Aspen Group Limited

Appendix 4E and Annual Financial Report

30 June 2022

Aspen Group Limited

ABN: 50 004 160 927

Appendix 4E and Financial Report for the year ended
30 June 2022

Details of reporting periods:

Current period	30 June 2022
Corresponding period	30 June 2021

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from ordinary activities	up	31.40%	to	46,677
Profit after tax	up	196.89%	to	75,381
Profit after tax attributable to securityholders of Aspen Group	up	196.89%	to	75,381
Operating Profit before tax*	up	34.39%	to	11,838

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

Dividends/Distributions

Combined

	30 June 2022		30 June 2021	
	Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
Interim	3.10	4,327	3.10	3,607
Final	3.50	5,426	3.50	4,073
	6.60	9,753	6.60	7,680

Aspen Property Trust

	30 June 2022			30 June 2021		
	Cents per Unit	Total $ '000	Deferred tax %	Cents per Unit	Total $ '000	Deferred tax %
Interim	3.10	4,327	84.9%	3.10	3,607	70.7%
Final	3.50	5,426	88.9%	3.50	4,073	82.0%
	6.60	9,753		6.60	7,680	

Dividends/Distributions *(continued)*

Aspen Group Limited							
30 June 2022				30 June 2021			
Period	Cents per Share	Total $ '000	Tax rate for franking credit %	Period	Cents per Share	Total $ '000	Tax rate for franking credit %
Jul – Jun 22	-	-	-	Jul – Jun 21	-	-	-
	-	-			-	-	

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

Interim dividend/distribution	31 December 2021
Final dividend/distribution	30 June 2022

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2022

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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The Directors of Aspen Group Limited ("AGL" or the "Company") present their report together with the Company's financial report for the year ended 30 June 2022 and the Independent Auditor's Report thereon. The Company's financial report comprises the consolidated financial report of the Company and its controlled entities, including Aspen Property Trust ("APT" or the "Trust") and its controlled entities (collectively the "Group").

The shares of the Company are "stapled" with the units of the Trust and trade on the Australian Securities Exchange ("ASX") as one security (ASX Code: APZ). Evolution Trustees Limited ("ET" or "Responsible Entity") is the responsible entity of the Trust. Perpetual Corporate Trust Limited is custodian of the Trust. Aspen Funds Management Limited provided investment management services to the Group throughout the year. In this report, the Company and the Trust are referred to collectively as Aspen, Aspen Group or the Group.

In accordance with Accounting Standard AASB 3 Business Combinations, the stapling of the Company and the Trust is regarded as a business combination. The Company has been identified as the parent for preparing consolidated financial reports.

Directors

The Directors of the Company at any time during or since the end of the current period were:

Non-Executive Directors (NEDs)
Clive Appleton (Chairman)
Guy Farrands

Executive Director
John Carter (Joint Chief Executive Officer)

Company Secretaries
David Dixon (Joint Chief Executive Officer)
Mark Licciardo

Qualifications, experience and special responsibilities

Clive Appleton – Independent Chairman *(appointed chairman on 7 June 2016)*

BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD

Mr Appleton has had a successful career in property and funds management with over 30 years' experience in several of Australia's leading retail property investment, management and development groups.

Mr Appleton's early career was spent with the Jennings Group where he held senior executive roles from 1986, responsible for managing and developing the retail assets jointly owned by Jennings Properties Limited (JPL) and Jennings Property and Investment Group. In 1990, following a restructure of JPL to become Centro Properties Limited, Mr Appleton became Managing Director.

From 1997 to 2004 he was the Managing Director of the Gandel Group, one of Australia's leading retail property investment, management and development groups.

In 2005 Mr Appleton joined APN Property Group Limited as Managing Director.

From December 2011 to June 2015, Mr Appleton was a Non-Executive Director of Federation Centres.

Mr Appleton is currently Deputy Chairman of the Gandel Group, a Non-Executive Director of Vicinity Limited, Perth Airport Pty Limited, and Perth Airport Development Group Pty Limited and the Non-Executive Chairman of Pancare Foundation.

Appointed a Non-Executive Director of Aspen on 30 April 2012, the Chairman of the Remuneration Committee on 22 June 2015 and a member of the Nomination Committee on 22 January 2013. Mr Appleton was a member of the Remuneration Committee between 10 May 2012 and 22 June 2015.

Directorships of other listed entities within last 3 years:

Non-Executive Director of Vicinity Limited – appointed September 2018 to current (ASX: VCX)

Non-Executive Director of APN Property Group Limited – held from 2004 to 2021

Guy Farrands – Independent Non-Executive Director

BEc, Grad Dip Man, FAPI, MAICD

Mr Farrands has over 30 years' experience in direct and ASX listed property markets in Australia and internationally across commercial, retail, industrial, residential and retirement property classes.

He was Managing Director and/or CEO of the following ASX listed groups:

- ALE Property Group
- GEO Property Group
- Valad Property Group

Mr Farrands was also Chief Financial Officer of Viva Energy REIT (now Waypoint REIT).

His previous roles include Division Director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, Associate Director and Joint Head of Property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle.

Appointed a Non-Executive director on 26 November 2012 and Chairman of the Audit Committee (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 22 January 2013.

Directorships of other listed entities within last 3 years:

Executive Director of ALE Property Group – held from October 2020 to December 2021.

John Carter - Executive Director

MBA (Syd), BAppSc (Property Resource Mgmt) (UniSA), AAPI, GAICD

Mr Carter has over 30 years' experience in real estate and financial markets. On 14 March 2019, Mr Carter was appointed joint Chief Executive Officer of Aspen Group Limited. In 2004 Mr Carter established Mill Hill Capital to pursue private equity opportunities in real estate, agriculture and equities. Prior to this Mr Carter was Managing Director, Co-Head of Equities and on the Australian Executive Committee for UBS in Australasia from 2001 to 2004.

From 1991 to 2001 Mr Carter was Head of Real Estate at UBS. While at UBS, Mr Carter led over $10 billion of M&A and $20 billion of capital raising transactions for Australia's leading companies including Colonial, Westfield, Stockland, GPT, Mirvac, AMP, Multiplex, Macquarie Airports and Bankers Trust.

Prior to UBS Mr Carter was involved in commercial real estate at two international real estate consultancy groups.

Appointed a Non-Executive Director on 23 February 2015. With Mr Carter's appointment as Joint CEO of Aspen Group Limited, he became an Executive Director from 14 March 2019.

Directorships of other listed entities within last 3 years: Nil

Directors' meetings

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

	Board of Directors		Audit, Risk and Compliance Committee	
Directors	Held	Attended	Held	Attended
C Appleton	7	7	2	2
G Farrands	7	7	2	2
J Carter	7	7	-	-

Interests of Directors

Securities in the Group held by directors, company secretaries or their associates as at 30 June 2022 were:

	Issued Securities	Rights
Clive Appleton	736,455	-
Guy Farrands	196,046	-
John Carter*	11,894,925	881,397
David Dixon*	11,521,194	881,397

*John Carter and David Dixon hold an indirect interest in Aspen Group Limited via their directorship of Mill Hill Capital Pty Ltd and interest in the Mill Hill Capital Strategic Real Estate Fund, and separate interests through their associated entities.

Company Secretaries

Mr David Dixon was appointed as Aspen Group Limited’s Joint Chief Executive Officer on 14 March 2019 and was appointed to the position of Joint Company Secretary on 18 November 2019. David has over 30 years’ experience in real estate and financial markets in Australia. David is a joint owner and managing director of Mill Hill Capital Pty Limited, a real estate private equity group. From 2010 to 2014 David was Head of Real Estate Investment Banking (REIB) for Morgan Stanley. For the period 2006 to 2010 Mr Dixon was Joint Head of REIB at Credit Suisse. David was Joint Head of REIB at Deutsche Bank from 1998 to 2006 and for part of this period he held a dual role in its Equity Capital Markets division. Prior to Deutsche Bank, David helped build Bankers Trust’s real estate franchise into one of Australia’s largest, most active and diversified investors at that time.

Mark Licciardo was appointed to the position of Joint Company Secretary on 30 September 2016. Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia’s Listed Services Division. He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies. During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited. Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

Operating and financial review

Aspen’s Business

Aspen is a leading provider of quality accommodation on competitive terms in residential, retirement and park communities. Aspen’s opportunities are enormous within Australia’s $9 trillion residential market given significant unsatisfied demand for suitable accommodation at more affordable prices and rents. Our core customer base is the roughly 40% of Australian households who can afford to pay no more than about $400,000 to purchase a home or $400 per week to rent a home. Aspen’s fully integrated platform encompasses operations, asset management, development, and capital management. We provide a broad spectrum of products and services to our customers under different regulatory regimes and ownership schemes.

We provide one, some or the entire range of our accommodation products and services at each of our properties. We seek to maximise the profitability and value of properties and reduce risk by continually optimising the product and customer mix based on demand, relative pricing and expenses, regulatory requirements, capital costs and other factors.

Operating and financial review *(continued)*

Operations

The operating environment was challenging in FY2022 due to the ongoing COVID-19 pandemic, turmoil in the building industry (supply bottlenecks, labour shortages, cost increases), higher inflation and interest rates, declining household income in real terms, some extreme weather events, and patchy economic activity. Despite this, we continued to materially increase earnings and net asset value per security because there is massive and growing demand for Aspen's more affordable accommodation.

Financial Performance – FY2022

Aspen generated a statutory net profit of $75.38 million and Operating Earnings of $11.84 million.

Operating Earnings (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 Earnings 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 earnings adjustments are made for realised transactions occurring infrequently and those that are outside the course of Aspen's ongoing business activities. Operating Earnings is determined having regard to principles which include providing clear reconciliation between statutory profit and Operating Earnings in the directors' report and financial report, including both positive and negative adjustments, maintaining consistency between reporting years, and taking into consideration property industry practices.

Aspen's financial performance improved in FY2022 compared to FY2021:

- **Statutory net profit after tax increased 197% to $75.38 million.**
- **Operating earnings increased 34% to $11.84 million equating to 8.65 cents per security, an increase of 14%.**
- Full year ordinary distributions per security maintained at 6.60 cents.
- Net cashflow from operating activities increased 35% to $17.25 million.
- Total rental and ancillary services revenue increased 22% to $35.33 million, with revenue at every property growing except Aspen Karratha Village (AKV) (post expiry of Woodside's lease in January 2021), Cooks Hill (vacated for redevelopment), Koala Shores (impacted by COVID and high rainfall), and Perth House Portfolio (reduction in number of houses due to sales over the past 12-18 months).
- Property Net Operating Income increased 17% to $14.84 million with operating margin down slightly to 42% mainly due to a higher proportion of the portfolio being under refurbishment / redevelopment and AKV margin declining to only 6% while a new short stay customer base is being established.
- Development profit increased 78% to $3.51 million, and margin was maintained at 33% despite turmoil in the building industry. This comprised profit relating to retirement house sales which increased 29% to $2.53 million at a margin of 31%, and profit relating to residential land sales of $0.97 million at a margin of 38%.
- Net corporate overheads increased by 5% to $4.75 million, with Aspen earning $0.65 million in project management fees from the Mill Hill Capital funds. Management Expense Ratio declined from 1.8% to 1.0%.
- EBITDA increased 34% to $13.60 million.
- Net finance expense increased 31% to $1.76 million, due to increase in debt and interest rates. Approximately 55% of our current interest rate (BBSW) exposure is fixed at 0.50% until April 2024.

Operating and financial review *(continued)*

The tables below summarise Aspen's underlying operating profit (non-statutory) and bridge to audited statutory profit:

	FY22 ($'000)	FY21 ($'000)	% Change
Rental and ancillary services revenue	**35,333**	29,045	22%
Direct property expenses	**(20,497)**	(16,366)	25%
Net operating income (NOI)	**14,836**	12,679	17%
Operating margin	**42%**	44%	
Revenue from development activities **	**10,690**	6,027	77%
Cost of sales	**(7,183)**	(4,054)	77%
Net development income	**3,507**	1,973	78%
Development margin	**33%**	33%	
Operating and development net income	**18,343**	14,652	25%
Net corporate overheads	**(4,745)**	(4,499)	5%
EBITDA ***	**13,598**	10,153	34%
Net finance expense	**(1,760)**	(1,344)	31%
Tax*	**-**	-	
Operating earnings	**11,838**	8,809	34%
No. of Securities (weighted – '000)	**136,934**	116,363	18%
Operating earnings per security (cents)	**8.65**	7.57	14%
Ordinary distributions per security (cents)	**6.60**	6.60	-

* For the purpose of illustrating operating earnings above, the net deferred tax asset movement has been excluded.
** Revenue from development excludes proceeds from sale of investment properties from the Perth House Portfolio totaling $6.742 million in FY22 ($0.850 million in FY21).
*** Refer to Segments Information on page 43 for detail breakdown for each segment that forms this EBITDA.

