revaluation reserve in equity unless it reverses a previous decrease recognised in profit or loss in which case it is recognised in profit or loss, while a decrease is recognised in profit or loss unless it reverses a previous increase recognised against reserves in which case it is recognised against reserves.

Refer further details regarding fair value assessment in note 4.

3. Property, plant and equipment (continued)

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 assets is between 3 and 10 years. Land is not depreciated.

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 profit or loss statement in the period the item is derecognised.

Level 3 fair value

The fair value measurement of PPE of $23.500 million (30 June 2021: $17.591 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. Details of the valuation is included in Note 4.

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 31 December 2021				
Cost	11,515	5,375	5,034	21,924
Accumulated depreciation and impairment	-	(716)	(1,415)	(2,131)
Net carrying amount	**11,515**	**4,659**	**3,619**	**19,793**

Key judgment

Judgement is required in assessing classification of accommodation property assets as either PPE or Investment Properties.

Accommodation assets are classified as PPE where their principal purpose is for use in the supply of goods or services, and are classified as Investment properties where their principal purpose is to earn rentals or for capital appreciation or for both. Key factors considered in the assessment include the principal purpose of the asset as well as other asset specific characteristics such as the workforce and skillset associated with the property and the level of ancillary services offered by the asset in addition to accommodation services. The Darwin FreeSpirit resort has been classified as PPE given the level of ancillary serices including food & beverage and gaming offered by the property.

4. Investment properties

Investment properties	31 December 2021 $'000	30 June 2021 $'000
Opening balance	**209,774**	150,085
Investment properties acquired during the period	**87,827**	43,735
Investment properties reclassified to investment property assets held for sale	**-**	(1,200)
Investment properties sold during the period	**(4,519)**	(639)
Investment properties reclassified to inventories	**(4,719)**	-
Net fair value gain on Investment properties	**22,068**	17,793
Closing balance	**310,431**	209,774

Investment properties comprise those which are held for the principal purpose of earning rental income or for capital appreciation or both.

During the period, Aspen acquired three investment properties / portfolios: Wodonga Gardens Estate retirement village, Perth apartment portfolio, and Meadowbrooke land lease community. The directors have determined the fair values of these properties based on their purchase price (supported by independent valuation reports).

During the period, Aspen reassessed its planned use of the Mt Barker land which was previously classified as investment property held for development and rental. The group has now commenced the marketing and sale of Mt Barker land as residential lots and therefore the property has been transferred to inventories and recognised at cost.

Recognition and measurement

Land and buildings have the function of an investment and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated. Investment property includes property under construction, tourism cabins and associated amenities.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at fair value, reflecting market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit and loss in the period they arise.

Fair value

The fair value* disclosures below relate to all property assets owned by the Group as follows:

	31 December 2021 $'000	30 June 2021 $'000
Carried at fair value:		
Property plant and equipment	**23,500**	17,591
Investment properties	**310,431**	209,774
Investment property assets held for sale	**-**	1,200
	333,931	228,565
Carried at cost:		
Inventories – Mt Barker land*	**4,719**	-
	338,650	228,565

* For the purposes of disclosing the completeness of the Group's property assets the Mt Barker land classified as inventories has been included in the disclosure above and treated as part of the residential properties segment.

Property assets which have been subject to an independent valuation during the half year (including new acquisitions) are as follows:

Segment	Percentage of segment portfolio independently valued in current half year [1]	Total of latest independent valuation $'000	Total carrying value[2] $'000
Retirement communities	67%	60,943	84,963
Park communities	29%	117.000	123.067
Residential	38%	118,290	130,620
Total		296,233	**338,650**

[1] Calculated based on the number of properties in each segment

[2] The difference between the carrying value and the latest independent external valuation represents director valuations and investment property capital expenditure subsequent to the latest independent valuations.

