Aspen Group Limited

Appendix 4D and Interim Financial Report

31 December 2022

ASPEN GROUP LIMITED

ABN 50 004 160 927

ASPEN PROPERTY TRUST

ARSN 104 807 767

Appendix 4D

For the period ended

31 December 2022

Results for announcement to the market

Aspen Group Limited & Aspen Property Trust

Details of reporting periods:

Current period	Half year period ended 31 December 2022
Corresponding period	Half year period ended 31 December 2021

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from continuing operations	up	57.25%	to	32,203
Profit or (loss) after tax	down	11.62%	to	25,868
Profit or (loss) after tax attributable to securityholders of Aspen Group	down	11.62%	to	25,868
Operating profit before tax*	up	158.76%	to	11,978

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

Dividends/Distributions

Combined

31 December 2022		31 December 2021	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
3.50	6,280	3.10	4,327

Aspen Property Trust

31 December 2022			31 December 2021		
Period	Cents per Unit	Total $ '000	Period	Cents per Unit	Total $ '000
Jul 22 – Dec 22	3.50	6,280	Jul 21 – Dec 21	3.10	4,327
	3.50	6,280		3.10	4,327

Aspen Group Limited

31 December 2022				31 December 2021			
Period	Cents per Share	Total $ '000	Tax rate for franking credit %	Period	Cents per Share	Total $ '000	Tax rate for franking credit %
Jul 22 – Dec 22	-	-	-	Jul 21 – Dec 21	-	-	-
	-	-			-	-	

Interim distribution dates

Ex-dividend date	29 December 2022
Record date	30 December 2022
Payment date (on or around)	24 February 2023

Net tangible assets per security

	31 December 2022	31 December 2021
Net tangible assets per security*	**$1.84**	**$1.47**

* Includes Right of Use Assets and Net Investment in Sublease

Net assets per security

	31 December 2022	31 December 2021
Net assets per security	**$1.88**	**$1.51**

This information should be read in conjunction with the 30 June 2022 annual report and any public announcements made by Aspen Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated interim financial statements for the half-year ended 31 December 2022 (attached).

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 December 2022

Interim financial report table of contents

Directors' report

The directors present their report together with the consolidated condensed interim financial statements of Aspen Group ("Aspen") comprising Aspen Group Limited (the "Company") and its subsidiaries, and its stapled entity Aspen Property Trust (the "Trust") and its subsidiaries, for the half-year ended 31 December 2022 ("period") and the auditor's review report thereon.

Directors

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

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

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

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

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

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

Operating and financial review

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.

Operations

The operating environment was characterised by the continued extreme shortage of accommodation nationwide, especially at the more affordable end of the spectrum. With Covid dissipating, a return of unrestricted travel and population growth has driven increased demand for long and short stay accommodation, despite high inflation and increasing interest rates. Residential vacancy rates are at record lows around 1% nationwide while land and dwelling rents are increasing. During the half, we pivoted to offering more of our dwellings on a short stay basis, generating higher rents and net income than we could during Covid lockdowns.

Aspen's extensive development and refurbishment projects continue to increase the number of dwellings and land sites available in our rental pool and help address the urgent need for more quality accommodation on competitive terms across residential, retirement, and park communities. There remains ample opportunities across our portfolio which are being progressed to further meet the national accommodation shortage at scale while generating attractive returns for our securityholders. Conditions in the building industry seem to be improving with less supply bottlenecks, labour shortages, and cost increases.

Directors' Report (continued)

Operating and financial review (continued)

Financial Performance – 1H FY23

Aspen generated a statutory net profit of $25.87 million and Operating Earnings of $11.98 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 adjustments arising from the effect of revaluing assets/liabilities (such as property assets, financial assets and derivatives) and income taxes (including deferred tax movements). Other Non-Operating Earnings adjustments are made for transactions occurring infrequently and those that are outside the course of Aspen's ongoing business activities, including but not limited to asset transaction costs and share-based payments. Operating Earnings is determined having regard to principles which include providing clear reconciliation between Statutory Net Profit and Operating Earnings in the directors' report and financial report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration property industry practices.

Aspen's financial performance in 1H FY23 compared to 1H FY22:

- **Statutory net profit after tax of $25.87 million**
- **Operating earnings increased 159% to $11.98 million, equating to 7.08 cents per security, an increase of 102%**
- Ordinary distributions per security increased 13% to 3.50 cents
- Net cashflow from operating activities increased 63% to $7.78 million
- Total rental and ancillary services revenue increased 55% to $24.81 million reflecting revenue growth at every property except Cooks Hill (under development) with notable higher contributions recorded from Perth Apartments Portfolio, Uniresort, Darwin Freespirit Resort, Aspen Karratha Village, Highway 1, and Adelaide Caravan Park
- Property Net Operating Income increased 87% to $12.13 million and operating margin increased from 41% to 49% with increasing occupancy in the Perth Apartments Portfolio (first full half contribution following acquisition in September 2021 and completion of refurbishment works on a large proportion of the portfolio), AKV margin recovering from breakeven in 1H FY22 (continued progress in building short-stay customer base as economic activity in the region picks up), and generally higher revenue and management of costs across other properties
- Development profit increased 193% to $4.06 million and margin was fairy stable at 34%. This comprised profit relating to residential land sales of $2.39 million at a margin of 38% and retirement house sales of $1.67 million at a margin of 29%
- Net corporate overheads increased 20% to $2.92 million due to lower management fee income from Mill Hill Capital following the acquisition of Hindmarsh Island Marina Fund (Coorong Quays) in June 2022, excluding this, corporate overheads were broadly flat at $2.95 million. Management Expense Ratio (MER) improved to 1.1% from 1.4% reflecting the growth in total assets supported by the management platform and tight control of corporate overheads
- EBITDA increased 144% to $13.27 million
- Net finance expense increased 59% to $1.29 million due higher interest rates on unhedged debt and a reduction in capitalised interest following completion of certain projects. $70.00 million (approximately 57%) of current interest rate (BBSW) exposure was fixed at 50bps until April 2024 and post half year was restructured at 204 bps until April 2025

Directors' Report (continued)

Operating and financial review (continued)

Operating Profit:

	1H FY23 ($'000)	1H FY22 ($'000)	% Change
Rental and ancillary services revenue	**24,811**	16,019	55%
Direct property expenses	**(12,682)**	(9,527)	33%
Net operating income (NOI)	**12,129**	6,492	87%
Operating margin	**49%**	41%	
Revenue from development activities [1 2]	**12,050**	3,970	204%
Cost of sales [2]	**(7,987)**	(2,585)	209%
Net development income [2]	**4,063**	1,385	193%
Development margin	**34%**	35%	
Operating and development net income	**16,192**	7,877	106%
Net corporate overheads	**(2,921)**	(2,434)	20%
EBITDA [3]	**13,271**	5,443	144%
Net finance expense	**(1,293)**	(814)	59%
Tax [4]	**-**	-	
Operating earnings	**11,978**	4,629	159%
No. of Securities (weighted – '000)	**169,164**	131,820	28%
Operating earnings per security (cents)	**7.08**	3.51	102%
Ordinary distributions per security (cents)	**3.50**	3.10	13%