	FY22 ($'000)	FY21 ($'000)	% Change
Statutory net profit after tax attributable to parent entity	**75,381**	25,391	197%
Adjustments:			
Depreciation of property, plant and equipment	986	729	
Property revaluation gains	(61,129)	(17,793)	
Asset transaction costs & other	(824)	1,934	
Insurance claim proceeds	-	(577)	
Deferred tax benefit recognised	(2,576)	(875)	
Operating earnings	**11,838**	8,809	34%
Net finance expense	1,760	1,344	31%
EBITDA	**13,598**	10,153	34%
Net corporate overheads	4,745	4,499	5%
Operating & development net income	**18,343**	14,652	25%

Operating and financial review *(continued)*

Balance Sheet

The value of Aspen's property portfolio increased by 80% over the year to $412.59 million, through revaluation gains and acquisitions. During the year we acquired the Perth Apartment Portfolio in WA consisting of 514 apartments for $52.00 million*, Meadowbrooke Lifestyle Estate in WA for $2.48 million*, Wodonga Gardens Lifestyle Village in Victoria for $6.01 million* and more recently the Marina Hindmarsh Island Fund that owns Coorong Quays, Hindmarsh Island in SA** for $24.5 million*. We have decided to develop and sell our land in Mount Barker, SA as residential land lots and the property has been reclassified to inventories (from investment properties).

* Pre-acquisition costs

** Part of the property includes $10 million of residential land for development which is classified as inventories for the purpose of the financial statements.

As at 30 June 2022, Aspen had total assets of $452.46 million, total liabilities of $175.44 million (including gross debt of $128.24 million) and net asset value (NAV) of $277.02 million equating to $1.79 per security, an increase of 36% over the year. The increase in NAV is mainly attributable to an increase in property valuations. In our opinion, the portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 6.4% and an average value of approximately $89,000 per approved site including dwellings and land sites.

At 30 June 2022 gearing was 28% which is below our targeted long term range of 30-40%. Aspen has a debt facility of $156 million expiring in April 2024, of which $27.00 million was unutilised at balance date. Total margin (line fee plus drawn margin plus establishment costs) is 200bps. At 30 June 2022 $70 million of BBSW exposure was fixed at 50bps with interest rate swaps to April 2024.

Operating and financial review *(continued)*

The table below summarises Aspen's balance sheet.

	30 June 2022 ($'000)	30 June 2021 ($'000)
Investment properties	**386,062**	209,774
Investment property assets held for sale	**-**	1,200
Property, plant and equipment	**26,523**	17,680
Carrying value of properties	**412,585**	228,654
Cash	**10,730**	8,277
Other assets*	**29,143**	9,565
Total assets	**452,458**	246,496
Financial debt **	**127,670**	74,197
Other liabilities	**47,767**	19,748
Total liabilities	**175,437**	93,945
Net Asset Value (NAV)	**277,021**	152,551
NAV per security ($)	**1.79**	1.31

* This includes a deferred tax asset of $6.576 million at 30 June 2022 (30 June 2021: $4.000 million).

** Net of borrowing transaction costs of $0.569 million (30 June 2021: $0.455 million)

Outlook

Conditions in the markets in which Aspen operates have been volatile over the past 12-24 months with the Covid pandemic, turmoil in the building industry (delays and cost increases), extreme weather events, labour shortages, increasing inflation, cost of living pressures, increasing interest rates, and patchy economic activity. We expect most of the issues to be resolved with Covid dissipating, borders now open, immigration increasing, and interest rates normalising, which will hopefully put a lid on inflation and stabilise market conditions. Regardless, Aspen's business is expected to continue to perform well due to the severe shortage of quality accommodation at affordable prices.

Aspen will continue to seek opportunities to grow its portfolio of residential, retirement and park communities through acquisition and development.

Aspen has introduced a new distribution policy and is now targeting a distribution to securityholders of 65-75% of Operating Earnings, with the balance retained to fund stay in business capital expenditure and growth initiatives. The distribution per security relating to FY22 was 6.60 cents compared to Operating Earnings per security of 8.65 cents, equating to a payout ratio of 76.3%.

Operating and financial review *(continued)*

Business risks

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

- **Exposure to travel restrictions / border closures due to COVID-19** – Aspen offers a variety of accommodation products and services. Income from the park communities that primarily focus on short stay customers is more variable than income from residential and retirement properties. During the COVID-19 event, at times restrictions have been placed on the movement of people which is negatively impacting the demand for Aspen's short stay products and services
- **Leasing and sales rates of retirement / residential dwellings** – there are a number of risks associated with the development, leasing and sale of dwellings which could impact future earnings. These risks include the timing of achieving planning and regulatory approvals, the potential for cost overruns, variable demand for our products, and the level of rents and pricing achieved. The recent increase in interest rates may cause a decline in house prices and sales volumes which could lead to a reduction in the number of sales and profit margin in our development activities
- **Tourism market conditions** – short stay income is volatile and often seasonal, and occupancy levels and rates for rooms, cabins and sites are dependent on many variables which could negatively impact Aspen's short stay earnings. Some examples include subdued economic conditions (including during the current COVID-19 event), changes in consumer preferences, weather conditions, increased competition, and increased operating costs particularly labour, insurance, energy and rates & taxes
- **Exposure to the resources industry** – more specifically, the risk that the demand for accommodation declines in Karratha, a key resource region in Western Australia. Aspen has exposure through the ownership of Aspen Karratha Village (AKV), where our customer base is heavily reliant on projects determined by major resource companies. Depending on the directions made by these major companies, this may impact earnings and asset value
- **Due Diligence and integration risk** – Aspen is expected to continue to acquire properties. There is a risk that income is materially lower and or capital expenditure requirements are materially higher than expected regardless of the level of due diligence undertaken. This risk is elevated in the case of tourism-related properties with highly variable income and costs, and refurbishment and development activities. Additionally, acquisitions involve transaction costs and disruption through the transition of ownership and management which may impact operating performance, particularly in the short term
- **Environmental risk** – Aspen's properties are subject to environmental risks including but not limited to bushfires, storm events (eg. cyclones), coastal erosion and flooding. As the climate continues to change in future these risks may increase. Aspen holds insurance for these types of events, but in recent years insurance cover has become more limited and increasingly expensive
- **Market interest rates** – Aspen financial liabilities consist of interest-bearing borrowings at variable rates and therefore movements in interest rates will have an impact on profitability. Market interest rates have been increasing, and while a portion of Aspen's interest rate is hedged via interest rates swaps, the unhedged portion of the interest expense has increased which will affect future net profits.

Safety and environment

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

Once the COVID-19 event became evident, we implemented various measures across our businesses to ensure the safety of our employees, customers, suppliers and others, and to ensure compliance with health regulations across the various states. This included, amongst other initiatives, increased frequency of cleaning, reducing interactions between people, and strict procedures around vetting and monitoring customers and others at our properties.

Significant changes in the state of affairs of the Group

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

Proceedings on behalf of the company

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

Remuneration report - Audited

Introduction

The directors present the remuneration report for Aspen Group for the year ended 30 June 2022. This report forms part of the directors' report and has been audited in accordance with the *Corporations Act 2001*. This report sets out remuneration information for Aspen Group's:

- Non-Executive Directors; and
- Joint Chief Executive Officers (Executives).

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

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

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

Key management personnel

The table below provides details of the KMP for FY22. For those KMP who served as KMP for part of the year, this Remuneration Report only sets out the amounts they received as remuneration in their capacity as a KMP.

Name	Position	Term as KMP during the year
Executives		
John Carter	Joint Chief Executive Officer	KMP for full year
David Dixon	Joint Chief Executive Officer	KMP for full year
Directors	**Position**	
Clive Appleton	Non-Executive Director	KMP for full year
Guy Farrands	Non-Executive Director	KMP for full year
John Carter	Executive Director	KMP for full year

Remuneration Governance

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

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

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

Remuneration consultants

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

In FY22 there were no consultants engaged by the Board and consequently no recommendations obtained, and no disclosures required under the *Corporations Act 2001*.

Remuneration report *(continued)*

Remuneration framework

The objective of Aspen's remuneration framework is to remunerate its employees both competitively and appropriately such that Aspen Group attracts, retains and motivates a skilled and qualified KMP and senior manager team. The framework considers, amongst other things:

- Alignment to securityholders' interests:
  - key financial drivers of securityholder value, including net operating income, earnings per security, distributions per security, net asset value and total securityholder returns
  - key non-financial drivers of securityholder value, including risk management
  - attracting and retaining high calibre KMP and senior managers
- Alignment to employees' interests:
  - rewards capability and experience
  - provides recognition for both individual contribution and teamwork
  - provides a clear structure of earning rewards

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

Executive remuneration structure

Aspen's executives had the following remuneration mix for FY22:

FIXED	AT RISK	
Fixed Remuneration	Short term incentive (STI)	Long Term Incentive (LTI)
CASH		EQUITY
• Base salary and superannuation • Reviewed annually • Determined by experience, qualifications and role	• 50% of STI awarded is paid in cash and 50% is paid in securities in Aspen Group (APZ) • Entitlement to trade securities is deferred by 12 months • STI dependent on individual performance relative to KPIs	• Performance Rights Plan subject to three-year vesting period and two performance hurdles: ▪ 50% Relative Total Securityholder Return (TSR) ▪ 50% Net Asset Value (NAV) growth
Base level of reward competitive with the marketplace	**Encourages sustainable performance in the medium to longer term**	

Remuneration mix	CEOs	Senior Managers (indicative range)
Fixed compensation	50.0%	50.0% - 66.7%
STIs	12.5%	12.5% - 16.7%
LTIs	37.5%	37.5% - 16.7.%

STI, LTI and retention bonus components are "at risk" and are only realised if performance hurdles are achieved.

Fixed compensation

Fixed compensation consists of an annual base salary plus employer contributions to superannuation funds plus any applicable fringe benefits provided. No guaranteed base salary increases are included in any executive contracts. Executive remuneration levels are reviewed annually by the Board through a process that considers, amongst other things:

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

Remuneration report *(continued)*

Variable compensation - STI

The STI is an "at risk" incentive awarded annually and is paid in a combination of immediate cash and APZ securities components, subject to agreed KPIs. All STIs are paid at the discretion of the Board. In addition, the STI pool can be scaled up or down by the Board depending upon the actual performance of Aspen. The STI plan links the performance of individual employees to the operational and financial objectives of Aspen. These individual KPIs are agreed with employees at the start of each financial year or commencement of employment as part of the individual's performance review process.

The Board reserves the right to award no STI at all.

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

- Financial priorities – eg. net asset value, earnings and distribution targets, forecast accuracy, expense management
- Business priorities – eg. business growth, business systems, customer relationships
- People leadership and governance – eg. leadership, culture, risk management, stakeholder engagement and ethics
- Strategic priorities – eg. evaluating and implementing change, corporate reputation, future growth initiatives.

STIs for Executives are paid 50% in cash with the remainder taken as APZ securities. The issue of securities is held in escrow for 12 months from the date of issue (subject to shareholders' approval at the Group's AGM). The immediate cash portion is paid in September each year following the finalisation of the consolidated financial statements. To receive the benefit of the deferred STI amount, the Executive must have achieved a further hurdle – that employment with Aspen remains in place and no notice of resignation has been served by the Executives.

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

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

Variable compensation – executive retention bonus scheme

The scheme's objectives are to minimise the risks of disruption caused by the departure of key employees where the departure has the potential to create significant gaps in the knowledge and capacity that would not be in the best interests of the securityholders. No employees were subject to the retention bonus scheme in FY22 (none in FY21).

Remuneration report *(continued)*

Variable compensation - LTI

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

Aspen's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010 and which was refreshed at the 2021 Annual General Meeting. The PRP facilitates the grant of performance rights to Executives and senior managers of Aspen. A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

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

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

TSR hurdle

The Board decided to use relative TSR as the vesting condition because relative TSR is easily measured, verifiable by external data and therefore transparent for securityholders, and it is commonly used by ASX companies.

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

The S&P ASX 300 real estate sector index is used as a comparator group as it represents Aspen's listed property peers that Aspen competes with for equity and talent. The TSR hurdle is tested at the end of the performance period (three years from grant) by calculating the TSR performance of each entity in the comparator group. The performance of each entity is then ranked, using percentiles. Aspen Group's performance is calculated at the end of each performance period and compared to the percentile rankings. Vesting of performance rights under this hurdle will only occur if Aspen Group outperforms a majority of the entities making up the S&P ASX 300 Property Sector index over the three-year period.