4. Investment properties (continued)

The following table presents individual properties owned by the Group:

Property	Original acquisition date	Original acquisition costs $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 31 December 2021 $ '000	Book value at 30 June 2021 $ '000
Residential Properties						
Pacific Highway (Kalinda) NSW	Aug 2019	4,929	Dec 2021	4,900	**4,900**	5,059
Treatts Road (Kiah) NSW	Aug 2019	5,443	Dec 2021	8,900	**8,900**	7,004
Perth Residential Houses WA	Nov 2019	21,178	May 2021	22,455 [5]	**22,692**	28,050
Perth Apartments WA [1 7]	Sep 2021	52,000	Sep 2021	52,000	**54,989**	-
Cooks Hill NSW [6]	Jul 2020	3,750	May 2020	3,750	**6,896**	3,872
Burleigh Heads QLD [6]	Dec 2020	3,275	Nov 2020	3,275	**7,448**	3,519
Mt Barker SA [2 4]	Dec 2020	4,510	Nov 2020	4,510	**4,719**	4,594
Upper Mount Gravatt QLD	Apr 2021	18,500	Mar 2021	18,500	**20,076**	18,500
Retirement Communities Properties						
Four Lanterns NSW	Jan 2015	7,420	Dec 2021	19,250	**19,250**	12,442
Mandurah WA	Jun 2015	10,200	Jun 2020	13,725	**14,478**	13,730
Sweetwater Grove NSW	Aug 2015	10,500	Dec 2021	16,300	**16,300**	13,634
Lewis Fields SA[3]	Jun 2021	2,360	Jun 2021	2,400	**9,598**	8,820
Wodonga Gardens VIC [1 3]	Aug 2021	6,010	Aug 2021	6,010	**22,066**	-
Meadowbrooke WA[1]	Dec 2021	3,258	Dec 2021	3,258	**3,271**	-
Park Communities Properties						
Adelaide SA	Oct 2015	9,250	Jun 2021	13,100	**13,160**	13,100
Tween Waters NSW	Dec 2016	6,880	Jun 2020	8,100	**8,848**	8,100
Barlings Beach NSW	Jan 2017	13,250	June 2021	16,450	**19,690**	16,450
Koala Shores NSW	Sep 2017	10,200	Dec 2021	11,500	**11,500**	9,750
Darwin FreeSpirit NT	Dec 2017	19,300	Dec 2021	23,500	**23,500**	17,591
Highway 1 SA	Oct 2018	23,060	Jun 2021	28,350	**30,369**	28,350
Aspen Karratha Village WA	Jun 2005	29,378	Nov 2020	16,000	**16,000**	16,000
At 31 December 2021 / 30 June 2021				296,233	**338,650**	228,565

[1] Acquired during the period.

[2] Note that these residential lots are currently in development stages and held for sale.

[3] Leases at these properties are regulated under Retirement Village Act and residents are obligated to pay Deferred Management Fees (DMF) under contracts. The independent valuation reflects the fair value of the estimated DMF revenue stream plus the fair value of spare land. The book value grosses up for the value of the freehold land and buildings that are owned by Aspen and leased to the residents. Corresponding resident loans and deferred revenue (DMF) are recorded as liabilities in the balance sheet.

[4] The Group commenced the development and selling of the Mt Barker land as residential lots and therefore this property was reclassified to inventories in accordance with the Accounting Standards.

[5] Adjusted for homes that were sold during the period. The valuation relates to the remaining homes in the portfolio.

[6] These are currently under refurbishment works and expected to be completed by end of the financial year.

[7] The Apartments across the portfolio are progressively being refurbished.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability, or the most advantageous market in its absence.

It is the Group's policy to have all properties independently valued at intervals of no longer than three years. It is the policy of the Group to review the fair value of each property every six months reporting period and revalue properties to fair value when their carrying value materially differs to their fair values. In determining fair values, the Group considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data such as recent comparable transactions. The assessment of fair value of properties does not take into account potential capital gains tax assessable.