[1] Excludes proceeds from sale of investment properties from the Perth House Portfolio totalling revenue of $0.923 million in 1H FY23 ($6.082 million in 1H FY22)

[2] Includes the net revaluation gain on the development and licensing of DMF homes at Wodonga Gardens ($1.42 million). This gain represents the $4.69 million cash proceeds received upon licensing the homes less $3.27 million total cost of producing the homes. For statutory purposes, these amounts are recognised in Net Fair Value Gain on Investment Properties in the Statement of Profit or Loss

[3] Refer to Segments Information on page 23 for detailed breakdown of each segment that forms this EBITDA

[4] For the purpose of illustrating Operating Earnings, the net deferred tax asset movement has been excluded

Reconciliation of Statutory Profit and Operating Results:

	1H FY23 ($'000)	1H FY22 ($'000)	% Change
Statutory net profit attributable to parent entity	**25,868**	29,269	(12%)
Adjustments:			
Depreciation of property, plant and equipment	564	471	
Property revaluation gains*	(11,329)	(22,068)	
Reversal of previous impairment on property, plant and equipment	-	(2,876)	
Fair value (gain) / loss on retirement village resident loans	-	131	
Fair value (gain) / loss on revaluation of investment in securities	(3,464)	80	
Deferred tax benefit recognised	(373)	(750)	
Asset transaction costs & other	712	372	
Operating earnings	**11,978**	4,629	159%
Net finance expense	1,293	814	59%
EBITDA	**13,271**	5,443	144%
Net corporate overheads	2,921	2,434	20%
Operating & development net income	**16,192**	7,877	106%

* Excludes the revaluation gain on the development and licensing of DMF homes at Wodonga Gardens ($1.42 million) as this is included in Operating Earnings. This gain represents the $4.69 million cash proceeds received upon licensing the homes less $3.27 million total cost of developing the homes

Operating and financial review (continued)

As at 31 December 2022, compared to 30 June 2022:

- Total assets increased 12% to $508.16 million
- Total property assets increased by 7% to $443.13 million
- Eight properties were independently revalued during the period including Burleigh Heads, 4 Perth Apartment Complexes, Darwin Freespirit Resort, Tween Waters Holiday Park and Barlings Beach Holiday Park
- Portfolio attractively valued on a WACR* of 6.5% and average of only $89k per dwelling/site – this puts Aspen in a good position to offer very competitive terms to customers while still generating attractive returns for securityholders
- During December 2022, Aspen acquired a 13.7% stake in Eureka Holdings Group Limited (ASX ticker code: EGH) for $16.1 million. Additionally, Aspen contracted to acquire the Black Dolphin Motel in Merimbula, NSW for $5.2 million. The property is adjacent to Aspen's Tween Waters Holiday Park. Settlement is expected to occur on 1 March 2023
- During the period, Aspen issued 23.60 million new stapled securities at $1.58 per unit raising $37.3 million of equity via a placement and security purchase plan. The proceeds were initially mainly used for debt reduction and to position the Group for acquisition opportunities
- Total financial debt decreased by 5% to $121.77 million. Gearing** decreased from 28% to 24% which is below our long term target range of 30-40%
- NAV per security increased by 5% to $1.88

* Weighted average capitalisation rate

** Net debt excluding resident loans / total assets less cash less resident loans and DMF deferred revenue

	31 December 2022 ($'000)	30 June 2022 ($'000)	% Change
Investment properties	**411,898**	386,062	
Property, plant and equipment	**31,227**	26,523	
Carrying value of properties	**443,125**	412,585	7%
Cash	**8,598**	10,730	
Other assets [1]	**56,440**	29,143	
Total assets	**508,163**	452,458	12%
Financial debt [2]	**121,771**	127,670	(5%)
Other liabilities	**48,988**	47,767	3%
Total liabilities	**170,759**	175,437	(3%)
Net Asset Value	**337,404**	277,021	22%
NAV per security ($)	**1.88**	1.79	5%

[1] Includes a deferred tax asset of $6.949 million at 31 December 2022 (30 June 2022: $6.576 million)

[2] Net of borrowing transaction costs of $0.176 million (30 June 2022: $0.569 million)

Environmental, Social, and Corporate Governance

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

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

Social

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

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

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

Environmental

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

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

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

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

Environmental, Social, and Corporate Governance (continued)

***Environmental* (continued)**

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

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

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

Sustainable Procurement

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

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

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

Employees

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

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

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

Environmental, Social, and Corporate Governance (continued)

***Employees* (continued)**

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 incentive schemes.

Occupational Health and Safety

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

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

We also continue to review and implement the requirements of each state's COVID-19 Safety Plans to ensure the safety of all our employees and customers.

Governance

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

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

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

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

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

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

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

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

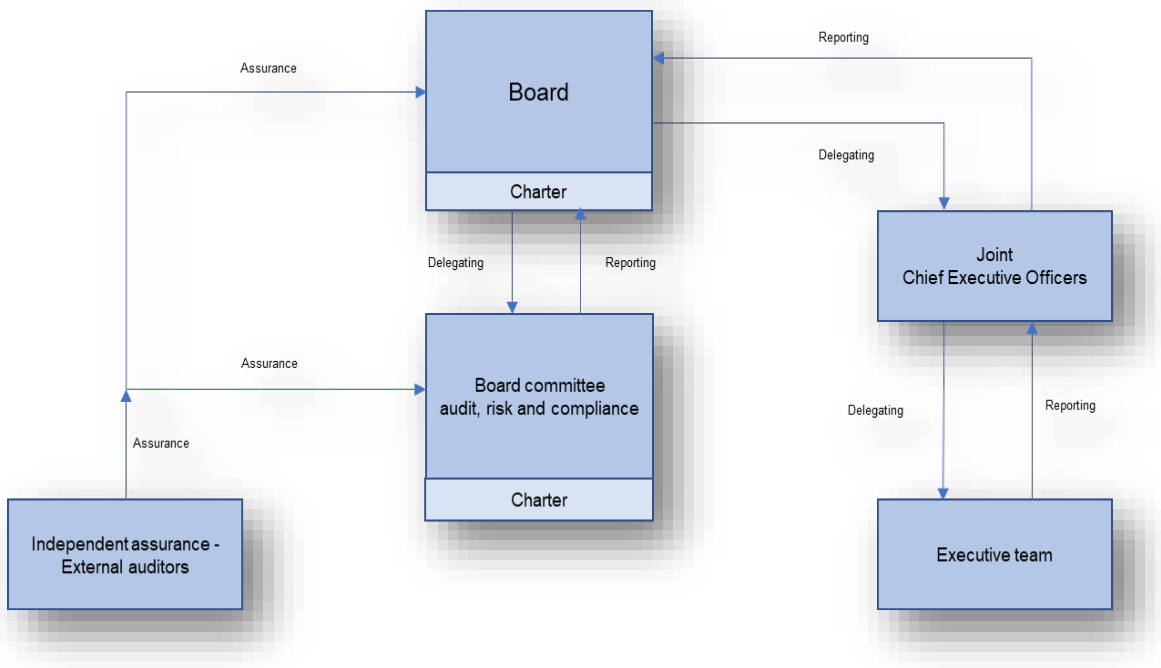
Aspen's governance framework is outlined below, showing the relationship between the Board, its Committees and the Joint CEOs position.