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

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

Remuneration report *(continued)*

Variable compensation – LTI *(continued)*

NAV hurdle

NAV is a measure of the underlying value of securities of the Group. NAV is measured and reported by the Group at each reporting period and is the reference base for the testing of this measure. The NAV hurdle is tested by calculating NAV growth over the three-year measurement period. As distributions by the Group have the effect of reducing the NAV of the Group, the measurement of NAV will take into account distributions over the vesting period. Distributions over the three-year period shall be added to NAV to determine the rate of growth achieved. The vesting of Performance Rights will be determined using the matrix in the table below:

NAV growth over 3 years	Proportion of NAV related rights vested
Below 7 percent per annum	0%
At or above 7 percent per annum but below 8 percent per annum	Straight-line between 50% and 100%
At or above 8 percent per annum	100%

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

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

Event	Eligibility criteria
Resignation	Any unvested LTIs will automatically lapse and be deemed forfeited
Dismissal	Any unvested LTIs will automatically lapse and be deemed forfeited
Redundancy, retirement or death	Any LTIs will automatically lapse and be deemed forfeited. However, the Board may choose, at its absolute discretion, to allow the unvested LTIs to remain in effect
Change of control	LTIs will be payable immediately on the settlement of a change in control of Aspen. Each employee who is currently not undergoing performance management will be paid their current year's LTI opportunity at the time of change of control on a pro rata basis

Executive remuneration outcomes

Overview of FY22 financial performance

In considering Aspen's performance in the current financial year, the Board had regard to the following metrics:

	2022	2021	2020	2019	2018
Operating earnings (underlying) (million)	**\$11.84**	\$8.81	\$6.64	\$4.96	\$3.05
Operating earnings per security (cents)	**8.65**	7.57	6.80	5.15	3.05
Ordinary distributions per security (cents)	**6.60**	6.60	6.00	5.00	4.20
Security price (30th June)	**\$1.47**	\$1.31	\$0.995	\$1.06	\$0.96
Net Asset Value (30th June)	**\$1.79**	\$1.31	\$1.15	\$1.13	\$1.19
Return on capital employed (Operating earnings / opening NAV)	**6.6%**	6.6%	6.0%	4.3%	2.5%
NAV growth (change in NAV plus distribution / starting NAV)	**41.3%**	19.5%	7.3%	(0.8%)	5.1%[1]

[1] Includes special distribution of 5 cents per security

Remuneration report *(continued)*

Executive remuneration outcomes *(continued)*

The Board also considered the relative performance of KMP against the execution of Aspen's strategy. A high-level scoreboard of Aspen performance for FY22 for the purpose of assessing eligibility for STI and LTI has been considered by reference to both positive and negative factors:

Positive performance indicators	Negative performance indicators

▪ Navigating the challenging operating and development environment well
▪ Rapidly increasing scale:
  ○ Total assets up by 84% to $452m over the past year
  ○ Four new acquisitions: Perth Apartment Portfolio, Wodonga Gardens, Meadowbrooke Lifestyle Village and Coorong Quays
  ○ Total dwellings/sites up 69% to approximately 4,600
▪ Property NOI up 17% to $14.84m despite a larger part of the portfolio being under refurbishment / redevelopment
▪ Development profit up 78% to $3.51m with margin sustained at 33% despite turmoil in the building industry
▪ Management Expense Ratio (MER) reduced further from 1.8% to 1.0% (4.2% in FY19)
▪ Operating EPS up 14% in FY22 and 19% per annum over the past three years
▪ NAV up 36% to $1.79 and 17% per annum over the past three years
▪ End of period gearing of 28% - below target long term range of 30-40%
▪ New website fully functional
▪ Stock price up 12% for year to 30 June 2022
	▪ Some unwanted turnover of Property Managers
	▪ Delays and cost increases at some of the development projects
	▪ Trading of APZ securities on ASX remains illiquid

STI outcomes

For the year ended 30 June 2022, two KMP were awarded STI, determined after performance reviews were completed and approved by the Board. The combined total STI (inclusive of super) awarded to these KMP was $0.238 million (FY21 $0.209 million). As a result of the individual performance assessments the average percentage awarded of the maximum STI opportunity for these executives was 100%. A summary of the STIs payable to these executives during FY22 is outlined below:

	Cash STI[1] $	Deferred STI payment[1 2] $	Total FY22 award $	% of max STI opportunity vested in year	% of STI not yet vested	% of STI opportunity forfeited in year
John Carter	$59,375	$59,375	$118,750	100%	50%	0%
David Dixon	$59,375	$59,375	$118,750	100%	50%	0%
Total	**$118,750**	**$118,750**	**$237,500**			

[1] inclusive of superannuation

[2] the deferred STI payment is payable in APZ stapled securities and requires shareholder's approval at the FY22 Annual General Meeting (AGM). The securities will be held in escrow for 12 months upon issuance after the AGM.

Remuneration report *(continued)*

LTI outcomes

The table below summarises how Aspen performed compared to vesting conditions for active LTI schemes at 30 June 2022:

	FY22 Scheme	FY21 Scheme	FY20 Scheme
Effective issue date	30 November 2021	4 December 2020	19 December 2019
Award starting date	1 July 2021	1 July 2020	1 July 2019
Vesting date	30 June 2024	30 June 2023	30 June 2022
Current Status	These LTIs are subject to the performance hurdles until 30 June 2024	These LTIs are subject to the performance hurdles until 30 June 2023	TSR for the 3 years to 30 June 2022 totalled 61.0% and was in the top quartile of the ASX listed comparator group NAV growth was 21.9% per annum for the 3 years ending 30 June 2022 which is above the maximum hurdle of 8.0% 100% of these LTIs will convert into APZ securities post 30 June 2022

Executive contract details

Remuneration structure and contract terms for CEOs

The contracts of employment for the Joint CEOs, Messrs Carter and Dixon, have no fixed term and specify the duties and obligations of the role.

Salary and benefits

Messrs Carter and Dixon currently each receive an annual total fixed remuneration ("TFR") of $475,000 inclusive of superannuation. No directors' fees will be paid to Messrs Carter and Dixon for being a director or officer of Aspen or any other group company (from the date of appointment as CEO).

Incentive arrangements

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

Messrs Carter and Dixon are eligible to participate in Aspen's Performance Rights Plan (PRP) in respect of each completed financial year and to receive a discretionary Long-Term Incentive (LTI) allocation.

The remuneration package for Messrs Carter and Dixon was designed and negotiated to ensure a strong alignment of their financial rewards with the creation of value for Aspen Group securityholders. The equity component of Messrs Carter's and Dixon's packages, which include the issue of performance rights, will be subject to approval at the Annual General Meeting in November 2022.

Termination

The employment contracts may be terminated by Aspen Group or Messrs Carter and Dixon by giving 3 months' notice of an intention to terminate employment. Termination benefits to the extent permitted under the Corporations Act are included in the contracts in the event of certain termination events.

Contract terms for other senior managers

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

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

Remuneration report *(continued)*

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

	Year	Short-term				Post-employment			LTI[2]	Total	% of Remuneration Performance Related	Value of LTI as % of Total Remuneration
		Base salary[1]	STI	Non-monetary benefits	Total	Superannuation benefits	Termination benefits	Other Long Term				
Current Executives												
John Carter	**2022**	**439,557**	**118,750**	**-**	**558,307**	**27,500**	**-**	**-**	**297,206**	**883,013**	**47.1%**	**33.7%**
	2021	398,917	104,500	-	503,417	25,000	-	-	176,588	705,005	39.9%	25.0%
David Dixon	**2022**	**439,557**	**118,750**	**-**	**558,307**	**27,500**	**-**	**-**	**297,206**	**883,013**	**47.1%**	**33.7%**
	2021	398,917	104,500	-	503,417	25,000	-	-	176,588	705,005	39.9%	25.0%
Total	**2022**	**879,114**	**237,500**	**-**	**1,116,614**	**55,000**	**-**	**-**	**594,412**	**1,766,026**	**47.1%**	**33.7%**
	2021	797,834	209,000	-	1,006,834	50,000	-	-	353,176	1,410,010	39.9%	25.0%

Notes in relation to the table of key management personnel remuneration

(1) Base salary includes annual leave and superannuation payments which exceeded the statutory concessional superannuation cap.

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

Remuneration report *(continued)*

LTI grants and movements during the year

The following table provides details of rights granted during the year under the LTI plan, as well as the movement during the year in options and rights granted under the LTI plan in previous financial years:

	Equity type	Balance as at 30 June 2021	Granted during the year as remuneration	Fair Value at Grant date	Exercised / vested during the year	Value of options and rights exercised / vested	Lapsed / cancelled during the year	Value of options and rights lapsed / cancelled	Balance as at 30 June 2022
		No.	No.	$	No.	$	No.	$	No.
Current Executives									
John Carter	PR	609,450	271,947	362,096	-	-	-	-	881,397
David Dixon	PR	609,450	271,947	362,096	-	-	-	-	881,397

Non-executive director remuneration structure

The total remuneration for Non-Executive Directors for the 2022 financial year was $263,340 (2021: $262,144). There has been no increase in remuneration of individual Directors since FY13, apart from Clive Appleton due to his appointment as Chairman on 7 June 2016.

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

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

The annual fees payable in FY22 (excluding superannuation) were:

Position	Annual Fees
Non-Executive Chairman	$149,625
Non-Executive Director	$76,950
Committee Chairman	$8,550
Committee Member	$4,275

Remuneration report *(continued)*

Non-executive directors' remuneration

Details of the remuneration paid to Non-Executive Directors are in the table below:

	Year	Non-executive director	Committee chair fees	Committee member fees	Superannuation	Total remuneration
		$	$	$	$	$
Directors						
Clive Appleton*	**2022**	**164,588**	**-**	**4,703**	**-**	**169,290**
	2021	164,246	-	4,275	-	168,521
Guy Farrands	**2022**	**76,950**	**8,550**	**-**	**8,550**	**94,050**
	2021	76,950	8,550	-	8,123	93,623
Total Non-Executive Directors	**2022**	**241,538**	**8,550**	**4,703**	**8,550**	**263,340**
	2021	241,196	8,550	4,275	8,123	262,144

*Director applied for superannuation guarantee exemption for FY22 and elected to receive superannuation as part of base pay

KMP transactions

Loans

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

Movements in securities

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

	Year	Balance at beginning of year	Net increase / (decrease)	Balance at end of year
Current Executives				
David Dixon*	**2022**	9,831,197	**1,689,997**	**11,521,194**
	2021	9,517,342	313,855	9,831,197
John Carter *	**2022**	9,449,910	**2,445,015**	**11,894,925**
	2021	9,436,465	13,445	9,449,910
Non-executive directors				
Clive Appleton	**2022**	605,613	**130,842**	**736,455**
	2021	265,613	340,000	605,613
Guy Farrands	**2022**	170,475	**25,571**	**196,046**
	2021	170,475	-	170,475

*John Carter and David Dixon hold an indirect interest in Aspen Group Limited via their ownership and directorship of Mill Hill Capital Pty Ltd and interests in the Mill Hill Capital Strategic Real Estate Fund, and separate interests through their associated entities.

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

This concludes the Remuneration Report, which is audited.

Principal activities

The principal activities of Aspen during the year were owning and operating properties in the affordable accommodation sector. Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the year.

Distributions

Distributions paid to unitholders during the year were as follows:

	2022
	$'000
Final distribution for the year ended 30 June 2021 of 3.50 cents per security paid on 20 August 2021	4,073
Half year distribution for the period ended 31 December 2021 of 3.10 cents per security paid on 26 February 2022	4,327
	8,400

On 24 June 2022, Aspen announced the expected payment of a final distribution for the year ended 30 June 2022 of 3.50 cents per security ($5.426 million in total). This distribution was subsequently approved by the Board and will be paid on or around 25 August 2022.

Shares under option or issued on exercise of options

There were no shares under options as at 30 June 2022 (2021: nil).

Events subsequent to reporting date

While there remains continuous uncertainty arising from the COVID-19 pandemic, given the current minimal restrictions imposed on the community and that borders have opened for both domestic and international travel, the directors consider the impact of COVID-19 is unlikely to compromise the ability of the Group to continue operating profitably for the foreseeable future.

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

Indemnification and insurance of officers and auditors

During the financial year Aspen paid premiums in respect of directors' and officers' liability and legal expense insurance contracts for the year ended 30 June 2022 and, since year end Aspen has paid premiums in respect of such insurance contracts up to the annual insurance renewal date of 30 June 2023. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of Aspen.

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

Aspen has agreed to indemnify the following current officers of the Company, Mr Appleton, Mr Carter, Mr Farrands, and Mr Dixon against all liabilities to another person (other than Aspen) that may arise from their positions as officers of Aspen, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that Aspen will meet the full amount of any such liabilities, including costs and expenses.

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

Non-audit services

During the year Deloitte Touche Tohmatsu ('Deloitte'), Aspen's auditor, has not performed any other services in addition to their audit service.

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. We have started collaborations with The Salvation Army and Red Cross to provide social housing in Western Australia and we want to expand these efforts in the future across Australia.

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 many of 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.

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 previously 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 estate.

Environmental, Social and Corporate Governance *(continued)*

Environment

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
- 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.

Environmental, Social and Corporate Governance *(continued)*

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 vast 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 and religion, 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 recognise 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. Over the past 24 months, Aspen has recruited females into the head office roles of Head of Marketing & Sales, Operations Manager, and Business Development Manager. We have also significantly increased the proportion female property managers. Across all our properties, 83% of the Property Managers are 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

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

Occupational Health and Safety

In operating and developing our communities the safety and health of our people, residents and guests is paramount. We aim 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.

Environmental, Social and Corporate Governance *(continued)*

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.