The fair value measurement of the investment property assets totalling $315.150 million (30 June 2021: $209.774 million) and PPE assets totalling $23.500 million (30 June 2021: $17.591 million) have 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 for investment property and PPE assets.

4. Investment properties (continued)

The Board has reviewed the carrying value of all properties as at 31 December 2021 and adopted directors' and independent valuations for all properties as at this date, taking into account historical, current and forecast trading performance, the most recent valuations, and market evidence. Specific consideration has been given to the impact of COVID-19 in respect of consideration of historical and forecast performance. During the half year independent valuations were commissioned for 6 existing properties and all new acquisitions, with director valuations being undertaken for the balance of properties. As a result of the independent valuations received, as well as the use of directors' valuations as at 31 December 2021, there was a net upwards movement of $22.068 million (adjusted for capital expenditure since the previous valuation) in the portfolio carrying value.

As previously reported, external valuers have indicated in their reports that the events of COVID-19 present unprecedented set of circumstances on which to base a judgement regarding property values. As a result, they have indicated that their valuations are reported on the basis of 'material valuation uncertainty' as per Valuation Reports (VPS 3) and matters that may give rise to material valuation uncertainty (VPGA 10) of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case.

The impacts of COVID-19 have continued into 2H FY22 and the Group's operating conditions and settings are largely unchanged from 1H FY22. Aspen's operating environment is expected to improve over the next 12 months with inbound migration and tourism restrictions being lifted. The directors believe Aspen can continue to perform relatively well in this environment as domestic households and tourists will continue to seek lower cost accommodation in attractive locations. Nonetheless the continued uncertainty on COVID-19 including new variants may impact local tourism and economic conditions and therefore Aspen's business. This may in turn negatively affect the Group's operating performance and the valuation of its properties.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of PPE and investment property assets as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement

Capitalisation method, discounted cashflow (DCF) approach, direct comparison, and residual method: The Group considers all of the 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 the property, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of the asset. One off capital adjustments are made where appropriate to reflect abnormal or unusual items such as required capital expenditure in the near term and potential impacts of COVID-19.
 	
The discounted cashflow (DCF) 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 revenues 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 property and its location, tenant credit quality and lease terms.
 	
The direct comparison approach assess the price at which similar properties are transacted in the market, often based on a per unit basis (eg. square meters, rooms).
 	
The residual approach which is used for vacant properties subject to refurbishment / development estimates the value of the completed project, less the remaining refurbishment / development costs which include construction, finance costs and an allowance for developer's risk and profit. This valuation is then discounted back to the present value.
	Residential Communities
	Valuation inputs include:
	• Sustainable net operating income range of $0.16 million to $1.15 million
	• Capitalisation rate range of 3.22% to 6.79%
	• Direct comparison of comparable properties
	• Residual method inputs includes development margin of 20%
	
	Retirement Communities
	Valuation inputs include:
	• Sustainable net operating income range of $0.86 million to $0.98 million
	• Capitalisation rate range of 4.75% to 7.50%
	• For the leases with DMF: discount rate of 12.00% to 17.00%, price growth of 2.00% to 3.00%, average length of stay (ALOS) 12 years
	• Direct comparison of comparable properties
	
	Park Communities
	Valuation inputs include:
	• Sustainable net operating income range of $0.75 million to $2.88 million
	• Capitalisation rate range of 7.25% to 17.00%
	• Direct comparison of comparable properties
		The estimated fair value would increase (decrease) if:
		• Net sustainable income increases (decreases)
		• Capitalisation rates and or discount rates decrease (increase) which could result from:
		  ○ Interest rates decreasing (increasing)
		  ○ Expected growth in sustainable net income increasing (decreasing)
		  ○ The required risk premium decreasing (increasing)
		• Comparable properties transact at higher (lower) prices

4. Investment properties (continued)

Sensitivity analysis

The Group has conducted sensitivity analysis on the fair value of the property assets to changes in key assumptions used in the valuation as follows:

	Key assumptions			
	50 bps increase in cap rate	50 bps decrease in cap rate	5% decrease in NOI	5% increase in NOI
(Decrease) / Increase in total value ($'000)	(17,095)	20,959	(11,334)	11,326

Investment Properties – Deferred management fees (DMF) arrangement

The valuation assumptions for retirement village leases with deferred management fees include average length of stay, current market value of the houses, contract terms with residents, discount rates, projected growth rates in property values and capital expenditure requirements. In forming these assumptions, Aspen considers recent sales activity, and discount rates and capitalisation rates for properties similar to those owned by the Group and other owners of Retirement Villages.

Inputs used to measure fair value	31 December 2021	30 June 2021
Discount rate	12% - 17%	17%
Average property growth rate	1.94% - 3.00%	1.94%
Average length of stay of existing and future residents	12 years	12 years
Average current average market value of Retirement Village houses	$343,000	$289,000

In addition, the sensitivity of key drivers to further fair value movements as a result of the evolving economic and operating conditions has been analysed across the carrying value of DMF leases at 31 December 2021. While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the fair value and they do not represent management's estimate at 31 December 2021.

	Key assumptions			
	Current market value		Discount rate	
	5% increase	5% decrease	1% increase	1% decrease
Fair value changes – on net basis	230	(230)	(300)	340

5. Distributions

	Aspen security holders			
	Cents per security		Total amount	
	31 December 2021 Cents	31 December 2020 Cents	**31 December 2021 $'000**	31 December 2020 $'000
Paid during the period				
Final distribution for the previous year	**3.50**	3.25	**4,073**	3,781
Announced and unpaid at the end of the period				
Interim distribution for the period	**3.10**	3.10	**4,327**	3,607

Aspen's distribution policy considers the profitability of the Group, the taxable income of the Trust, capital expenditure requirements, forecast cash flows and the terms and conditions of its debt facility.

Aspen announced an estimated distribution of 3.10 cents per security on 16 December 2021 in respect of the half-year ended 31 December 2021. This distribution will be paid to securityholders on or around 25 February 2022.

6. Equity and reserves

Movement in stapled securities	'000 units	Securities $'000
At 1 July 2020	116,341	509,715
Issue of stapled securities	27	30
At 30 June 2021 and 1 July 2021	116,368	509,745
Issue of stapled securities, less share issue costs	23,200	29,467
At 31 December 2021	**139,568**	**539,212**

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

Reserves	Share-based payment Reserve $'000	Asset revaluation Reserve $'000	Total Reserves $'000
At 1 July 2021	617	364	981
Security-based payment	433	-	**433**
Property, plant and equipment revalued during the year	-	2,945	**2,945**
At 31 December 2021	**1,050**	**3,309**	**4,359**

Security-based payment reserve

The security-based payment represents the Long-Term Incentives (LTI) granted to the management team of Aspen during the year. The LTI vests upon certain performance hurdles being met, as well as remaining in employment when the performance rights vest.

Asset revaluation reserves

The reserve is used to recognise increments and decrements in the fair value of property, plant and equipment, excluding investment properties.

7. Earnings per stapled security

	31 December 2021	31 December 2020
Profit for the period attributable to ordinary equity holders of the parent entity ($ '000)	**29,269**	9,535
Basic weighted average number of stapled securities (No. '000)	**131,820**	116,359
Diluted weighted average number of stapled securities (No. '000)	**133,042**	116,359
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**22.20**	8.19
Diluted earnings per stapled security (cents per security)	**22.00**	8.19
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**22.20**	8.19
Diluted earnings per stapled security (cents per security) *	**22.00**	8.19

**Contingently issuable ordinary securities are included in diluted weighted average number of securities only if the conditions of the issue (ie. Events have occurred) are satisfied at the end of the reporting period assuming the end of the reporting period is the end of the vesting period.*