Directors' Report (continued)

Environmental, Social, and Corporate Governance (continued)

***Governance* (continued)**

External Governance Framework



Likely developments

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

Safety and environment

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

Significant changes in the state of affairs

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

Proceedings on behalf of the company

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

Directors' Report (continued)

Principal activities

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

Distributions

On 15 December 2022, Aspen announced an expected distribution of 3.50 cents per security in respect of the half-year ended 31 December 2022. This distribution has now been declared and is payable to securityholders on or around 24 February 2023.

Events subsequent to reporting date

On 23 December 2022 Aspen contracted to acquire the Black Dolphin Motel in Merimbula, NSW for $5.2 million. The property is adjacent to Aspen's Tween Waters Holiday Park. Settlement is expected to occur on 1 March 2023.

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12 and forms part of the Directors' Report.

Rounding off

The Consolidated Group is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

On behalf of the directors of Aspen Group Limited

Clive Appleton
Chairman
SYDNEY, 20 February 2023

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20 February 2023

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

Dear Board Members

Auditor's Independence Declaration to 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 Board of Directors of Aspen Group Limited.

As lead audit partner for the review of the financial report of Aspen Group Limited for the half-year ended 31 December 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
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Independent Auditor's Review Report to the Members of Aspen Group Limited

Conclusion

We have reviewed the half-year financial report of Aspen Group Limited (the "Company") and its controlled entities (together referred to as the "Group"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2022, the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

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

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

Directors' Responsibilities for the Half-year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 20 February 2023

Interim Consolidated Financial Statements Contents

Aspen Group Limited
Condensed consolidated interim statement of profit or loss
for the period ended 31 December 2022

		Consolidated	
	Note	**31 December 2022 $'000**	31 December 2021 $'000
Continuing operations			
Rental income		**22,653**	14,499
Home and land sales [1]		**7,360**	3,970
Food and Beverage, other ancillary sales, and net gaming revenue		**2,158**	1,520
Other revenue	1	**32**	490
Total revenue		**32,203**	20,479
Net fair value gain on Investment properties [2]		**12,748**	22,068
Reversal of previous impairment on property, plant and equipment		**-**	2,876
(Loss) / Gain from sale of investment properties		**(51)**	157
Fair value gain / (loss) on retirement village resident loans	13	**-**	(131)
Fair value gain / (loss) on revaluation of investment in securities	15	**3,464**	(80)
Expenses and other items			
Operational expenses	2	**(3,434)**	(2,162)
Property expenses	2	**(5,052)**	(4,281)
Cost of Homes sold [1]		**(4,716)**	(2,584)
Employee expenses	2	**(6,762)**	(5,454)
Administration expenses	2	**(908)**	(827)
Depreciation and amortisation expenses		**(564)**	(471)
Other expenses		**-**	(1,132)
Total expenses		**(21,436)**	(16,911)
Earnings before interest and income tax expense (EBIT)		**26,928**	28,458
Finance income	2	**151**	75
Finance costs	2	**(1,394)**	(865)
Fair value (loss) / gain on interest rate swaps		**(190)**	851
Profit before income tax		**25,495**	28,519
Income tax benefit		**373**	750
Profit from continuing operations		**25,868**	29,269
Profit for the period		**25,868**	29,269
Profit attributable to ordinary equity holders of the parent entity		**25,868**	29,269
Profit/(Loss) attributable to non-controlling interest	12	**-**	-
Profit for the period		**25,868**	29,269
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations		Cents	Cents
Basic earnings per security	8	**15.29**	22.20
Diluted earnings per security	8	**15.17**	22.00
Earnings per security attributable to ordinary equity holders of the parent entity		Cents	Cents
Basic earnings per security	8	**15.29**	22.20
Diluted earnings per security	8	**15.17**	22.00

[1] Excludes $4.69 million cash proceeds received upon licensing and $3.27 million of costs for developing the DMF homes at Wodonga Gardens which is included in Operatings Earnings – Revenue from Development Activities in the 'Operating and financial review' section of the Director's report

[2] Includes the net revaluation gain on the development and licensing of DMF homes at Wodonga Gardens ($1.42 million) . This gain represents the $4.69 million cash proceeds received upon licensing the homes less $3.27 million total cost of developing the homes which is included in Operating Earnings – Net Development Income in the 'Operating and financial review' section of the Director's report

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

Aspen Group Limited

Condensed consolidated interim statement of comprehensive income

for the period ended 31 December 2022

		Consolidated	
	Note	**31 December 2022 $'000**	31 December 2021 $'000
Profit for the year		**25,868**	29,269
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		**4,274**	2,945
Total comprehensive income for the period, net of tax		**30,142**	32,214
Total comprehensive income for the period from:			
Continuing operations		**30,142**	32,214
		30,142	32,214
Total comprehensive income for the period attributable to:			
Securityholders of Aspen		**30,142**	32,214
Non-controlling interests		**-**	-
		30,142	32,214

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

Aspen Group Limited
Condensed consolidated interim statement of financial position
as at 31 December 2022

	Note	Consolidated 31 December 2022 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		**8,598**	10,730
Trade and other receivables		**2,894**	1,183
Prepaid expenses		**2,323**	511
Inventories	5	**6,393**	2,542
Net Investment in sublease		**-**	158
Total current assets		**20,208**	15,124
Non-current assets			
Investment properties	4	**411,898**	386,062
Property, plant and equipment	3	**31,227**	26,523
Inventories	5	**13,289**	13,300
Intangible asset		**106**	140
Right of use assets	14	**989**	612
Deferred tax assets		**6,949**	6,576
Derivative asset	11	**3,415**	3,605
Investments at fair value through profit and loss	15	**20,082**	516
Total non-current assets		**487,955**	437,334
Total assets		**508,163**	452,458
Liabilities			
Current liabilities			
Trade and other payables		**13,057**	16,256
Resident loans	13	**30,038**	25,817
Provisions		**1,443**	1,607
Lease liability	16	**241**	348
Deferred management revenue (DMF)	17	**693**	647
Total current liabilities		**45,472**	44,675
Non-current liabilities			
Interest bearing loans and borrowings	9	**121,771**	127,670
Deferred management revenue (DMF)	17	**2,661**	2,503
Lease liability	16	**855**	589
Total non-current liabilities		**125,287**	130,762
Total liabilities		**170,759**	175,437
Net assets		**337,404**	277,021
Equity			
Equity attributable to equity holders of the parent			
Issued capital	7	**599,104**	562,602
Reserves	7	**11,259**	6,966
Accumulated losses		**(269,122)**	(288,710)
Total equity attributable to equity holders		**341,241**	280,858
Non-controlling interest	12	**(3,837)**	(3,837)
Total equity		**337,404**	277,021