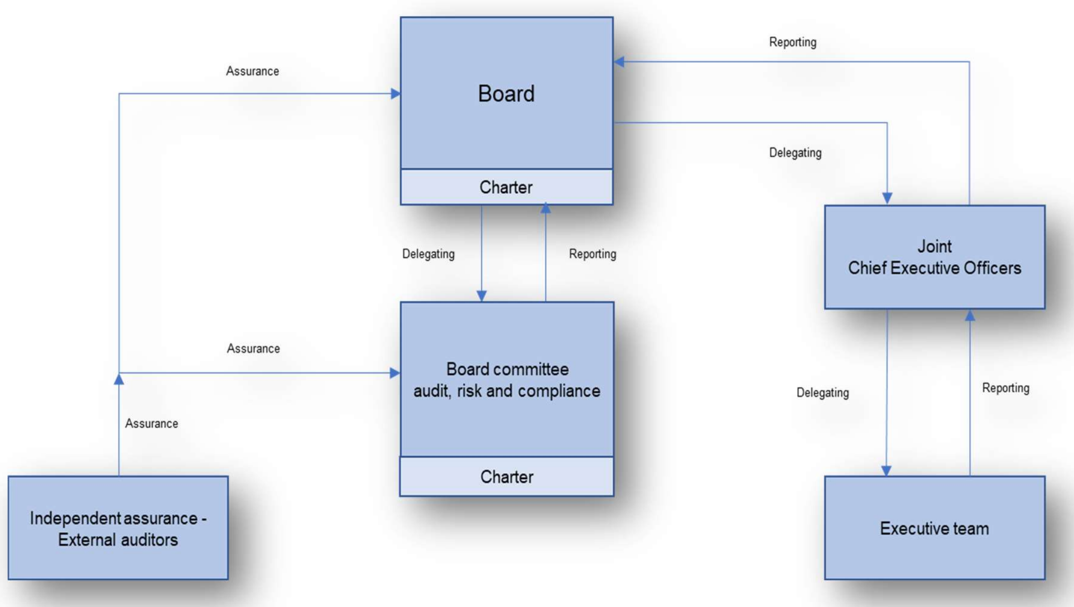
Our current Key Management Personnel include the Joint Chief Executive Officers. They are aligned to the long-term performance of Aspen Group through their substantial personal shareholdings and the structure of their remuneration packages where 50% of total remuneration is deferred for up to 3 years 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 CEO position.

External Governance Framework



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 28 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 and in accordance with the Instrument, amounts in the Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

On behalf of the directors of Aspen Group Limited

Clive Appleton

Chairman

SYDNEY, 17 August 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000

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17 August 2022

The Board of Directors
Aspen Group Limited
Upper Ground, 285A Crown St
Surry Hills NSW 2010

Dear Directors

Aspen Group Limited

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.

As lead audit partner for the audit of the financial report of Aspen Group Limited for the year ended 30 June 2022, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Australia

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Independent Auditor's Report to the Members of Aspen Group Limited

Opinion

We have audited the financial report of Aspen Group Limited (the "Company") and its controlled entities (together referred to as the "Group") which comprises the consolidated balance sheet as at 30 June 2022, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Fair value assessment of property assets
 	
The Group accounts for its property assets valued at $412.507 million (2021: $228.565 million) comprising property, plant and equipment (PP&E) and Investment Property by adopting the fair value model measurement approach in accordance with AASB 13 *Fair Value Measurement*, as disclosed in Notes 7 and 8.
 	
The Group determines the fair value of its PP&E and investment properties on the basis of external valuations conducted on a 3-year rotation basis and director valuations in interval years. The valuations are judgemental and determined by factors such as prevailing market conditions, the individual nature, condition and location of each asset, as well as net operating income (NOI) and capitalisation rate valuation inputs.
	Our procedures included, but were not limited to the following:
	• Assessing management's processes for valuing PP&E and investment property assets held at fair value, including the review and approval of the valuations by the directors
	• Assessing the independence, competence and objectivity of the external valuers, as well as competence and objectivity of internal valuers
	• Holding discussions with management to obtain an understanding of portfolio movements and their assessment of the impact of current market trends on property valuations
	• Performing a risk assessment of the portfolio by comparing the key valuation inputs and assumptions to independent property market reports and other evidence to identify properties which were assessed as displaying a greater risk of material misstatements
	• For the properties that were assessed as displaying a greater risk of material misstatement performing the following with respect to the valuation models:
	    • testing the integrity of the information used by agreeing key inputs such as net operating income to underlying records and source documents
	    • Benchmarking the capitalisation rates with reference to external market trends and transactions and challenging whether those assumptions where appropriate
	    • evaluating the net operating income with reference to current and forecast financial results
	    • Performing procedures over specific assumptions adopted for properties that are under development including forecast completion costs and developers margin.
	• We also assessed the adequacy of the disclosures included in Notes 7 and 8 to the Group's financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report and also includes the following information which will be included in the Group's annual (but does not include the financial report and our auditor's report thereon): Chairman's report and additional ASX disclosures and Shareholder information, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's report and additional ASX disclosures and Shareholder information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 21 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Aspen Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 17 August 2022

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	Consolidated cash flow statement	38
	Consolidated statement of changes in equity	39
Notes to the consolidated financial statements	About this report	40
	Segment information	42

Primary	Capital	Risk	Corporate Structure	Other	Unrecognised Items
1. Revenue	12. Capital management	17. Derivative liability	20. Subsidiaries	23. Resident loans	31. Commitments and contingencies
2. Other income / Expenses and other items	13. Distributions	18. Financial risk management	21. Discontinued operations	24. Rights of use assets	32 Subsequent events
3. Tax expense	14. Equity and reserves	19. Impairment of non-financial assets	22. Non-controlling interests	25. Net investment in sublease	
4. Cash and cash equivalents	15. Earnings per stapled security			26. Lease liability	
5. Trade and other receivables	16. Interest bearing loans and borrowings			27. Parent entity disclosures	
6. Trade and other payables				28. Remuneration of auditors	
7. Property, plant and equipment				29. Related party transactions	
8. Investment properties				30. Accounting standards adoption	
9. Investment property assets held for sale					
10. Inventories					
11. Provisions					

Signed reports	Directors' declaration	78

Consolidated statement of profit and loss

Aspen Group Limited
For the year ended 30 June 2022

	Note	CONSOLIDATED 2022 $'000	2021 $'000
Continuing operations			
Rental income		**32,326**	26,708
Home and land sales		**10,690**	6,027
Food and Beverage, other ancillary sales, and net gaming revenue		**3,007**	2,337
Other revenue	1	**654**	450
Total revenue		**46,677**	35,522
Other income – insurance claim proceeds	2	**-**	577
Net fair value gain on Investment properties	8	**58,387**	17,793
Reversal of previous impairment on property, plant and equipment		**2,876**	-
Gain from sale of investment properties		**263**	187
Fair value loss on retirement village resident loans	23	**(134)**	-
Expenses			
Operational expenses	2	**(5,093)**	(4,978)
Property expenses	2	**(9,109)**	(6,463)
Cost of Homes and Land sold		**(7,182)**	(4,054)
Employee expenses	2	**(10,718)**	(8,604)
Administration expenses	2	**(2,139)**	(1,704)
Depreciation and amortisation expenses		**(986)**	(729)
Other expenses	2	**(1,908)**	(1,875)
Total expenses		**(37,135)**	(28,407)
Earnings before interest and income tax expense (EBIT)		**70,934**	25,672
Finance income	2	**114**	163
Finance costs	2	**(1,848)**	(1,434)
Other finance income / cost – fair value gain / (loss) on interest rate swaps		**3,605**	116
Profit before income tax		**72,805**	24,517
Income tax benefit	3	**2,576**	875
Profit from continuing operations		**75,381**	25,392
Discontinued operations			
Loss for the year from discontinued operations	21	**-**	(1)
Profit for the year		**75,381**	25,391
Profit attributable to ordinary equity holders of the parent entity		**75,381**	25,391
Profit/(Loss) attributable to non-controlling interest		**-**	-
Profit for the year		**75,381**	25,391
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations		Cents	Cents
Basic earnings per security	15	**55.16**	21.82
Diluted earnings per security	15	**54.54**	21.68
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	15	**55.16**	21.82
Diluted earnings per security	15	**54.54**	21.68

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

Consolidated statement of comprehensive income

Aspen Group Limited
For the year ended 30 June 2022

	Note	CONSOLIDATED 2022 $'000	2021 $'000
Profit for the year		**75,381**	25,391
Other comprehensive income			
Items that will not subsequently be reclassified to profit or loss:			
Fair value gain on property, plant and equipment		**5,124**	364
Total other comprehensive income for the year, net of tax		**5,124**	364
Total comprehensive income for the year from:			
Continuing operations		**80,505**	25,756
Discontinued operations		**-**	(1)
		80,505	25,755
Total comprehensive income for the year attributable to:			
Securityholders of Aspen		**80,505**	25,755
Non-controlling interests		**-**	-
		80,505	25,755

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

Consolidated balance sheet

Aspen Group Limited
As at 30 June 2022

	Note	**30 June 2022 $'000**	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	4	**10,730**	8,277
Trade and other receivables	5	**1,694**	1,556
Investment property assets held for sale	9	**-**	1,200
Inventories	10	**2,542**	1,081
Net investment in sublease	25	**158**	1,256
Total current assets		**15,124**	**13,370**
Non-current assets			
Investment properties	8	**386,062**	209,774
Property, plant and equipment	7	**26,523**	17,680
Inventories	10	**13,300**	-
Intangible assets		**140**	103
Right of use assets	24	**612**	798
Deferred tax assets	3	**6,576**	4,000
Net investment in sublease	25	**-**	158
Derivative asset		**3,605**	-
Other		**516**	613
Total non-current assets		**437,334**	**233,126**
Total assets		**452,458**	**246,496**
Liabilities			
Current liabilities			
Trade and other payables	6	**16,256**	9,023
Resident Loans	23	**25,817**	6,420
Provisions	11	**1,607**	1,473
Lease liability	26	**348**	1,630
Deferred management revenue (DMF)		**647**	-
Total current liabilities		**44,675**	**18,546**
Non-current liabilities			
Interest bearing loans and borrowings	16	**127,670**	74,197
Deferred management revenue (DMF)		**2,503**	-
Lease liability	26	**589**	937
Derivative liability	17	**-**	265
Total non-current liabilities		**130,762**	75,399
Total liabilities		**175,437**	**93,945**
Net assets		**277,021**	**152,551**
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	**562,602**	**509,745**
Reserves	14	**6,966**	981
Accumulated losses		**(288,710)**	**(354,338)**
Total equity attributable to equity holders		**280,858**	**156,388**
Non-controlling interest	22	**(3,837)**	**(3,837)**
Total equity		**277,021**	**152,551**

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

Consolidated cash flow statement

Aspen Group Limited
For the year ended 30 June 2022

	Note	CONSOLIDATED 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**51,313**	40,495
Payments to suppliers and employees (inclusive of GST)		**(34,066)**	(27,752)
Net cash flows from operating activities	4	**17,247**	**12,743**
Cash flows used in investing activities			
Acquisition of investment properties		**(64,255)**	(30,581)
Payment for development of investment properties		**(26,048)**	(4,781)
Acquisition of property, plant and equipment		**(1,619)**	(1,068)
Proceeds from sale of investment property assets, net of selling costs		**6,519**	826
Interest received		**114**	163
Net cash flows used in investing activities		**(85,289)**	(35,441)
Cash flows from financing activities			
Proceeds from borrowings		**53,587**	32,154
Proceeds from net investment in sublease		**1,255**	1,078
Distributions paid		**(8,401)**	(7,384)
Payment of financing and borrowing costs		**(3,238)**	(1,635)
Payment of lease liability		**(1,629)**	(1,309)
Issuance of stapled securities (net of costs)		**28,921**	-
Net cash flows from financing activities		**70,495**	22,904
Net increase in cash and cash equivalents		**2,453**	116
Cash and cash equivalents at beginning of year		**8,277**	8,161
Cash and cash equivalents at end of year	4	**10,730**	8,277

FY22 excludes the following significant non-cash impact of:

- Issuance of $23.831 million worth of APZ stapled securities relating the acquisition of Marina Hindmarsh Island Fund ("MHIF") in June 2022.

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

Consolidated statement of changes in equity

Aspen Group Limited
For the year ended 30 June 2022

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2020		509,715	201	(372,049)	(3,837)	134,030
Net profit for the year		-	-	25,391	-	25,391
Revaluation of property, plant and equipment	14	-	364	-	-	364
Total comprehensive income for the year		-	364	25,391	-	25,755
Issue of stapled securities, net of transaction costs	14	30	-	-	-	30
Deregistration of non-controlling interest		-	-	-	-	-
Security based compensation	14	-	416	-	-	416
Distributions payable or paid to securityholders		-	-	(7,680)	-	(7,680)
Balance at 30 June 2021 and 1 July 2021		509,745	981	(354,338)	(3,837)	152,551
Net profit for the year		**-**	**-**	**75,381**	**-**	**75,381**
Revaluation of property, plant and equipment	14	**-**	**5,124**	**-**	**-**	**5,124**
Total comprehensive income for the year		**-**	**5,124**	**75,381**	**-**	**80,505**
Issue of stapled securities, net of transaction costs	14	**52,857**	**-**	**-**	**-**	**52,857**
Security based compensation	14	**-**	**861**	**-**	**-**	**861**
Distributions payable or paid to securityholders		**-**	**-**	**(9,753)**	**-**	**(9,753)**
Balance at 30 June 2022		**562,602**	**6,966**	**(288,710)**	**(3,837)**	**277,021**

The above 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 investing in and operating within the affordable accommodation sector.

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

The consolidated financial statements of Aspen as at and for the year ended 30 June 2022 are combined financial statements that present the financial statements and accompanying notes of both the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. Aspen is a for-profit entity and is primarily involved in investment in, operation of, and development of affordable accommodation assets.

The consolidated financial statements were authorised for issue by the Board on 17 August 2022.

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

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for derivative financial instruments, investment property, certain classes of property, plant and equipment, share-based payments and resident loans;
- 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;
- if required the comparative information was reclassified to conform with current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Aspen and effective for reporting periods beginning on or after 1 July 2021.
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Key judgements and estimates

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

The 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:

		Pages
Note 3:	Deferred tax assets	46 to 47
Note 7:	Property, plant and equipment	49 to 50
Note 8:	Investment properties	51 to 55

Basis of consolidation

These consolidated financial statements consist of the Company, the Trust, and their controlled entities. A list of controlled entities (subsidiaries) at year end is contained in note 20.