Calculation of earnings per stapled security

Basic earnings per stapled security

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

Diluted earnings per stapled security

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

8. Interest bearing loans and borrowings

	Consolidated	
	31 December 2021	30 June 2021
	$'000	$'000
Current		
Secured debt facilities	**-**	-
Non-current		
Secured debt facilities	**112,739**	74,652
Less borrowing transaction costs	**(668)**	(455)
Total interest-bearing loans and borrowings	**112,071**	74,197

Funding activities

Aspen holds a finance facility (with maturity date in April 2024) with a total limit of $156.00 million (inclusive of a $150.00 million revolver, $5.00 million overdraft facility and a $1.00 million guarantee facility). These financing facilities are secured with first ranking registered real property mortgages over the Consolidated Trust's and AGL's directly owned properties, and a fixed and floating charge over Aspen Group Limited, Aspen Property Trust, Aspen Living Villages Pty Ltd, Aspen Property Developments Pty Ltd, Realise Residential WA Pty Ltd, Realise Residential WA 2 Pty Ltd, Realise Residential WA 3 Pty Ltd, Realise Residential WA 4 Pty Ltd, Realise Residential WA 5 Pty Ltd, Realise Residential WA 6 Pty Ltd, Realise Residential WA 7 Pty Ltd, Realise Residential WA 8 Pty Ltd, Realise Residential WA 9 Pty Ltd, Realise Residential WA 10 Pty Ltd, Realise Residential WA 11 Pty Ltd, Realise Residential WA 12 Pty Ltd, Realise Residential WA 13 Pty Ltd, Realise Residential WA 14 Pty Ltd, Realise Residential WA 15 Pty Ltd, Realise Residential WA 16 Pty Ltd, Realise Residential WA 17 Pty Ltd, Nest QLD Pty Ltd, Footprint MB Pty Ltd and Digs Accommodation Vic Pty Ltd.

9. Financial risk management

Financial risk management

Aspen Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 30 June 2021.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that results 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 holdings of other financial instruments.

Liquidity 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 has debt as a component of Aspen's capital structure.

9. Financial risk management (continued)

Liquidity risk is managed by monitoring cash flow requirements on a continuous basis to ensure that Aspen will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses. 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 2021	30 June 2021
	$'000	$'000
Secured financing facilities available		
Revolver	**150,000**	85,000
Overdraft	**5,000**	5,000
Guarantees	**1,000**	1,000
	156,000	91,000
Facilities used at balance date		
Revolver	**112,739**	74,652
Guarantees	**255**	255
	112,994	74,907
Facilities unused at balance date		
Revolver	**37,261**	10,348
Overdraft	**5,000**	5,000
Guarantees	**745**	745
	43,006	16,093

Fair values

The carrying amounts and estimated fair values of all of 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 face value 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, the face value of receivables/payables are estimated to approximate their fair values, less allowance for doubtful debts, if applicable.

Interest-bearing liabilities

All of Aspen's interest-bearing liabilities have floating interest rates.

9. Financial risk management (continued)

Other financial assets / liabilities

The fair values of derivatives, corporate bonds, term deposits and borrowings are 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 are calculated using market interest rates. The fair value of the net investment in sublease and lease liabilities are discounted using Aspen's incremental borrowing rate.

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.

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.

The fair value of Resident loans is calculated based on the principal amount plus the resident's share of any increases in the market value of the house to reporting date less Aspens contractual entitlement to deferred management and other fees.

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 who report directly to the Joint Chief Executive Officers.

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, 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 Aspen's Audit, Risk and Compliance Committee.

Aspen's financial instruments are valued using market observable inputs (Level 2) with the exception of financial assets at fair value through profit or loss (level 3) which were valued at $0.497 million (30 June 2021: $0.593 million) and Resident loans discussed in Note 12.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period ended 31 December 2021 (1H FY20: $Nil).