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

Aspen Group Limited
Condensed consolidated interim statement of cash flows
for the period ended 31 December 2022

		Consolidated	
		31 December 2022	31 December 2021
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**35,711**	21,804
Payments to suppliers and employees (inclusive of GST)		**(27,927)**	(17,023)
Net cash flows from operating activities		**7,784**	4,781
Cash flows used in investing activities			
Proceeds from sale of investment property assets, net of selling costs		**897**	5,876
Acquisition of property, plant and equipment		**(868)**	(429)
Acquisition of investment properties, including transaction costs [1]		**(15,906)**	(37,708)
Purchase of investment in listed securities		**(16,104)**	-
Interest received		**151**	75
Net cash flows used in investing activities		**(31,830)**	(32,186)
Cash flows from financing activities			
Proceeds from borrowings		**20,000**	3,558
Repayment of borrowings		**(26,292)**	-
Proceeds from net investment in sublease		**158**	615
Payment of financing and borrowing costs		**(1,995)**	(1,737)
Payment of lease liability		**(311)**	(802)
Distributions paid		**(5,426)**	(4,075)
Issue of shares, net of issue costs		**35,780**	29,362
Net cash flows from financing activities		**21,914**	26,921
Cash and cash equivalents at beginning of the period		**10,730**	8,277
Net decrease in cash and cash equivalents		**(2,132)**	(484)
Cash and cash equivalents at end of period		**8,598**	7,793

[1] 1H FY22 excludes the non-cash impact of Funding from borrowings for acquisition of Meadowbrooke Lifestyle Estate ($3.09 million) and Perth Apartments ($31.44 million) which were arranged to be paid directly to the vendor on settlement date

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

Aspen Group Limited

Condensed consolidated interim statement of changes in equity

for the period ended 31 December 2022

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 July 2021		509,745	981	(354,338)	(3,837)	152,551
Net profit for the period		-	-	29,269	-	29,269
Revaluation of property, plant & equipment		-	2,945	-	-	2,945
Total comprehensive income for the period		-	2,945	29,269	-	32,214
Security based compensation		-	433	-	-	433
Distributions payable or paid to security holders	6	-	-	(4,327)	-	(4,327)
Issue of stapled securities, net of transaction costs		29,467	-	-	-	29,467
Balance at 31 December 2021		539,212	4,359	(329,396)	(3,837)	210,338
Balance as at 1 July 2022		**562,602**	**6,966**	**(288,710)**	**(3,837)**	**277,021**
Net profit for the period		**-**	**-**	**25,868**	**-**	**25,868**
Revaluation of property, plant & equipment		**-**	**4,274**	**-**	**-**	**4,274**
Total comprehensive income for the period		**-**	**4,274**	**25,868**	**-**	**30,142**
Security based compensation	7	**-**	**622**	**-**	**-**	**622**
Security based compensation – issued during the year	7	**603**	**(603)**	**-**	**-**	**-**
Distributions payable or paid to security holders	6	**-**	**-**	**(6,280)**	**-**	**(6,280)**
Issue of stapled securities, net of transaction costs	7	**35,899**	**-**	**-**	**-**	**35,899**
Balance at 31 December 2022		**599,104**	**11,259**	**(269,122)**	**(3,837)**	**337,404**

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

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

Aspen was established for the purpose of facilitating a joint quotation of the Trust and the Company and their controlled entities on the ASX, with both entities being stapled together. The Deed of the Trust and the Constitution of the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. With the establishment of Aspen via a stapling arrangement, the combined group has common business objectives, and operates as a combined entity in the core business of owning, developing and operating affordable accommodation assets.

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

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

The consolidated financial statements were authorised for issue by the Board on 20 February 2023.

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

- has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 as appropriate for for-profit entities;
- complies with International Financial Reporting Standards (IFRS) IAS 134 *Interim Financial Reporting*;
- the principal accounting policies adopted are consistent with those in the previous financial year and corresponding interim reporting period, unless otherwise stated;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Aspen and effective for reporting periods beginning on or after 1 July 2022. Refer to note 19 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Key judgements and estimates

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

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

Note 2(f):	Deferred tax	Page 24
Note 3:	Property, plant and equipment	Page 25
Note 4:	Investment properties	Page 27

The notes to the financial statements

The notes are organised into the following sections:

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

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

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

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

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

Financial position

During the period ended 31 December 2022 Aspen recorded a profit after tax of $25.868 million (31 December 2021: profit after tax of $29.269 million). At 31 December 2022 Aspen had net assets of $337.404 million (30 June 2022: $277.021 million), cash reserves of $8.598 million (30 June 2022: $10.730 million).

The consolidated statement of financial position shows a net current asset deficiency as at 31 December 2022 totalling $25.264 million (30 June 2022: $29.551 million). This position arises predominantly as a result of the current classification of Resident Loans totalling $30.038 million (30 June 2022: $25.817 million) which, as described in Note 13, 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.

Financial position (continued)

In addition, as noted in Note 10 of the financial statements, the Group has financing facilities totalling $33.053 million which are available to be drawn down to provide short term cash flows if required.

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

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

Comparatives

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

Operating segments

Aspen has four operating segments as detailed below, 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.

Operating segments (continued)

Recognition and measurement

An operating segment is a component of Aspen that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aspen's other components. The operating results of all segments are reviewed regularly by Aspen's joint chief executive officers (Chief Operating Decision Makers – "CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the 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 its current operating activities are spread throughout Australia. There are no other geographical segments.