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

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

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

		Page
Note 20:	Subsidiaries	70
Note 22:	Non-controlling interests	72

Other accounting policies

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

The notes to the financial statements

The notes are organised into the following sections:

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

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

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

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

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

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

Financial performance and position

During the year ended 30 June 2022 Aspen recorded a profit after tax of $75.381 million (2021: profit after tax of $25.391 million). At 30 June 2022 Aspen had net assets of $277.021 million (30 June 2021: $152.551 million), cash reserves of $10.730 million (30 June 2021: $8.277 million).

The consolidated statement of financial position also shows a net current asset deficiency as at 30 June 2022 totalling $29.551 million (30 June 2021: $5.176 million). This position arises predominantly as a result of the current classification of Resident Loans totalling $25.817 million (30 June 2021: $6.420 million) which, as described in Note 23, are not expected to result in an equivalent outflow of funds during the next twelve months. In addition, the Resident Loans are recognised as a gross up of the carrying value of associated non-current classified Investment Properties, resulting in a mismatch between the resident loans recognised as current-liabilities and underlying property assets recognised as non-current assets.

In addition, as noted in Note 18 of the financial statements, the Group has financing facilities totalling $26.761 million which are available to be drawn down to provide short term cash flows if required.

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

The Board 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.

Significant changes in the current reporting period

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

Operating segments

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

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

- Residential – this segment consists of dwellings that are typically located in metropolitan areas and leased on a 6-12 month basis
- Retirement Communities – this segment consists of communities that cater to customers who are typically over-50 years old and that are typically subject to State based regulation under Retirement Village Acts or Residential Parks / Manufactured Homes Acts (or similar)
- Park Communities – this segment consists of properties that cater to a mixture of permanent, tourist and worker residents, and customers on varying lease types and terms including over dwellings and land sites
- Other – this segment includes items that are not allocated to an operating segment. This includes corporate overheads and income, interest income and interest expense.

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 joint chief executive officers 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 spread throughout Australia. There are no other geographical segments.

	Residential		Retirement Communities		Park Communities		Other		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Rental income	**6,562**	2,657	**4,742**	3,764	**21,022**	20,287	**-**	-	**32,326**	26,708
Food and beverage, other ancillary sales, and net gaming revenue	**-**	-	**-**	-	**3,007**	2,337	**-**	-	**3,007**	2,337
Other revenue	**-**	-	**-**	-	**-**	-	**654**	450	**654**	450
Total Rental, ancillary services, and other revenue	**6,562**	2,657	**4,742**	3,764	**24,029**	22,624	**654**	450	**35,987**	29,495
Development sales (houses and land)[5]	**2,542**	-	**8,148**	6,027	**-**	-	**-**	-	**10,690**	6,027
Total segment revenue [1]	**9,104**	2,657	**12,890**	9,791	**24,029**	22,624	**654**	450	**46,677**	35,522
Property EBITDA	**2,692**	1,394	**2,810**	2,306	**9,334**	8,979	**-**	-	**14,836**	12,679
Development EBITDA	**971**	-	**2,536**	1,973	**-**	-	**-**	-	**3,507**	1,973
Other - corporate	**-**	-	**-**	-	**-**	-	**(4,745)**	(4,499)	**(4,745)**	(4,499)
Total operating EBITDA [2]	**3,663**	1,394	**5,346**	4,279	**9,334**	8,979	**(4,745)**	(4,499)	**13,598**	10,153
Finance income	**-**	-	**-**	-	**-**	-	**9**	5	**9**	5
Finance costs	**-**	-	**-**	-	**-**	-	**(1,769)**	(1,349)	**(1,769)**	(1,349)
Operating profit / (loss) before depreciation and income tax	**3,663**	1,394	**5,346**	4,279	**9,334**	8,978	**(6,505)**	(5,842)	**11,838**	8,809
Depreciation and amortisation	**-**	-	**-**	-	**(726)**	(619)	**(260)**	(110)	**(986)**	(729)
Net Fair value gain/(loss) on investment properties	**41,062**	7,023	**9,362**	(127)	**7,963**	10,897	**-**	-	**58,387**	17,793
Reversal of previous impairment on property, plant and equipment	**-**	-	**-**	-	**2,876**	-	**-**	-	**2,876**	-
Fair value loss on retirement village resident loans	**-**	-	**(134)**	-	**-**	-	**-**	-	**(134)**	-
Other income / (expenses)[3]	**(331)**	(1,743)	**(463)**	(118)	**(47)**	(27)	**1,665**	(46)	**824**	(1,934)
Insurance claim proceeds	**-**	-	**-**	-	**-**	577	**-**	-	**-**	577
Income tax benefit	**-**	-	**-**	-	**-**	-	**2,576**	875	**2,576**	875
Profit / (loss) after tax attributable to parent entity	**44,394**	6,674	**14,111**	4,034	**19,400**	19,806	**(2,524)**	(5,123)	**75,381**	25,391
Segment assets and liabilities reviewed by CODM can be analysed as follows:										
Segment assets	**189,084**	70,597	**99,544**	48,626	**139,457**	109,343	**24,373** [4]	17,930	**452,458**	246,496
Segment liabilities	**-**	-	**-**	-	**-**	-	**(175,437)**	(93,945)	**(175,437)**	(93,945)
Additions to non-current assets during the year	**72,697**	31,637	**39,784**	10,060	**14,842**	3,037	**14**	85	**127,338**	44,819

1 All segment revenues are derived from external customers.
2 Operating EBITDA represents earnings before interest, tax, depreciation and amortisation and excludes non-underlying items.
3 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.
4 Includes all assets of the Group excluding the property assets
5 2021 comparative information in the Residential segment has been restated to align with current year reporting format to CODM which excludes investment property sales from development sales. Current year reporting format now aligns with statutory reporting for this line item

1: Revenue

(a) Other revenue

	2022 $'000	2021 $'000
Management fees	**654**	400
Miscellaneous income	**-**	50
Total other revenue	**654**	450

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 over time 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 land and homes is recognised at the point in time when control of the land / home is transferred to the customer, on settlement of the transaction.

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

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

2: Other income / Expenses and other items

(a) Other income – insurance claim

The Group made claims for material damages and business disruption arising from the bush fires in FY2020 at two of its parks, Barlings Beach Holiday Park and Tween Waters Holiday Park. In FY2021, the parties agreed to a net payment to Aspen of $0.577 million (after deductibles and expenses). There were no material claims made in FY2022.

(b) Operational expenses

	2022 $'000	2021 $'000
Contractors	**256**	876
Consumables	**1,102**	1,000
Services and supplies	**1,164**	992
Marketing expenses	**213**	287
Other operational costs	**2,358**	1,823
Total operational expenses	**5,093**	4,978

2: Other income / Expenses and other items *(continued)*

(c) Property expenses

	2022 $'000	2021 $'000
Repairs and maintenance	**782**	789
Motor vehicle expenses	**85**	95
Utilities	**3,722**	2,862
Insurance	**1,644**	1,445
Rates and taxes	**2,215**	1,242
Other property expenses	**661**	30
Total property expenses	**9,109**	6,463

(d) Employee expenses

	2022 $'000	2021 $'000
Salary and wages	**9,058**	7,494
Superannuation	**689**	583
Security-based payments	**862**	415
Other employee costs	**109**	112
Total employee expenses[1]	**10,718**	8,604

[1] Government incentives received in the form of JobKeeper payments totalling $0.6 million in FY2021 have been netted off against salary and wages. No government incentives were received in FY2022.

(e) Administrative expenses

	2022 $'000	2021 $'000
Corporate administration costs	**1,675**	1,595
Occupancy costs	**44**	107
Other expenses	**420**	2
Total administrative expenses	**2,139**	1,704

(f) Other

	2022 $'000	2021 $'000
Asset acquisition transaction costs	**1,827**	2,061
Revaluation of equity investments	**81**	(186)
Total other	**1,908**	1,875

2: Other income / Expenses and other items *(continued)*

Recognition and measurement

Security-based payments expense

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

Employee benefits expense

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

Government incentives received in the form of JobKeeper payments totalling $0.6 million have been netted against salary and wages expense in FY2021. No government incentives were received in FY2022. Government incentives are recognised when there is reasonable assurance that the related eligibility conditions have been satisfied and the incentive will be received.

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

Depreciation expense

Refer to Note 7 on depreciation expense.

Occupancy costs

Occupancy costs represent charges pursuant to operating leases which are for short term duration of under 12 months or in respect of low value items.

Amortisation

Licenses are amortised over the period of their expected useful life.

Goods and services tax

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

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

Finance income and costs

	Consolidated	
	2022	2021
	$'000	$'000
Interest – bank deposits	**8**	6
Interest - Investment in Sublease	**106**	157
Finance income	**114**	163
Interest – loans and borrowings	**1,763**	1,278
Interest – Rights of use assets	**85**	156
Finance costs	**1,848**	1,434

Finance income

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

Finance costs

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

Capitalisation of borrowing costs

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

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

3: Tax expense

	Consolidated 2022 $'000	2021 $'000
Income statement (continuing operations)		
Current income tax expense		
Current year	**(1,572)**	(394)
Deferred income tax expense		
Temporary differences	**4,148**	1,269
Income tax reported in the income statement	**2,576**	875
Tax reconciliation		
Profit before tax	**72,805**	24,517
Income tax at the statutory tax rate of 25% (2021:26%)	**(18,201)**	(6,374)
Prima facie income tax on profit from trusts	**7,469**	3,792
Non-deductible items	**(237)**	(49)
Recognition of previously unrecognised tax losses	**13,545**	3,506
Income tax on profit before tax	**2,576**	875
Recognised net deferred tax assets	**2,576**	875
Deferred tax not recognised on the balance sheet relates to the following:		
Tax losses	**8,583**	**21,724**

Deferred tax assets

The recognised deferred tax assets consist of the following:

	Consolidated 2022 $'000	2021 $'000
Trade and other payables	**629**	311
Lease arrangement	**42**	89
Provisions	**209**	252
Employee benefits	**747**	523
Other liabilities	**-**	66
Blackhole expenditure	**101**	460
Other capital items	**4,833**	-
Tax losses – revenue and capital	**16,048**	5,735
Deferred tax assets	**22,609**	7,436
Set off against deferred tax liabilities		
Property, plant and equipment	**(700)**	(437)
Other liabilities	**(114)**	-
Investment properties	**(15,219)**	(2,999)
Deferred tax liabilities	**(16,033)**	(3,436)
Net deferred tax assets	**6,576**	4,000

At 30 June 2022, the Group has recognised additional deferred tax assets in respect of previously unrecognised tax losses totalling $13.5 million. The recognition of the additional tax asset is based on additional recognised tax liabilities in the current period and an assessment of probable future tax profits that will be generated within a reasonable forecast period that will allow the net deferred tax assets to be utilised.

At 30 June 2022, the Group has approximately gross $34.0 million (2021: $86.9 million) of unrecognised tax losses including approximately $nil million (2021: $27.5 million) of unrecognised capital losses, calculated on a provisional basis.

Recognition and measurement

Current taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred taxes

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3: Tax expense *(continued)*

Deferred taxes *(continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the Group's Trust owned investment properties which are not subject to any income taxes on gains realised on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

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

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

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

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

The Trust

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

Key judgement

At 30 June 2022 a net deferred tax asset of $6.6 million has been recognised based on an assessment of probable future tax profits that will be generated within a reasonable forecast period that will enable the net deferred tax assets to be utilised

A deferred tax asset of $8.6 million (2021: $21.7 million) for unused revenue tax losses has not been recognised based on the assessment that there is insufficient certainty as to the reasonable probability of generating future tax profits or being able to utilise the tax losses beyond the period in respect of which the recognised deferred tax asset has been recognised as at 30 June 2022.

4: Cash and cash equivalents

	Consolidated 2022 $'000	2021 $'000
Cash at bank and on hand	**10,580**	8,127
Term deposits	**150**	150
	10,730	8,277

Australian Financial Services Licence ("AFSL") regulations require Aspen Group's subsidiary, Aspen Funds Management Limited ("AFM"), to maintain a minimum $0.075 million of cash and Net Tangible Assets ("NTA"), as defined by the regulations, of $0.150 million. At 30 June 2022 AFM maintained the minimum cash and NTA requirement.