Valuation of financial instruments (continued)

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 2021 and year ended 30 June 2021:

	31 December 2021 $'000	**30 June 2021** $'000
Opening Balance at 1 July	**593**	408
Total gains or losses		
In profit or loss	**(94)**	185
Closing Balance	**499**	593

The fair value of financial assets has been determined by reference to the net asset value per share as published in the latest audited financial statements. The investment comprises securities in an unlisted fund.

Refer to Note 12 for reconciliation of Resident Loan liability.

10. Derivative asset / (liability)

The Group enters into derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps.

	31 December 2021 $'000	30 June 2021 $'000
Interest rate swaps – asset / (liability) (notional value: $70.00 million (30 June 2021 : 25.00 million))	851	(265)
Closing balance	**851**	**(265)**

The term of the interest rate swaps are at fixed interest rates ranging between 0.49% to 0.50% (30 June 2021 : 0.81%) over the period to April 2024 (30 June 2021: January 2023).

Recognition and measurement

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately, as hedge accounting is not applied.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and an intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

11. Non-controlling interests

	AWSS	Total
NCI percentage as at 31 December 2021	**43%**	
	$'000	**$'000**
Opening balance at 1 July 2021	(3,837)	(3,837)
Transfer to accumulated losses of parent entity upon deregistration of subsidiaries	-	-
Closing balance at 30 June 2021 and opening balance at 1 July 2021	(3,837)	(3,837)
Share of comprehensive income / (expense)	-	-
Closing balance at 31 December 2021	**(3,837)**	**(3,837)**

Negative non-controlling interests

Aspen has recognised a non-controlling interest (NCI) for Aspen Whitsunday Shores Pty Ltd (AWSS) as at 31 December 2021 even though this NCI is negative. AWSS is a limited company, and there is no ability for Aspen to recoup the negative equity attributed to the NCI.

12. Resident loans

Resident loans

Resident loans associated with leases under Retirement Village Act are classified as financial liabilities at fair value with resulting fair value adjustments recognised in the profit or loss. Fair value is the amount payable on demand if the resident vacated the premises at balance date and is measured at the original loan amount plus any changes in the market value of the house to reporting date less Aspen's contractual entitlement to deferred management and other fees.

Resident loans are classified as current liabilities due to the absence of an unconditional right to defer settlement for more than 12 months. Despite this classification, the rate at which the Group's retirement residents vacate their units, and hence the rate at which the resident loans will fall due for repayment, can be estimated based on statistical tables. In the vast majority of cases, the resident obligations are expected to be able to be repaid from receipts from incoming residents.

It is noted that the comparative 30 June 2021 resident loans balance of $6.420 million has been reclassified from non-current as disclosed in the 30 June 2021 financial statements to current classification in the 30 June 2021 comparative information included in the 31 December 2021 statement of financial position .The restated current classification of the loan balance now corresponds with the classification adopted in respect of the $19.776 million 31 December 2021 loan balance. This reclassification had an impact on current versus non current classification in the 30 June 2021 financial statements but no impact on the disclosed net asset position or financial performance of the Group.

The resulting estimates of amounts expected to be settled less than and more than 12 months after reporting date are:

	31 December 2021 **$'000**	30 June 2021 $'000
Expected to be settled:		
No more than 12 months after reporting date	**719**	**94**
More than 12 months after reporting date	**19,057**	**6,326**
Closing balance	**19,776**	**6,420**

The following table presents the movement of resident loans for the financial year.

	31 December 2021 **$'000**	30 June 2021 $'000
Opening balance	**6,420**	**-**
Items recognised in the profit or loss		
- Deferred management fees	**(291)**	**-**
- Changes in the fair value of the resident loans	**131**	**-**
Resident loans acquired through acquisition of new retirement village	**13,458**	**6,420**
Net cash receipt on resident arrivals and departures	**58**	**-**
Closing balance	**19,776**	**6,420**

Resident loans are classified as Level 3 in the fair value hierarchy. This means that a key assumption used in their valuation is not directly observable. The key assumption is the aggregated current market value of the occupied retirement units of $27.160 million.