	Residential		Retirement Communities		Park Communities		Other		Consolidated	
	31 Dec 2022	31 Dec 2021	**31 Dec 2022**	31 Dec 2021	**31 Dec 2022**	31 Dec 2021	**31 Dec 2022**	31 Dec 2021	**31 Dec 2022**	31 Dec 2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Rental income	**5,768**	2,788	**2,572**	2,237	**14,313**	9,474	**-**	-	**22,653**	14,499
Food and Beverage, other ancillary sales, and net gaming revenue	**-**	-	**-**	-	**2,158**	1,520	**-**	-	**2,158**	1,520
Total Rental and ancillary services revenue	**5,768**	2,788	**2,572**	2,237	**16,471**	10,994	**-**	-	**24,811**	16,019
Development sales (houses and land) [5]	**6,240**	-	**5,810** [7]	3,970	**-**	-	**-**	-	**12,050**	3,970
Total segment revenue [1]	**12,008**	2,788	**8,382**	6,207	**16,471**	10,994	**-**	-	**36,861**	19,989
Property net operating income	**3,387**	1,063	**1,670**	1,314	**7,072**	4,115	**-**	-	**12,129**	6,492
Development profit	**2,394**	-	**1,669**	1,385	**-**	-	**-**	-	**4,063**	1,385
Net corporate overheads	**-**	-	**-**	-	**-**	-	**(2,921)**	(2,434)	**(2,921)**	(2,434)
Total operating EBITDA [2]	**5,781**	1,063	**3,339**	2,699	**7,072**	4,115	**(2,921)**	(2,434)	**13,271**	5,443
Finance income [9]	**-**	-	**-**	-	**-**	-	**96**	3	**96**	3
Finance costs [9]	**-**	-	**-**	-	**-**	-	**(1,389)**	(817)	**(1,389)**	(817)
Operating profit / (loss) before depreciation and income tax	**5,781**	1,063	**3,339**	2,699	**7,072**	4,115	**(4,214)**	(3,248)	**11,978**	4,629
Depreciation and amortisation	**-**	-	**-**	-	**(423)**	(332)	**(141)**	(139)	**(564)**	(471)
Net Fair value gain/(loss) on Investment properties	**9,532**	7,345	**789** [8]	9,357	**1,008**	5,235	**-**	-	**11,329**	21,937
Reversal of previous impairment on property, plant and equipment	**-**	-	**-**	-	**-**	2,876	**-**	-	**-**	2,876
Other income / (expenses) [3]	**(51)**	(436)	**-**	(400)	**-**	66	**2,803**	318	**2,752**	(452)
Income tax benefit	**-**	-	**-**	-	**-**	-	**373**	750	**373**	750
Profit / (loss) after tax attributable to parent entity	**15,262**	7,972	**4,128**	11,656	**7,657**	11,960	**(1,179)**	(2,319)	**25,868**	29,269
Segment assets and liabilities reviewed by CODM can be analysed as follows:										
Segment assets	**207,772**	130,620	**103,669**	84,963	**146,983**	123,067	**49,739** [4]	20,076 [4]	**508,163**	358,726
Segment liabilities	**-**	-	**-**	-	**-**	-	**(170,759)** [6]	(148,388) [6]	**(170,759)**	(148,388)
Additions to non-current assets during the year	**13,614**	58,395	**1,953**	26,993	**2,920**	3,002	**16,117**	9	**34,604**	88,399

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 which are included in other income / expenses.*
3 *Other income / expenses are those excluded from CODM's review of operating profits. This includes expenses such as share-based payments, fair value adjustment on interest rate swaps, fair value adjustment on equity investments, gain / loss from sale of investment properties, and asset acquisition transaction costs.*
4 *Includes all assets of the Group excluding the property assets (investment properties and property, plant and equipment).*
5 *1HFY23 includes development and licensing of DMF homes in development sales ($4.69 million revenue and $1.42 million EBITDA) in the Retirement Communities segment. 1HFY22 comparative information has been restated to align with current year reporting format to CODM which excludes proceeds from the sale of Perth residential investment properties from development sales. Current year reporting format now aligns with statutory reporting for this line item*
6 *Includes all liabilities of the Group including the property liabilities.*
7 *Includes licensing of DMF homes ($4.69 million revenue).*
8 *Excludes the net revaluation gain on the licensing of DMF homes at Wodonga Gardens ($1.42 million) which is included in development profit. This gain represents the $4.69 million cash proceeds received upon licensing the homes less $3.27 million total cost of producing the homes*
9 *Excludes interest income and expenses arising from investment in sublease and lease liabilities arising from rights-of-use assets.*

1. Revenue

(a) Other revenue

	31 December 2022 $'000	31 December 2021 $'000
Management fees	32	490
Miscellaneous income	-	-
Total other revenue	**32**	**490**

Recognition and measurement

Revenue

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

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

Revenue from the home and land sales are recognised at the point in time when control of the land / home is transferred to the customer, usually on settlement of the transaction.

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

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

2. Expenses and other items

(a) Operational expenses

	31 December 2022 $'000	31 December 2021 $'000
Contractors	(99)	(117)
Consumables	(755)	(565)
Services and supplies	(670)	(550)
Marketing expenses	(197)	(90)
Other operational costs	(1,713)	(840)
Total operational expenses	**(3,434)**	(2,162)

2. Expenses and other items (continued)

(b) Property expenses

	31 December 2022 $'000	31 December 2021 $'000
Repairs and maintenance	(675)	(422)
Motor vehicle expenses	(62)	(42)
Utilities	(2,184)	(1,648)
Insurance	(736)	(815)
Rates and taxes	(1,197)	(1,057)
Other property expenses	(198)	(297)
Total property expenses	**(5,052)**	(4,281)

(c) Employee expenses

	31 December 2022 $'000	31 December 2021 $'000
Salary and wages	(5,673)	(4,574)
Superannuation	(467)	(338)
Security-based payments	(622)	(434)
Other employee costs	-	(108)
Total employee expenses	**(6,762)**	(5,454)

(d) Administrative expenses

	31 December 2022 $'000	31 December 2021 $'000
Corporate administration costs	(896)	(807)
Occupancy costs	(12)	(20)
Total administrative expenses	**(908)**	(827)

(e) Finance income / expenses

	31 December 2022 $'000	31 December 2021 $'000
Interest – bank deposits	97	2
Interest – investment in sublease	54	73
Finance income	**151**	75
Interest – loans and borrowings	(1,377)	(813)
Interest – rights of use assets	(17)	(52)
Finance costs	**(1,394)**	(865)

(f) Income tax expense

Aspen has recognised a current income tax expense during the period in respect of taxable income, and has also recognised income tax benefit to re-establish the deferred tax asset balance for tax losses not recognised in prior years, that are now expected to be recouped through future taxable income. Accordingly a net $373,000 income tax benefit was recognised in the statement of profit or loss.