Reconciliation of net profit/ (loss) after tax to net cash flows from operations	2022 $'000	2021 $'000
Net profit for the year	**75,381**	25,391
Adjustments for:		
Depreciation and amortization	**986**	729
Change in fair value of investment properties and residents' loans	**(61,129)**	(17,793)
Finance income	**(8)**	(163)
Change in fair value of equity investment	**81**	(186)
Gain from sale of investment property assets	**(264)**	(187)
Share based payments expense	**862**	416
Finance and borrowing costs	**1,853**	1,506
Investment property acquisition costs	**1,827**	2,061
Deferred tax benefit recognised	**(2,576)**	(875)
Other (income) /expense	**(3,692)**	101
Adjusted profit before movements in working capital and provisions	**13,321**	11,000
Decrease/(increase) in assets		
Trade and other receivables	**(584)**	978
Other assets	**502**	877
(Decrease)/Increase in liabilities		
Trade and other payables	**4,008**	(112)
Net cash inflows from operating activities	**17,247**	12,743

Recognition and measurement

Cash and cash equivalents

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

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

5: Trade and other receivables

	Consolidated 2022 $'000	2021 $'000
Trade receivables, net	**946**	1,117
Other debtors	**237**	225
Prepayment and other	**511**	214
	1,694	1,556
Trade receivables past due		
Under 90 days	**97**	249
90 days and over	**205**	526
Trade receivables past due	**302**	775
Recognised expected credit losses	**(229)**	(358)
Trade receivables past due after provision for expected credit losses	**73**	417

Recognition and measurement

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost less expected credit losses. Trade receivables have maturities of less than 12 months, therefore the Group has adopted the 'simplified' model approach in calculating expected credit losses. Under this approach current trade receivables will recognise 'lifetime expected credit losses'. These are the credit losses expected over the term of the receivables.

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

6: Trade and other payables

	Consolidated 2022 $'000	2021 $'000
Trade payables	**8,449**	3,251
Distributions payable	**5,528**	4,177
Contract liabilities	**2,279**	1,595
	16,256	9,023

Recognition and measurement

Trade and other payables are recognised initially at their fair value and subsequently measured at their amortised cost using the effective interest method. Aspen's credit terms with suppliers is typically between 7 - 30 days.

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

A liability is recognised for the amount of any distribution (see Note 13) declared by the Group on or before the end of the reporting period but not distributed at Balance Sheet date.

7: Property, plant and equipment

	Consolidated				
	Land (fair value) $'000	Buildings (fair value) $'000	Plant and equipment (fair value) $'000	Corporate assets (cost) $'000	Total $'000
Year ended 30 June 2022					
Cost or valuation	16,653	5,993	6,825	123	**29,094**
Accumulated depreciation and impairment	-	(797)	(1,729)	(45)	**(2,571)**
Net carrying amount	**16,653**	**5,196**	**5,096**	**78**	**26,523**
Movement					
Net carrying amount at the beginning of the year	8,639	5,196	3,756	89	17,680
Additions	-	-	1,605	14	**1,619**
Depreciation	-	(167)	(559)	(25)	**(751)**
Revaluation	7,514	167	294	-	**7,975**
Net carrying amount at the end of the year	**16,153**	**5,196**	**5,096**	**78**	**26,523**
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 - adjusted	8,639	5,196	3,756	89	17,680
Movement					
Net carrying amount at the beginning of the year	8,639	5,196	3,065	19	16,919
Additions	-	-	946	85	1,031
Depreciation	-	(176)	(443)	(15)	(634)
Revaluation	-	176	188	-	364
Net carrying amount at the end of the year	8,639	5,196	3,756	89	17,680

Property, plant and equipment (PPE) represent assets held principally for use in the production or supply of goods or services or for administration purposes.

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. If the PPE's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation gain. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Refer further details regarding fair value assessment in Note 8.

7: 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 income statement in the period the item is derecognised.

Level 3 fair value

The fair value measurement of PPE of $26.445 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 8.

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

Property	**Land $'000**	**Buildings $'000**	**Plant & Equipment $'000**	**Total $'000**
Year ended 30 June 2022				
Cost	11,515	5,375	6,219	23,109
Accumulated depreciation and impairment	-	(797)	(1,729)	(2,526)
Net carrying amount	11,515	4,578	4,490	**20,583**

Key judgment and estimates

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. PPE includes the Darwin FreeSpirit Resort where ancillary services include food and beverage services, gaming and events / functions.

The fair value methodology which is used when valuing property assets via the capitalisation method requires significant assumptions to be made in respect of both sustainable net operating income and market capitalisation rate. This applies to both assets classified as PPE and investment properties.

8: Investment properties

Investment properties	30 June 2022 $'000	30 June 2021 $'000
Opening balance	209,774	150,085
Investment properties acquired	97,811	38,690
Additions to investment properties	29,206	5,045
Investment properties reclassified to investment property assets held for sale	-	(1,200)
Investment properties sold	(5,056)	(639)
Investment properties reclassified to inventories	(4,594)	-
Net fair value gain on Investment properties – recognised against Resident Loan	534	-
Net fair value gain on Investment properties - profit and loss	58,387	17,793
Closing balance	**386,062**	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 year, Aspen acquired the Perth Apartment Portfolio, Meadowbrooke Lifestyle Estate, Wodonga Gardens Retirement Estate and Coorong Quays, Hindmarsh Island (through the Marina Hindmarsh Island Fund). The acquisitions were acquired principally for the purposes of earning rental income and capital appreciation except for $10 million of englobo residential land at Coorong Quays that has been classified as inventory as it is being developed and sold as residential land lots.

During the year, Aspen also repositioned its Mt Barker property as residential land lots held for sale and as a result the asset were reclassified to inventories.

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.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at fair value and as a result, transaction costs are charged to statement of profit and loss as "other" expenses. Subsequent gains or losses arising from changes in the fair values of investment properties at reporting date are included in the statement of profit and loss in the period they arise as "Net Fair value gain/(loss) on Investment properties".

Fair value

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

	30 June 2022 $'000	30 June 2021 '000
Classified as:		
Property plant and equipment	26,445	17,591
Investment properties	386,062	209,774
Investment property assets held for sale	-	1,200
	412,507	228,565
Carried at cost:		
Inventories – Mt Barker and Coorong Quays residential land*	15,578	-
	428,085	228,565

* For the purposes of disclosing the completeness of the Group's property assets the Mt Barker and Coorong Quays residential land classified as inventories have 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 year are as follows:

Segment	Percentage of independent valuations for the year to total carrying value %	Total independent valuations for the year $'000	Total carrying value $'000
Retirement Communities Properties	49%	49,018	99,544
Park Communities Properties	43%	60,350	139,457
Residential Properties	46%	87,050	189, 084
Total	46%	196,418	428,085

8: Investment properties *(continued)*

The following table presents individual properties owned by the Group:

Property	Original acquisition date	Original acquisition costs[4] $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 30 June 2022 $ '000	Book value at 30 June 2021 $ '000
Residential Properties						
Pacific Highway (Kalinda) NSW	Aug 2019	4,929	Dec 2021	4,900	**4,976**	7,004
Treatts (Kiah) NSW	Aug 2019	5,443	Dec 2021	8,900	**9,000**	5,059
Perth House Portfolio WA [5]	Nov 2019	21,178	May 2021	22,455	**24,301**	28,050
Perth Apartment Portfolio WA [1 7]	Sep 2021	52,000	May 2022	63,250	**93,486**	-
Cooks Hill[6]	Jul 2020	3,750	May 2020	3,750	**8,967**	3,872
Mt Barker[2 4]	Dec 2020	4,510	Nov 2020	4,510	**5,137**	4,594
Burleigh Heads[6]	Dec 2020	3,275	Nov 2020	3,275	**11,472**	3,519
Upper Mount Gravatt	Apr 2021	18,500	Mar 2021	18,500	**21,304**	18,500
Coorong Quays SA[1 2]	Jun 2022	10,000	Apr 2022	10,000	**10,441**	-
Retirement Communities Properties						
Four Lanterns NSW	Jan 2015	7,420	Dec 2021	19,250	**19,200**	12,442
Mandurah WA	Jun 2015	10,200	Jun 2020	13,725	**16,049**	13,730
Sweetwater Grove NSW	Aug 2015	10,500	Oct 2021	16,300	**16,361**	13,634
Lewis Fields [3]	Jun 2021	8,780	Jun 2021	2,400	**9,601**	8,820
Wodonga Gardens WA[1 3]	Aug 2021	6,010	Aug 2021	6,010	**25,202**	-
Meadowbrooke WA[1]	Dec 2021	3,258	Dec 2021	3,258	**3,258**	-
Alexandria Cove SA[1 3]	Jun 2022	4,200	Apr 2022	4,200	**9,873**	
Park Communities Properties						
Adelaide SA	Oct 2015	9,250	Jun 2021	13,100	**13,786**	13,100
Tween Waters	Dec 2016	6,880	Jun 2020	8,100	**10,026**	8,100
Barlings Beach	Jan 2017	13,250	Jun 2021	16,450	**20,381**	16,450
Koala Shores NSW	Sep 2017	10,200	Nov 2021	11,500	**11,906**	9,750
Darwin FreeSpirit NT	Dec 2017	19,300	Nov 2021	23,500	**26,445**	17,591
Highway 1 SA	Oct 2018	23,060	Jun 2021	28,350	**31,563**	28,350
Aspen Karratha Village WA	Jun 2005	29,378	Apr 2022	15,500	**15,500**	16,000
Coorong Quays SA[1]	Jun 2022	9,850	Apr 2022	9,850	**9,850**	-
At 30 June 2022/2021				331,033	**428,085**	228,565

[1] Acquired during the year.

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

[3] Some of the leases at these properties are regulated under Retirement Village Acts 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 / development works and expected to be completed by end of the financial year 2023.

[7] The Apartments across the Perth portfolio are progressively being refurbished. One building in the portfolio, 126 Peninsula Road, Maylands was independently revalued in May 2022 after its refurbishment and leasing were largely complete. The remaining buildings in the portfolio were internally revalued at 30 June 2022.

8: Investment properties *(continued)*

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 at every six-month reporting period and to 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 fair value measurement of the investment property assets totalling $386.062 million (30 June 2021: $209.774 million) and PPE assets totalling $26.445 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 tables above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values for investment property and PPE assets. There were no transfers between the hierarchy levels during FY22.

The Board has reviewed the carrying value of all properties as at 30 June 2022 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. Independent valuations were commissioned for thirteen properties/portfolios during the financial year including the new acquisitions noted above, with director valuations being undertaken for the remaining balance of properties. As a result of the independent valuations received, as well as the use of directors' valuations as at 30 June 2022, there was a net upwards movement of $58.3 million (adjusted for capital expenditure since the previous valuation) in the portfolio carrying value during the year ended 30 June 2022.

Certain 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 valuers have further indicated that given the impact and the level of volatility from COVID-19, conditions change on a daily basis and would therefore need to be reviewed and updated with greater frequency than might normally apply. In summary the valuers recognise that the global risk outlook, particularly with regard to COVID-19 is extremely fluid and that resultant volatility may adversely impact property valuations. The directors considered that the same cautions apply equally to the internal valuations undertaken at year end.

8: Investment properties *(continued)*

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 approach, direct comparisons approach and residual method: The Group considers all of the techniques or when deemed appropriate, one or some of the techniques. Where more than one technique is considered, the Group 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 rate to this sustainable net income to derive the value of the asset. The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms. The direct comparison approach considers the price at which comparable properties are transacting in the open market. This approach is most relevant for residential properties (particularly individual houses) and comparing the valuation of properties on per hectare and per approved dwelling/site basis. 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.	For the financial year ended 30 June 2022, the properties were primarily valued using the capitalisation method and residual method. **Residential** Key valuation inputs include: • Net sustainable operating income ranging from $0.15 million to $1.28 million • Capitalisation rates ranging from 3.00% to 5.75% • Residual method inputs include development margin ranging from 5% to 20% and discount rate of 5.5% • Direct comparison of comparable properties **Retirement Communities** Key valuation inputs include: • Net sustainable operating income ranging from $0.75 million to $1.03 million • Capitalisation rates ranging from 4.50% to 7.00% • For leases with DMF: discount rate of 12.00% to 14.50%, price growth of 1.94% to 3.00%, average length of stay (ALOS) 12 years • Direct comparison to comparable properties **Park Communities** Key valuation inputs include: • Net sustainable operating income ranging from $0.63 million to $2.65 million • Capitalisation rates ranging from 7.00% to 16.00% • Direct comparison to 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: o Interest rates decreasing (increasing) o Expected growth in sustainable net income increasing (decreasing) o The required risk premium decreasing (increasing) • Comparable property values on a per unit basis increase (decrease)

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			
	0.5% increase in cap rate	0.5% decrease in cap rate	5% decrease in NOI	5% increase in NOI
(Decrease)/Increase in total value ($'000)	(31,844)	39,450	(19,020)	19,020
Change in value (%)	(8%)	10%	(5%)	5%

8: Investment properties *(continued)*

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	30 June 2022	30 June 2021
Discount rate	12.00% - 14.50%	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 market value of Retirement Village houses	$346,000	$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 30 June 2022. 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 30 June 2022.

	Key assumptions			
	Current market value		Discount rate	
	5% increase	5% decrease	1% increase	1% decrease
Fair value changes – on net basis	1,465	(1,356)	(320)	470

9: Investment property assets held for sale

	Consolidated	
	2022	2021
	$'000	$'000
Opening balance at 1 July	**1,200**	-
Reclassifications from investment properties	**5,056**	1,839
Disposals through sale	**(6,256)**	(639)
Closing balance at 30 June	**-**	1,200

Recognition and measurement

Investment property assets classified as held for sale includes assets from the Perth house portfolio. During the year, Aspen settled the sale of fifteen houses from the Perth house portfolio.