If the value used for this input was 5% higher, the fair value of these loans would be $0.911 million higher, and if the input was 5% lower, the fair value of these loans would be $0.911 million lower. The recognised value of Aspen's Investment properties would increase / decrease by equivalent amounts.

13. Rights of use assets

	Consolidated 31 December 2021 $'000	30 June 2021 $'000
Land and building	**888**	888
Less accumulated depreciation	**(183)**	(90)
Rights of use assets	**705**	798

14. Net investment in sublease

	Consolidated 31 December 2021 $'000	30 June 2021 $'000
Current net investment in sublease	**799**	1,256
Non-current net investment in sublease	**-**	158
Total net investment in sublease	**799**	1,414

15. Lease liability

	Consolidated 31 December 2021 $'000	30 June 2021 $'000
Current lease liability	**1,137**	1,630
Non-current lease liability	**628**	937
Total lease liability	**1,765**	2,567

16. Deferred Management Fees (DMF)

DMF revenue to which the Group is contractually entitled at reporting date is presented in the statement of financial position as a deduction from resident loans. The excess of DMF revenue to which the Group is contractually entitled at reporting date, over DMF revenue earned to date by amortisation over the expected period of tenure, is recognised as a deferred revenue (DMF) in the statement of financial position. The current portion of the DMF represents the revenue that is expected to crystalised over the next 12 months.

17. Related party transactions

Related party arrangements during the period are consistent with those at 30 June 2021. Refer to the consolidated financial statements for the year ended 30 June 2021 for details of related party arrangements.

18. New or amended accounting standards

New and amended standards adopted from 1 July 2021

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. Their adoption has had no material impact on the disclosures and/or amounts reported in these financial statements.

19. Commitments and contingencies

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Capital commitments *(i)*		
Contracted but not provided for and payable:		
Within 1 year	**12,910**	12,210
	12,910	12,210
Other expenditure commitments		
Bank guarantees issued to third parties	**255**	255
	255	255

(i) Relates to the contracted expenditure for development currently underway at Sweetwater Grove (formerly Tomago Van Village), Wodonga Gardens Estate, Lewis Fields Retirement Village, Cooks Hill co-living community, Burleigh Heads, Perth Apartments upgrades and improvements at various park assets.

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 31 December 2021 or at the date of completion of these condensed consolidated interim financial statements.

20. Subsequent events

The impacts of COVID-19 have continued into the first half of FY22, and to the date of this financial report, Aspen Group's operating conditions are largely unchanged. While Aspen's operating environment is expected to improve over the next 12 months with inbound migration and tourism restrictions lifted, the Group remains prudent in monitoring longer stay versus short stay patronage and continues to monitor and exercise tight control of costs. The Directors believe Aspen Group will continue to perform relatively well in the current environment due to pent-up travel demands, and domestic households and tourists continuing to seek lower cost accommodation in attractive locations. Nonetheless there is still uncertainty due to the COVID-19 pandemic and the Group's operating performance may continue to be negatively impacted.

On 24 February 2022, Aspen announced a proposal to acquire the Marina Hindmarsh Island Fund (MHIF) for total consideration of 16.2m APZ securities with a notional value of $24.5m at Aspen's NAV of $1.51 per security. MHIF shareholders can elect to receive up to $4.0m of the consideration in cash. The transaction is subject to several conditions including Aspen securityholder approvals and MHIF shareholders agreeing to the transaction and entering into formal documentation.

Other than as disclosed above, 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.

Directors' declaration

1. In the opinion of the directors of Aspen Group Limited:

   (a) the condensed consolidated interim financial statements and notes on pages 15 to 37, 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 2021 and of its performance for the financial period ended on that date; and

      (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, *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 2021.

Signed in accordance with a resolution of the directors.

Clive Appleton
Chairman
SYDNEY, 24 February 2022