3. Property, plant and equipment

	Land (At Fair Value) $'000	Buildings (At Fair Value) $'000	Plant and equipment (At Fair Value) $'000	Corporate assets (At Cost) $'000	Total $'000
Year ended 30 June 2022					
Cost or valuation	16,153	5,993	6,825	123	29,094
Accumulated depreciation and impairment	-	(797)	(1,729)	(45)	(2,571)
Net carrying amount – 30 June 2022	16,153	5,196	5,096	78	26,523
Period ended 31 December 2022					
Movements					
Net carrying amount at the beginning of the period	**16,153**	**5,196**	**5,096**	**78**	**26,523**
Additions	**-**	**-**	**854**	**13**	**867**
Depreciation	**-**	**(86)**	**(337)**	**(14)**	**(437)**
Revaluation	**3,965**	**86**	**223**	**-**	**4,274**
Net carrying amount at the end of the period	**20,118**	**5,196**	**5,836**	**77**	**31,227**
Period ended 31 December 2022					
Cost or valuation	**20,118**	**6,079**	**7,902**	**136**	**34,235**
Accumulated depreciation and impairment	**-**	**(883)**	**(2,066)**	**(59)**	**(3,008)**
Net carrying amount – 31 December 2022	**20,118**	**5,196**	**5,836**	**77**	**31,227**

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

Recognition and measurement

PPE is initially measured at the historical cost of the asset, less depreciation and impairment. The cost of PPE includes the cost of replacing parts that are eligible for capitalisation.

PPE is subsequently measured at fair value at each balance date. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the balance sheet date or directors' valuation. Corporate office assets are not subsequently revalued and are carried at historical cost. Independent valuations of PPE are obtained at intervals of not more than 3 years and are performed by external, independent property valuers with appropriate professional qualifications and experience in the category of the property being valued.

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

Refer further details regarding fair value assessment in note 4.

3. Property, plant and equipment (continued)

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is between 10 and 40 years; plant and equipment is between 5 and 10 years and corporate office assets is between 3 and 10 years. Land is not depreciated.

De-recognition

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

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

Level 3 fair value

The fair value measurement of PPE of $31.150 million (30 June 2022: $26.445 million) has been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used. The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values. Details of the valuation is included in Note 4.

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

Property	Land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Year ended 31 December 2022				
Cost	11,515	5,375	7,074	23,964
Accumulated depreciation and impairment	-	(704)	(1,873)	(2,577)
Net carrying amount	**11,515**	**4,671**	**5,201**	**21,387**

Key judgment

Judgement is required in assessing classification of accommodation property assets as either PPE or Investment Properties. Accommodation assets are classified as PPE where their principal purpose is for use in the supply of goods or services, and are classified as investment properties where their principal purpose is to earn rentals or for capital appreciation or for both. Key factors considered in the assessment include the principal purpose of the asset as well as other asset specific characteristics such as the workforce and skillset associated with the property and the level of ancillary services offered by the asset in addition to accommodation services. 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.

4. Investment properties

Investment properties	31 December 2022 $'000	30 June 2022 $'000
Opening balance	**386,062**	209,774
Investment properties acquired during the period	**-**	97,811
Additions to investment properties	**14,013**	29,206
Investment properties sold during the period	**(637)**	(5,056)
Investment properties reclassified to inventories	**(288)**	(4,594)
Net fair value gain on Investment properties – recognised against Residents Loan	**-**	534
Net fair value gain on Investment properties – profit and loss	**12,748**	58,387
Closing balance	**411,898**	386,062

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

Aspen did not acquire any investment properties in the period. In FY22, Aspen acquired four investment properties / portfolios: Wodonga Gardens retirement estate, Perth apartment portfolio, Meadowbrooke lifestyle community, and Coorong Quays.

Recognition and measurement

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

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

Fair value

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

	31 December 2022 $'000	30 June 2022 $'000
Carried at fair value:		
Property plant and equipment	**31,150**	26,445
Investment properties	**411,898**	386,062
	443,048	412,507
Carried at cost:		
Inventories – Mt Barker and Coorong Quays residential land *	**15,376**	15,578
	458,424	428,085

* 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 disclosures above and below as part of the residential properties segment.

Property assets which have been subject to an independent valuation during the half year are as follows:

Segment	Percentage of independent valuations during the period to total carrying value	Total independent valuations during the period $'000	Total carrying value $'000
Retirement communities Properties	-	-	103,669
Park communities Properties	43%	63,000	146,983
Residential Properties	31%	64,660	207,772
Total		127,660	458,424

4. Investment properties (continued)

The following table presents individual properties owned by the Group:

Property	Original acquisition date	Original acquisition costs $ '000	Latest independent valuation date	Latest independent valuation $ '000	**Book value at 31 December 2022 $ '000**	Book value at 30 June 2022 $ '000
Residential Properties						
Lindfield Apartments	Aug 2019	10,372	Dec 2001	13,800	**12,986**	13,976
Perth House Portfolio WA [3]	Nov 2019	21,178	May 2021	21,140	**24,511**	24,301
Perth Apartment Portfolio WA [5]	Sep 2021	52,000	Oct 2022	90,850	**105,614**	93,486
Cooks Hill NSW [4]	Jul 2020	3,750	May 2020	3,750	**10,964**	8,967
Mt Barker SA [1]	Dec 2020	4,510	Nov 2020	4,510	**6,010**	5,137
Burleigh Heads QLD	Dec 2020	3,275	Nov 2022	14,510	**14,410**	11,472
Upper Mount Gravatt QLD	Apr 2021	18,500	Mar 2021	18,500	**23,911**	21,304
Coorong Quays SA [1]	Jun 2022	10,000	Apr 2022	10,000	**9,366**	10,441
Retirement Communities Properties						
Four Lanterns NSW	Jan 2015	7,420	Dec 2021	19,250	**19,410**	19,200
Mandurah WA	Jun 2015	10,200	Jun 2020	13,725	**16,207**	16,049
Sweetwater Grove NSW	Aug 2015	10,500	Oct 2021	16,300	**17,282**	16,361
Lewis Fields SA [2]	Jun 2021	2,360	Jun 2021	2,400	**9,683**	9,601
Wodonga Gardens VIC [2]	Aug 2021	6,010	Aug 2021	6,010	**27,585**	25,202
Meadowbrooke WA	Dec 2021	3,258	Dec 2021	3,258	**3,258**	3,258
Alexandrina Cove SA [2]	Jun 2022	4,200	Apr 2022	4,200	**10,244**	9,873
Park Communities Properties						
Adelaide SA	Oct 2015	9,250	Jun 2021	13,100	**15,184**	13,786
Tween Waters NSW	Dec 2016	6,880	Oct 2022	10,000	**10,000**	10,026
Barlings Beach NSW	Jan 2017	13,250	Oct 2022	21,000	**20,500**	20,381
Koala Shores NSW	Sep 2017	10,200	Nov 2021	11,500	**12,258**	11,906
Darwin FreeSpirit NT	Dec 2017	19,300	Oct 2022	32,000	**31,150**	26,445
Highway 1 SA	Oct 2018	23,060	Jun 2021	28,350	**32,398**	31,563
Aspen Karratha Village WA	Jun 2005	29,378	Apr 2022	15,500	**15,521**	15,500
Coorong Quays SA	Jun 2022	9,850	Apr 2022	9,850	**9,972**	9,850
At 31 December 2022 / 30 June 2022				383,503	**458,424**	428,085

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

[2] Some 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 residents. Corresponding resident loans and deferred revenue (DMF) are recorded as liabilities in the balance sheet.