Impairment

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

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

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

10: Inventories

	Consolidated	
	2022	2021
Current	**$'000**	$'000
Land under development	**2,278**	-
Manufactured homes under development	**134**	978
Others (supplies)	**130**	103
Total current	**2,542**	1,081
Non-current		
Land under development	**13,300**	-
Total non-current	**13,300**	-
Total current and non-current		
Land under development	**15,578**	-
Manufactured homes under development	**134**	978
Others (supplies)	**130**	103
Total	**15,842**	1,081

Recognition and measurement

The Group holds inventories in relation to development of residential land lots and manufactured homes, as well as supplies. Inventories are held at the lower of cost and net realisable value. Costs of inventories comprise all acquisition costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory includes work in progress and materials used in the production of the manufactured homes. Net realisable value is determined based on an estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The non-current land development represents the amount of inventories that is expected to be recovered more than twelve months after the reporting period.

11: Provisions

	Consolidated 2022 $'000	2021 $'000
Current		
Employee benefits	**1,510**	1,463
Other	**97**	10
	1,607	1,473

Movements in provisions during the financial year

	Consolidated 2022 $'000	2021 $'000
Carrying amount at beginning of the year	**1,473**	1,213
Provision reclassified per AASB 16 [1]	**-**	-
Additional provisions recognised	**1,306**	1,129
Provisions used	**(1,172)**	(869)
Carrying amount at end of the year	**1,607**	1,473

Recognition and measurement

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

Short term employee benefits

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

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

Long term employee benefits

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

Key estimates:

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

– future increases in salaries and wages;

– future on-cost rates; and

– experience of employee departures and period of service.

The total long service leave liability is $0.14 million (2021: $0.17 million)

12: Capital management

Aspen's capital management objectives

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

The Board monitors and determines the level of distributions paid to securityholders.

	Consolidated	
	2022	2021
	$'000	$'000
Equity and reserves		
Issued capital	**562,602**	509,745
Reserves	**6,966**	981
Accumulated losses	**(288,710)**	(354,338)
Non-controlling interests	**(3,837)**	(3,837)
Net capital	**277,021**	152,551
Net financial debt		
Net interest-bearing debt less cash*	**(117,509)**	(66,375)

**Aspen has outstanding gross debt of $128.239 million (2021: $74.652 million)*

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

The Board can alter the capital structure of Aspen by, amongst other things:

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

The Group holds finance facilities totalling $156.000 million. The facility comprises a $150.000 million revolver, a $5.000 million overdraft facility and a $1.000 million guarantee facility, has a tenure ending April 2024 and is aligned to support the broader strategic objectives of the group. The facility has been established on commercial terms consistent with the scale and operations of the group. At 30 June 2022, Aspen had gross debt of $128.239 million from the drawdown of these finance facilities (2021: $74.652 million).

Net debt reconciliation[1]

At 30 June 2022, Aspen had net debt of $117,509 million (2021: net debt of $66,375 million).

	Consolidated	
	2022	2021
	$'000	$'000
Cash and cash equivalents	**10,730**	8,277
Gross borrowings – repayable after one year (at variable interest rates);	**(128,239)**	(74,652)
Net (debt) / cash[1]	**(117,509)**	(66,375)

[1] Net debt excludes the lease liabilities totalling $0.937 million (2021: $2.567 million) and borrowing transactions costs totalling $0.569 million (2021: $0.455 million)

	Cash and cash equivalents	Borrowing – due after one year	Total
	$'000	$'000	$'000
As at 1 July 2020	8,161	(42,498)	(34,337)
Movement during the year	116	(32,154)	(32,038)
As at 30 June 2021	**8,277**	**(74,652)**	**(66,375)**
Movement during the year	2,453	(53,587)	(51,134)
As at 30 June 2022	**10,730**	**(128,239)**	**(117,509)**

Aspen was compliant with its debt covenants throughout the financial year.

13: Distributions

	Aspen securityholders			
	Cents per security		Total amount	
	2022	2021	**2022**	2021
	Cents	Cents	**$'000**	$'000
Paid during the year				
Final distribution for the previous year	**3.50**	3.25	**4,073**	3,781
Interim distribution for the year	**3.10**	3.10	**4,327**	3,607
	6.60	6.35	**8,400**	7,388
Proposed and unpaid at the end of the year				
Final distribution for the year	**3.50**	3.50	**5,426**	4,073

Aspen's distributions policy considers, amongst other things, operating profits of the consolidated group, taxable income of the Trust, the current balance sheet, future capital requirements, forecast cash flows, and the term of its debt facility.

	2022	2021
Dividend franking accounts	**$'000**	$'000
Franking credits available to securityholders of Aspen for subsequent financial years	2,183	2,183

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

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

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

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

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

14: Equity and reserves

Movement in stapled securities	Securities '000 units	Securities $'000
At 1 July 2020	116,341	509,715
Issue of stapled securities	27	30
At 30 June 2021	116,368	509,745
Issue of stapled securities	**38,675**	**52,857**
At 30 June 2022	**155,043**	**562,602**

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	Security-based payment reserve $'000	Asset revaluation reserve $'000	Total Reserves $'000
At 1 July 2020	201	-	201
Security-based payment	416	-	416
Property, plant and equipment revalued during the year	-	364	364
At 30 June 2021	617	364	981
Security-based payment	**861**	**-**	**861**
Property, plant and equipment revalued during the year	**-**	**5,124**	**5,124**
At 30 June 2022	**1,478**	**5,488**	**6,966**

Security-based payment reserve

The security-based payment represents the Long-Term Incentives (LTI) granted to the executive 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.

During the year, Aspen issued 1,007,634 performance rights to the executives and managers. The performance rights are issued at nil consideration for a total fair value of $1,342,168. This is in line with the LTI plan and are granted in accordance with performance guidelines established by the Board. The performance rights may convert to APZ securities upon the satisfaction of the Total Securityholders' Return (TSR) and Net Asset Value (NAV) hurdles below and other conditions:

TSR hurdle

The Board decided to use relative TSR as the vesting condition because relative TSR is easily measured, verifiable by external data and therefore transparent for securityholders, and it is commonly used by ASX companies.

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

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

14: Equity and reserves (continued)

Security-based payment reserve (continued)

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

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

NAV hurdle

NAV is a measure of the underlying value of securities of the Group. NAV is measured and reported by the Group at each reporting period and shall be the reference base for the testing of this measure. The NAV hurdle will be tested by calculating NAV growth over the three-year measurement period. As distributions by the Group have the effect of reducing the NAV of the Group, the measurement of NAV will take into account distributions over the vesting period. Distributions over the three years period shall be added to NAV to determine the rate of growth achieved. The vesting of Performance Rights will be determined using the matrix in the table below:

NAV growth over 3 years	Proportion of NAV related rights vested
Below 7 percent per annum	0%
At or above 7 percent per annum but below 8 percent per annum	Straight-line between 50% and 100%
At or above 8 percent per annum	100%

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

Set out below are summaries of performance rights granted under the plan:

30 June 2022

Grant date	Expiry date	Balance at the start of the year	Granted	Vested / Converted to shares	Expired/ forfeited/ other	Balance at the end of the year
30/11/2021	30/06/2024	-	1,007,634	-	-	1,007,634
04/12/2020	30/06/2023	737,336	-	-	-	737,336
19/12/2019	30/06/2022	695,404	-	-	-	695,404

None of the performance rights converted to shares during the year. For the performance rights granted on 19 December 2019, this will be converted to APZ stapled securities post year end once the hurdles are met.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/11/2021	30/06/2024	$1.72	26.0%	4.99%	0.11%	$1.332

Asset revaluation reserves

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

15: Earnings per stapled security

	Consolidated 2022	2021
(Loss)/Profit for the year attributable to ordinary equity holders of the parent entity ($ '000)	**75,381**	25,391
Basic weighted average number of stapled securities (No. '000)	**136,647**	116,363
Diluted weighted average number of stapled securities (No. '000)	**138,213**	117,103
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**55.16**	21.82
Diluted earnings per stapled security (cents per security)	**54.54**	21.68
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**55.16**	21.82
Diluted earnings per stapled security (cents per security) *	**54.54**	21.68
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	**-**	(0.001)
Diluted earnings per stapled security (cents per security)	**-**	(0.001)

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

16: Interest bearing loans and borrowings

	Consolidated 2022 $'000	2021 $'000
Current		
Secured debt facilities	**-**	-
Non-current		
Secured debt facilities – Gross	**128,239**	74,652
Less borrowing transaction costs	**(569)**	(455)
Total interest-bearing loans and borrowings	**127,670**	74,197

Recognition and measurement

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

Funding activities

Aspen holds a finance facility 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). This facility is secured with first ranking registered real property mortgages over Aspen Group's directly owned properties, and a fixed and floating charge over Aspen Group Ltd, Aspen Property Trust, Aspen Living Villages Pty Ltd, 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.

Terms and debt repayment schedule

		Consolidated Face value 2022 $'000	Consolidated Carrying value 2022 $'000	Consolidated Face value 2021 $'000	Consolidated Carrying value 2021 $'000
	Maturity				
Secured debt	April 2024	**128,239**	**127,670**	74,652	74,197

17: Derivative asset / (liability)

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

	2022 $'000	2021 $'000
Interest rate swaps – asset / (liability) (notional value: $70.00 million (30 June 2021 : 25.00 million))	3,605	(265)
Closing balance	**3,605**	(265)

The term of the interest rate swaps are at fixed interest rates ranging between 0.493% to 0.498% (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.

18: Financial risk management

Aspen may hold financial instruments for the following purposes:

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

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

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

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

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

These risks affect the fair value measurements applied by Aspen.

Credit risk

Nature of the risk

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

Credit risk management

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

Aspen has a diverse range of customers and tenants, and therefore there are no significant concentrations of credit risk either by nature of industry or geographically.

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

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

	Consolidated	
	2022	2021
	$'000	$'000
Trade receivables (net of provisions)	**946**	1,117
Other receivables	**330**	225
	1,276	1,342

Liquidity risk

Nature of the risk

Liquidity risk is the risk that Aspen will not be able to meet its financial obligations as they fall due. Aspen is exposed to liquidity risk primarily due to its capital management policies, which has debt as a component of Aspen's capital structure (see Note 12).

Liquidity risk management

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	
	2022	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	**128,239**	74,652
Guarantees	**759**	255
	128,998	74,907
Facilities unused at balance date		
Revolver	**21,761**	10,348
Overdraft	**5,000**	5,000
Guarantees	**241**	745
	27,002	16,093

18: Financial risk management *(continued)*

Assets pledged as security

At 30 June 2022, Aspen's property assets, comprising investment properties and property, plant and equipment, have been pledged as security against debt facilities. Refer to note 16 regarding the secured debt facilities.

Maturity of financial liabilities

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

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

	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2022							
Non-derivatives							
Trade and other payables	**15,836**	**-**	**-**	**-**	**-**	**15,836**	**15,836**
Lease liability	**297**	**72**	**36**	**113**	**920**	**1,438**	**937**
Interest bearing loans and borrowings	**1,661**	**1,661**	**131,014**	**-**	**-**	**134,336**	**127,670**
Resident loans	**25,817**	**-**	**-**	**-**	**-**	**25,817**	**25,817**
Total non-derivatives	**43,611**	**1,733**	**131,050**	**113**	**920**	**177,427**	**170,260**
Year ended 30 June 2021							
Non-derivatives							
Trade and other payables	9,023	-	-	-	-	9,023	9,023
Lease liability	804	845	369	110	959	3,087	2,567
Interest bearing loans and borrowings	448	448	896	75,401	-	77,193	74,197
Resident loans	6,420	-	-	-	-	6,420	6,420
Total non-derivatives	16,695	1,293	1,265	75,511	959	95,723	92,207
Derivatives	84	84	97	-	-	265	265

Market risk

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

Interest risk management

As part of the managing interest rate risk, Aspen fixed a proportion of its interest rates on borrowings by entering into interest rate swaps to minimise potential adverse interest rate movements. At 30 June 2022, $70.00 million (2021: $25.00 million) of its floating interest rate exposure was fixed at a BBSW rate of between 0.493% to 0.498% to April 2024 (2021: 0.81% to January 2023).

Exposure

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

18: Financial risk management *(continued)*

	2022 Balance $'000	2022 Weighted average interest rate %	2021 Balance $'000	2021 Weighted average interest rate %
Fixed rate instruments				
Term deposits	**150**	**0.45%**	150	0.30%
Interest rate swaps	**3,605**	**0.50%**	(265)	0.81%
	3,755		(115)	
Variable rate instruments				
Cash and cash equivalents	**10,730**	**0.46%**	8,127	0.07%
Interest bearing loans and borrowings [1]	**(127,670)**	**2.80%**	(74,197)	1.96%
	(116,940)		(66,070)	
Total fixed and variable rate instruments	**(113,185)**		(66,185)	

[1] Includes facility fees of 0.77% (2021: 0.77%)

Aspen's sensitivity to interest rate movements

The sensitivity analyses below shows the impact on profit or loss and equity if there was an increase/decrease in market interest rates. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100bps increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Impact on profit $'000	Impact on equity $'000
2021		
Australian variable interest rate +100bps	(279)	(279)
Australian variable interest rate -100bps	279	279
2022		
Australian variable interest rate +100bps	**(320)**	**(455)**
Australian variable interest rate -100bps	**320**	**455**

Equity price risk

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

Fair values

The carrying amounts and estimated fair values of all 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 credit losses, if applicable.

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 in profit or loss.

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

Resident loans – fair value of resident loans is recognised based on estimation of settlement obligation when resident occupation expires.

18: Financial risk management *(continued)*

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 (ie. as prices) or indirectly (ie. 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 independent valuations are 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 the Aspen Audit, Risk and Compliance Committee.