[3] Adjusted for homes that were sold subsequent to external valuation. The valuation relates to the remaining homes in the portfolio.

[4] These are currently under refurbishment / development works and expected to be completed by end of the financial year 2023.

[5] Four apartment complexes within the Perth portfolio were independently revalued in October 2022 after refurbishment and leasing were largely complete. The remaining complexes in the portfolio were internally revalued at 31 December 2022.

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

It is the Group's policy to have all properties independently valued at intervals of no longer than three years. It is the policy of the Group to review the fair value of each property every six months reporting period and 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 $411.898 million (30 June 2022: $386.062 million) and PPE assets totalling $31.150 million (30 June 2022: $26.445 million) have been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used. The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values for investment property and PPE assets. There were no transfers between the hierarchy levels during the half year ended 31 December 2022.

4. Investment properties (continued)

The Board has reviewed the carrying value of all properties as at 31 December 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 eight properties/portfolios during the half year, 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 31 December 2022, there was a net upwards movement of $17.022 million (adjusted for capital expenditure since the previous valuation) in the portfolio carrying value. This has been reflected as fair value gain in the profit or loss ($12.748 million) and in the asset revaluation reserve ($4.274 million).

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.

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 a per hectare or 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 and an allowance for developer's risk and profit. This valuation is then discounted back to the present value.	For the financial period ended 31 December 2022, the properties were primarily valued using the capitalisation approach and residual approach. **Residential** Key valuation inputs include: • Net sustainable operating income ranging from $0.19 million to $1.55 million • Capitalisation rates ranging from 3.63% to 6.50% • Residual method inputs include development margin around 20% and discount rate of 10.0% • Direct comparison of comparable properties **Retirement Communities** Key valuation inputs include: • Net sustainable operating income ranging from $0.17 million to $1.05 million • Capitalisation rates predominantly ranging from 5.00% to 6.75% • 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 **Park Communities** Key valuation inputs include: • Net sustainable operating income ranging from $0.66 million to $2.80 million • Capitalisation rates ranging from 7.26% to 16.00%	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)

4. Investment properties (continued)

Sensitivity analysis

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

	Key assumptions			
	50 bps increase in cap rate	50 bps decrease in cap rate	5% decrease in NOI	5% increase in NOI
(Decrease) / Increase in total value ($'000)	(30,927)	37,261	(19,852)	19,852

Investment Properties – Deferred management fees (DMF) arrangement

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

Inputs used to measure fair value	31 December 2022	30 June 2022
Discount rate	12.00% - 14.50%	12.00% - 14.50%
Average property growth rate	1.94% - 3.00%	1.94% - 3.00%
Average length of stay of existing and future residents	12 years	12 years
Average current market value of Retirement Village houses	$351,000	$346,000

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 arrangements at 31 December 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 31 December 2022.

	Key assumptions			
	Current market value of DMF homes		Discount rate applied to cash flows valuation	
	5% increase	5% decrease	1% increase	1% decrease
Fair value changes – on gross basis to the book value of the investment properties	1,576	(1,558)	(630)	1,030
Fair value changes – on net asset basis [1]	250	(230)	(630)	1,030

[1] – after netting off the residential loans and DMF deferred revenue.

5. Inventories

	Consolidated	
	31 December 2022	30 June 2022
Current	**$'000**	$'000
Land under development	**2,087**	2,278
Manufactured homes under development	**4,174**	134
Others (supplies)	**132**	130
Total current	**6,393**	2,542
Non-current		
Land under development	**13,289**	13,300
Total non-current	**13,289**	13,300
Total current and non-current		
Land under development	**15,376**	15,578
Manufactured homes under development	**4,174**	134
Others (supplies)	**132**	130
Total	**19,682**	15,842

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.

6. Distributions

	Aspen security holders			
	Cents per security		Total amount	
	31 December 2022 Cents	31 December 2021 Cents	**31 December 2022 $'000**	31 December 2021 $'000
Paid during the period				
Final distribution for the previous year	**3.50**	3.50	**5,426**	4,073
Announced and unpaid at the end of the period				
Interim distribution for the period	**3.50**	3.10	**6,280**	4,327

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

Aspen announced an estimated distribution of 3.50 cents per security on 15 December 2022 in respect of the half-year ended 31 December 2022. This distribution has now been declared and will be paid to securityholders on or around 24 February 2023.

7. Equity and reserves

Movement in stapled securities	'000 units	Securities $'000
At 1 July 2021	116,368	509,745
Issue of stapled securities	38,675	52,857
At 30 June 2022 and 1 July 2022	155,043	562,602
Issue of stapled securities, less share issue costs	24,378	36,502
At 31 December 2022	**179,421**	**599,104**

The nature of Aspen's contributed equity

Aspen does not have an authorised capital or par value in respect of its issued securities. Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to any remaining unpaid amount in relation to a member's subscription for securities.

Issued capital

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

Reserves

Reserves	Share-based payment Reserve $'000	Asset revaluation Reserve $'000	Total Reserves $'000
At 1 July 2022	1,478	5,488	6,966
Security-based payment	622	-	**622**
Security-based payment – issued / vested during the year	(603)	-	**(603)**
Property, plant and equipment revalued during the year	-	4,274	**4,274**
At 31 December 2022	**1,497**	**9,762**	**11,259**

Security-based payment reserve

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

Asset revaluation reserves

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

8. Earnings per stapled security

	31 December 2022	31 December 2021
Profit for the period attributable to ordinary equity holders of the parent entity ($ '000)	**25,868**	29,269
Basic weighted average number of stapled securities (No. '000)	**169,164**	131,820
Diluted weighted average number of stapled securities (No. '000)	**170,517**	133,042
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**15.29**	22.20
Diluted earnings per stapled security (cents per security)	**15.17**	22.00
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**15.29**	22.20
Diluted earnings per stapled security (cents per security) *	**15.17**	22.00

** 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.

9. Interest bearing loans and borrowings

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Current		
Secured debt facilities	**-**	-
Non-current		
Secured debt facilities	**121,947**	128,239
Less borrowing transaction costs	**(176)**	(569)
Total interest-bearing loans and borrowings	**121,771**	127,670

Funding activities

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

10. Financial risk management

Financial risk management

Aspen Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 30 June 2022.

Credit risk

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

Liquidity risk

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

10. Financial risk management (continued)

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

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Secured financing facilities available		
Revolver	**150,000**	150,000
Overdraft	**5,000**	5,000
Guarantees	**1,000**	1,000
	156,000	156,000
Facilities used at balance date		
Revolver	**121,947**	128,239
Guarantees	**759**	759
	122,706	128,998
Facilities unused at balance date		
Revolver	**28,053**	21,761
Overdraft	**5,000**	5,000
Guarantees	**241**	241
	33,294	27,002

Fair values

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

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

Cash

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

Receivables/payables

Due to the short-term nature of these financial rights and obligations, the face value of receivables/payables are estimated to approximate their fair values, less allowance for doubtful debts, if applicable.