At reporting date, the Group held the following financial instruments measured at fair value:

30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial assets				
Interest rate swaps	-	3,605	-	3,605
Other financial assets held at fair value	-	-	513	513
	-	-	513	513
Financial liabilities				
Resident loans	-	-	25,817	25,817
	-	-	25,817	25,817

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial assets				
Other financial assets held at fair value	-	-	593	593
	-	-	593	593
Financial liabilities				
Interest rate swaps	-	265	-	265
Resident loans	-	-	6,420	6,420
	-	265	6,420	6,685

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2022 (2021: $Nil).

Other financial assets held at fair value – Level 3

Information about how the fair value of financial instruments is calculated and other information required by the accounting standards, including the valuation process and critical assumptions underlying the valuations are disclosed in the table below:

Fair value measurement, valuation techniques and inputs

Class of assets / liabilities	Equity investment in unlisted company
Fair value hierarchy	Level 3
Valuation technique	Based on Net Asset Value (NAV) per share
Inputs used to measure fair value	Latest audited accounts available
Unobservable inputs as at 30 June 2022/ 30 June 2021	NAV based on the latest audited accounts available

18: Financial risk management *(continued)*

The following table shows a reconciliation of movements in Aspen's other financial assets held at fair value :

	2022 $'000	2021 $'000
Opening Balance	**593**	408
Total gain or losses in profit or loss	**(80)**	185
Closing Balance	**513**	593

Resident loans – Level 3

The Group believes that rights to control have not been transferred in respect of its retirement units. Therefore, the Group recognises resident loans in respect of those of its retirement units that are occupied by residents. This affects the carrying amount of the retirement communities properties because, although the underlying valuation of the properties are not affected by this treatment, the carrying amount of the properties are grossed up by the recognised resident loans. Refer Note 23 for further details.

The valuations are reconciled to the investment properties carrying amount as follows:

	Consolidated	
	2022 $'000	2021 $'000
Carrying amount of investment properties and property, plant and equipment (park communities)	**428,085**	228,565
Less :		
Resident loans	**(25,817)**	(6,420)
Valuations	**402,268**	222,145

Reversal of impairment

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

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

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

19: Impairment of non-financial assets

Non-financial assets

The carrying amounts of Aspen's non-financial assets, other than investment property, property plant and equipment (at fair value), inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is then estimated.

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

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

Reversal of impairment

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

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

20: Subsidiaries

Parent entity	Ownership interest 2022 %	Ownership interest 2021 %
Aspen Group Limited (stapled entity - Aspen Property Trust)	-	-
Subsidiaries		
Aspen Funds Management Limited	100	100
Aspen Living Villages Pty Limited	100	100
Aspen Property Developments Pty Limited	100	100
Aspen Equity Investments Pty Limited	100	100
Midland Property Trust	100	100
Caversham Property Development Pty Ltd	100	100
Realise Residential WA Pty Ltd	100	100
Realise Residential WA 2 Pty Ltd	100	100
Realise Residential WA 3 Pty Ltd	100	100
Realise Residential WA 4 Pty Ltd	100	100
Nest QLD Pty Ltd	100	100
Footprint MB Pty Ltd	100	100
Digs Accommodation Vic Pty Ltd [1]	100	-
Realise Residential WA 5 Pty Ltd [1]	100	-
Realise Residential WA 6 Pty Ltd [1]	100	-
Realise Residential WA 7 Pty Ltd [1]	100	-
Realise Residential WA 8 Pty Ltd [1]	100	-
Realise Residential WA 9 Pty Ltd [1]	100	-
Realise Residential WA 10 Pty Ltd [1]	100	-
Realise Residential WA 11 Pty Ltd [1]	100	-
Realise Residential WA 12 Pty Ltd [1]	100	-
Realise Residential WA 13 Pty Ltd [1]	100	-
Realise Residential WA 14 Pty Ltd [1]	100	-
Realise Residential WA 15 Pty Ltd [1]	100	-
Realise Residential WA 16 Pty Ltd [1]	100	-
Realise Residential WA 17 Pty Ltd [1]	100	-
Hindmarsh Marina (SA) Pty Ltd [1]	100	
Aspen Whitsunday Shores Pty Limited	56	54

[1] New subsidiary incorporated during the year

Recognition and measurement

Subsidiaries

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

Loss of control of subsidiaries

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

21: Discontinued operations

	Disposal groups held for sale		Non-core operations held for sale		Total discontinued operations	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Results of discontinued operations						
Revenue	-	-	-	-	-	-
Expenses	-	(1)	-	-	-	**(1)**
Profit/(loss) before income tax	-	(1)	-	-	-	**(1)**
Finance income	-	-	-	-	-	-
Gain/ (Loss) on disposal after income tax	-	-	-	-	-	-
Net change in fair value	-	-	-	-	-	-
Profit/(loss) after tax from discontinued operations	-	(1)	-	-	-	**(1)**
Assets and liabilities of discontinued operations						
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Properties held for sale	-	-	-	-	-	-
Prepayments and other assets	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Trade and other payables	-	-	-	-	-	-
Provisions and other liabilities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Net assets	-	-	-	-	-	-
Cash flows of discontinued operations						
Net cash from / (used in) operating activities	-	(1)	-	-	-	**(1)**
Net cash from investing activities	-	-	-	-	-	-
Net cash from/ (used in) financing activities	-	-	-	-	-	-
Net cash flows for the year	-	(1)	-	-	-	**(1)**

Recognition and measurement

Discontinued operations

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

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

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

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

22: Non-controlling interests

	AWSS	Total
NCI percentage as at 30 June 2022	**44%**	
	$'000	**$'000**
Opening balance at 1 July 2020	(3,837)	(3,837)
Share of comprehensive income/(expense)	-	-
Transfer to accumulated losses of parent entity upon deregistration of subsidiaries	-	-
Closing balance at 30 June 2021	(3,837)	(3,837)
Share of comprehensive income/(expense)	-	-
Transfer to accumulated losses of parent entity upon deregistration of subsidiaries	-	-
Closing balance at 30 June 2022	**(3,837)**	**(3,837)**

Recognition and measurement

Acquisition of non-controlling interests

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

Negative non-controlling interests

Aspen has recognised non-controlling interest for AWSS as at 30 June 2022 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 non-controlling interest.

23: Resident loans

Resident loans

Resident loans associated with leases under Retirement Village Acts 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 to current classification in the 30 June 2021 comparative information. The reclassification of the loan balance now corresponds with the classification adopted in respect of the $25.817 million 30 June 2022 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:

	2022	2021
	$'000	$'000
Expected to be settled:		
No more than 12 months after reporting date	**1,007**	-
More than 12 months after reporting date	**24,810**	6,420
Closing balance	**25,817**	6,420

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

	2022	2021
	$'000	$'000
Opening balance	**6,420**	-
Items recognised in the profit or loss		
- Changes in the fair value of the resident loans	**134**	-
Other fair value adjustments – recognised against Investment Properties	**534**	-
Resident loans acquired through acquisition of new retirement village	**18,653**	6,420
Net cash receipt on resident arrivals and departures	**76**	-
Closing balance	**25,817**	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 $32.530 million. This was determined on the same basis as the market value of both occupied and unoccupied units used as an input to the fair value of the retirement communities – see Note 8.

If the value used for this input was 5% higher, the fair value of these loans would be $1.000 million higher, and if the input was 5% lower, the fair value of these loans would be $1.000 million lower.

24: Rights of use assets

	Consolidated	
	2022	2021
	$'000	$'000
Land and buildings	**888**	888
Accumulated depreciation	**(276)**	(90)
	612	798

25: Net investment in sublease

	Consolidated	
	2022	2021
	$'000	$'000
Current net investment in sublease	**158**	1,256
Non-current net investment in sublease	**-**	158
Total net investment in sublease	**158**	1,414

26: Lease liability

	Consolidated	
	2022	2021
	$'000	$'000
Current lease liability	**348**	1,630
Non-current lease liability	**589**	937
Total lease liability	**937**	2,567

Refer to Note 18 for the maturity analysis of the lease liability.

27: Parent entity disclosures

	Parent	
	2022	2021
	$'000	$'000
Assets		
Current assets	**39,525**	35,952
Non-current assets	**126,507**	59,262
Total assets	**166,032**	95,214
Liabilities		
Current liabilities	**6,031**	2,681
Non-current liabilities	**123,660**	70,394
Total liabilities	**129,691**	73,075
Net assets	**36,341**	22,139
Equity		
Issued capital	**172,581**	158,745
Accumulated losses	**(136,240)**	(136,606)
Total equity	**36,341**	22,139
Profit/(loss) attributable to members of the parent	**(496)**	36,241
Total comprehensive profit/(loss) for the year, net of tax, attributable to members of the parent	**(496)**	36,241

The directors have not identified any material contingencies for the Parent as at 30 June 2022 (30 June 2021: $Nil).

Parent entity financial information

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

Investments in subsidiaries and associates

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

27: Parent entity disclosures *(continued)*

Guarantees

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

The Parent and its subsidiaries as per Note 20 provide an unlimited guarantee and indemnity in favour of the Trust's banking facilities. The Parent and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen's subsidiaries. Under the terms of the agreements, the Parent and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due. The parent does not expect to incur any material loss in respect of such guarantees.

Parent entity financial information

As at 30 June 2022 the parent had a loan payable to the Trust of $27.464 million (2021: loan receivable from the Trust $4.365 million). Under the loan agreement in which the Trust is the lender, the maturity of the loan is 1 July 2024. Both the Board of the Responsible Entity and AGL agrees that the terms of the agreement would remain the same in the event AGL becomes the lender.

Going concern

The Parent has a net asset position of $36.341 million (2021: net asset of $22.139 million) with current assets exceeding current liabilities by $33.494 million (2021: surplus of $33.271 million). The financial statements for the Parent have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

28: Remuneration of auditors

	Consolidated	
	2022	2021
Fees paid or payable for services provided by the auditor of the Aspen Group:	**$**	$
Audit or review of financial statements – Deloitte Touche Tohmatsu		
- Current	**285,000**	193,000
- Underprovision for prior year	**30,000**	29,000
	315,000	222,000

29: Related party transactions

Director and executive remuneration

The remuneration disclosures are provided in the Remuneration Report of the directors' report on pages 12 to 21 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2022	2021
	$	$
Short-term benefits	**1,371,404**	1,260,854
Long-term benefits	**63,550**	58,123
Equity compensation benefits	**594,412**	353,176
	2,029,366	1,672,153

29: Related party transactions *(continued)*

Other related party transactions

The following transactions occurred with related parties:

	Consolidated 2022 $	2021 $
Sales of goods and services		
Project management fees earned from Mill Hill Capital Pty Ltd, an entity associated with Mr Carter (Director / Joint CEO) and Mr Dixon (Joint CEO)	**653,778**	400,033
Payment for goods and services		
Payment of office rental (GST exclusive) to Belinda Evans, partner of Mr Carter (Director / CEO)	**-**	63,019
Payment of responsible entity fees to Evolution Trustees Limited	**97,152**	81,750

The Company has an arrangement with Mill Hill Capital Pty Ltd (MHC), an entity associated with Mr Carter and Mr Dixon (Joint CEOs). Under this arrangement, Aspen manages MHC's Affordable Accommodation & Land Fund, and managed Marina Hindmarsh Island Fund until 31 May 2022 (Aspen acquired this fund on 1 June 2022). In return, Aspen earned project management fees of $0.654 million (2021: $0.400 million) from these funds in line with MHC's project management fee entitlement under its existing contracts.

In June 2022, the Group issued 812,210 stapled securities to Mr Dixon and 1,624,420 stapled securities to Mr Carter as consideration for the sale of shares in Hindmarsh Marina (SA) Pty Ltd. The issue of these securities was approved by the securityholders at the Extraordinary General Meeting held on 26 May 2022.

30: Accounting standards adoption

(a) New and amended standards adopted from 1 July 2021

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new and amended standards and interpretations did not have a material impact on the Group.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. From an initial assessment made, there are no standards not yet applied which are considered to have a material impact for the Group. The Group will continue to assess the impact of new accounting standards and interpretations issued but not yet applied.

31: Commitments and Contingencies

	Consolidated	
	2022	2021
	$'000	$'000
Capital commitments *(i)*		
Contracted but not provided for and payable:		
Within 1 year	**16,000**	12,210
Greater than 1 year but not more than 5 years	**-**	-
	16,000	12,210
Other expenditure commitments		
Bank guarantees issued to third parties	**759**	255

(i) Relates to the development work at Burleigh Heads, Cooks Hill, Perth Apartments, retirement community development projects, and various cabins and park upgrades.

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 30 June 2022.

32: Subsequent events

While there remains continuous uncertainty arising from the COVID-19 pandemic, given the current minimal restrictions imposed on the community and that the borders have opened for both domestic and international travel, the directors consider that the impact of COVID-19 is unlikely to compromise the ability of the Group to continue operating profitably for the foreseeable future.

There has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Aspen, to significantly affect 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 consolidated financial statements and notes set out on pages 35 to 77, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Aspen Group Limited's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001*; and other mandatory professional reporting requirements.

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

2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the Joint CEOs for the financial year ended 30 June 2022.

3. The directors draw attention to notes to the consolidated financial statements, which includes statement of compliance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

Signed in accordance with a resolution of the directors.

Clive Appleton

Chairman

SYDNEY, 17 August 2022