Interest-bearing liabilities

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

10. Financial risk management (continued)

Other financial assets / liabilities

The fair values of derivatives, corporate bonds, term deposits and borrowings are calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets are calculated using market interest rates. The fair value of the net investment in sublease and lease liabilities are discounted using Aspen's incremental borrowing rate.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value are recognised 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.

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

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 external valuations is used to measure fair values, the finance staff assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of accounting standards, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation matters are reported to Aspen's Audit, Risk and Compliance Committee.

Aspen's financial instruments are valued using market observable inputs (Level 1 and Level 2) with the exception of the Other investment in unlisted entity discussed in note 15 and Resident loans discussed in Note 13 (both are classified as Level 3).

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period ended 31 December 2022 (1H FY22: $Nil).

Valuation of financial instruments (continued)

The following table shows a reconciliation of movements in Aspen's financial assets at fair value through profit or loss (Level 3) for the periods ended 31 December 2022 and year ended 30 June 2022:

	31 December 2022 $'000	**30 June 2022** $'000
Opening Balance at 1 July	**513**	**593**
Additions *	**16,105**	-
Total gains or losses		
In profit or loss	**3,464**	**(80)**
Closing Balance	**20,082**	**513**

* During the period ended 31 December 2022, Aspen acquired 41.158 million ordinary shares of Eureka Group Holdings Ltd for total consideration of $16.104 million including brokerage fees of $0.05 million.

The fair value of other investment in an unlisted entity has been determined by reference to the net tangible asset value per share as published in the latest audited financial statements, and for the investment in listed entity the fair value is based on the closing price on the stock exchange at the balance date.

11. Derivative asset

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

	31 December 2022	30 June 2022
	$'000	$'000
Interest rate swaps – asset (notional value: $70.00 million (30 June 2022 : 70.00 million))	**3,415**	3,605
Closing balance	**3,415**	3,605

The term of the interest rate swaps are at fixed interest rates ranging between 0.493% to 0.498% over the period to April 2024.

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.

12. Non-controlling interests

	AWSS	Total
NCI percentage as at 31 December 2022	**58%**	
	$'000	**$'000**
Opening balance at 1 July 2021	(3,837)	(3,837)
Share of comprehensive income / (expense)	-	-
Closing balance at 30 June 2022 and opening balance at 1 July 2022	(3,837)	(3,837)
Share of comprehensive income / (expense)	-	-
Closing balance at 31 December 2022	**(3,837)**	**(3,837)**

Negative non-controlling interests

Aspen has recognised a non-controlling interest (NCI) for Aspen Whitsunday Shores Pty Ltd (AWSS) as at 31 December 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 the NCI.

13. Resident loans

Resident loans

Resident loans associated with leases under Retirement Village Acts are classified as financial liabilities at fair value through profit and loss 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 sheet date and is measured at the original loan amount plus the 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.

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

	31 December 2022 **$'000**	30 June 2022 $'000
Expected to be settled:		
No more than 12 months after reporting date	**1,986**	1,007
More than 12 months after reporting date	**28,052**	24,810
Closing balance	**30,038**	25,817

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

	31 December 2022 **$'000**	30 June 2022 $'000
Opening balance	**25,817**	6,420
Items recognised in the profit or loss		
- Changes in the fair value of the resident loans	**-**	134
DMF entitlements during the period	**(500)**	534
Resident loans acquired through acquisition of new retirement village	**-**	18,653
Net cash received from resident arrivals in existing homes	**31**	76
Net cash received from resident arrivals in new homes	**4,690**	-
Closing balance	**30,038**	25,817

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 $37.251 million.

If the value used for this input was 5% higher, the fair value of these loans would be $1.122 million higher, and if the input was 5% lower, the fair value of these loans would be $1.143 million lower. The recognised value of Aspen's investment properties would increase / decrease by equivalent amounts.

14. Rights of use assets

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Land and building	**1,082**	888
Less accumulated depreciation	**(93)**	(276)
Rights of use assets	**989**	612

15. Investments at fair value through profit and loss

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Investment in listed entity (Eureka Holdings Group Limited)	**19,550**	-
Other investment in unlisted entity	**532**	**516**
Total investments at fair value through profit and loss	**20,082**	**516**

During the period, Aspen acquired approximately 41 million ordinary shares (representing 13.7% interest) in Eureka Holdings Group Limited (ASX ticker: EGH) for consideration of $16.1 million. The investment has been accounted for as a financial asset through profit and loss with the carrying value of the investment determined using the closing price of EGH at the reporting date. A resultant gain of $3.464 million was recognised in the profit and loss.

Other investment in unlisted entity 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 fair value of other investment in an unlisted entity has been determined by reference to the net tangible asset value per share as published in the latest audited financial statements.

16. Lease liability

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Current lease liability	**241**	348
Non-current lease liability	**855**	589
Total lease liability	**1,096**	937

17. Deferred Management Fees (DMF)

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

18. Related party transactions

Related party arrangements during the period are consistent with those at 30 June 2022. Refer to the consolidated financial statements for the year ended 30 June 2022 for details of related party arrangements.

19. New or amended accounting standards

New and amended standards adopted from 1 July 2022

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

20. Commitments and contingencies

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Capital commitments *(i)*		
Contracted but not provided for and payable:		
Within 1 year	**27,840**	16,000
Greater than 1 year but not more than 5 years	**-**	-
	27,840	16,000
Other expenditure commitments		
Bank guarantees issued to third parties	759	759
	759	759

(i) Relates to the acquisition of Black Dolphin Resort Motel in Merimbula, development work at Cooks Hill, Perth Apartments, retirement community development projects (including civil works and new land lease homes), and various cabins and park upgrades.

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 31 December 2022 or at the date of completion of these condensed consolidated interim financial statements.

21. Subsequent events

On 23 December 2022 Aspen contracted to acquire the Black Dolphin Motel in Merimbula, NSW for $5.2 million. The property is adjacent to Aspen's Tween Waters Holiday Park. Settlement is expected to occur on 1 March 2023.

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

Directors' declaration

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

   (a) the condensed consolidated interim financial statements and notes on pages 15 to 38, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Aspen's Group's consolidated entity's financial position as at 31 December 2022 and of its performance for the financial period ended on that date; and

      (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, *Corporations Regulations 2001*; and other mandatory professional reporting requirements.

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

2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the Joint Chief Executive Officer for the period ended 31 December 2022.

Signed in accordance with a resolution of the directors.

Clive Appleton
Chairman
SYDNEY, 20 February 2023