Aspen Group Limited
ABN 50 004 160 927

Aspen Property Trust
ARSN 104 807 767

Level 3, Newspaper House
129 St Georges Terrace, Perth
Western Australia, 6000

Telephone: 08 9220 8400
Facsimile: 08 9220 8401

Email: homemail@aspengroup.com.au

**MARKET RELEASE**

**ASX ANNOUNCEMENT**
**23 October 2014**

# SEPTEMBER 2014 QUARTERLY BUSINESS UPDATE

**KEY POINTS**

- Aspen Parks Property Fund (APPF) entitlement offer successfully closed. Aspen Group now holds a 40% equity stake in APPF
- Solid operating results at the APPF parks, like-for-like net property income up 3.6% on the comparative September quarter 2013
- Acquisition of Harrington Holiday Park by APPF
- Sale and settlement of the Noble Park industrial property by Aspen Group
- Initiation of the security buyback programme, acquiring 5.7% of Aspen Group securities

Aspen Group (ASX: APZ) provides securityholders with a quarterly update on business activities for the period ended September 2014.

## Accommodation

Accommodation assets comprise 49% of Aspen Group's "look through" asset base (proforma 30 June 2014), through its 40% equity investment in APPF and the direct ownership of Aspen Karratha Village (AKV).

Operating performance

Operating results of APPF are solid. On a like-for-like basis, unaudited net property income was up 3.6% for the quarter over the September quarter in 2013.

As shown in the table below, this result has been generated despite subdued overall revenue growth of 0.7%, with costs being reduced by 1.8%. This outcome reflects operational management initiatives put in place earlier in the year.

| Qtr ended | Sep-14 | Sep-13 | Change |
|---|---|---|---|
| Revenue ($m) | 15.78 | 15.67 | 0.7% |
| Costs ($m) | 8.42 | 8.58 | -1.8% |
| **Net Income** | **7.36** | **7.11** | **3.6%** |

*Like for Like basis*

The short-stay and permanent residential parks generated stronger net property income growth of 12.1% over the comparable quarter, on the back of stronger revenue growth and disciplined cost management.

The four parks focused on the resources sector showed a fall in net property income of 13.6% as compared to the previous September quarter. However income in the September quarter was higher than had been expected, largely on the back of better than expected occupancy rates.

AKV trading is in line with expectations. Occupancy stands at 90%.

Ongoing improvement in operating performance from the existing portfolio is a key management focus going forward.

Acquisition

Following the successful completion of the entitlement offer, APPF contracted to acquire the Harrington Holiday Park, on the north coast of NSW. The purchase price of $8.4million (including acquisition costs) reflects a yield of 12%. The property is located approximately 40 kilometres from APPF's property at Wallamba River, providing management efficiency through park clustering. There is also potential for further redevelopment of the park to include permanent residential, which would assist in meeting accommodation needs in this popular retiree region.

Additional acquisitions are under consideration, reflecting attractive asset pricing and positive industry fundamentals. The focus in particular is on increasing the exposure to permanent residential accommodation in both mixed use and specific purpose properties, and with scope for additional development.

Development

Following the recapitalisation of APPF, there is now capacity to undertake further development at existing parks, with a particular focus on increasing existing permanent residential accommodation. Projects are expected to be advanced over the immediate term.

## Non-core industrial properties

The Noble Park industrial property was sold for $20.8m, a premium of $0.5m to the 30 June 2014 carrying value. Settlement occurred on 16 October 2014.

The sole remaining industrial property is at Spearwood. The management plan for the environmental reclassification of the site remains underway, in line with expectations. A leasing campaign has commenced for that part of the space expected to be vacated at the end of December 2014.

## Non-core development properties

Good progress continues on disposal of the remaining development properties:

- The rural landholding at Chitttering (WA) was sold and settled during the quarter; and
- At Upper Swan (WA), two rural residential lots were settled, with the non-residential component of the site having been sold with settlement expected in the first quarter of calendar 2015.

These sales have been at a slight premium to carrying value.

The remaining development assets are a further two rural residential lots at Upper Swan, a land site at Midland (WA) and a partly owned residential development in Queensland. Disposal strategies continue to be progressed for these assets - the total carrying value as at 30 June 2014 being $5.4 million.

## Capital management

The security buyback was activated during the quarter, with 6.8 million securities representing 5.7% of securities acquired for $8.5 million, or an average price of $1.25 per security.

Largely as a result of the buyback, pro-forma NAV per security has risen to $1.52 from $1.50 as at 30 June 2014 (Annexure 1).

Approval has been sought at the upcoming AGM for capacity to conduct a buyback of a further 20% of securities to facilitate ongoing capital management initiatives.

The Aspen Group senior debt facility was extended to August 2016, and the limit raised to $50 million. Currently, this facility is drawn to $40 million.

The balance sheet is strong, with proforma gearing at 5.9% (look through proforma gearing 14.9%).

## APPF capital management

Aspen Group invested $41.8 million in APPF securities in connection with the APPF entitlement offer, and its equity interest in APPF now stands at 40%. As a result, it is expected that APPF will become a consolidated entity for the preparation of the 31 December 2014 accounts.

Post the entitlement offer and acquisition of Harrington Holiday Park, the APPF proforma Loan to Value Ratio (LVR) stands at 34.6% (Annexure 2). With targeted LVR in the range of 35-45%, APPF has considerable acquisition capacity.

A new $125 million debt facility for APPF was executed during the quarter, with a 3 year term to August 2017. Interest rate hedging has been put in place over 85% of the expected drawn debt post asset acquisitions, for an average duration of 4.1 years.

## Outlook

Guidance for Aspen Group distribution per security for FY15 is unchanged at 8.0 to 10.7 cents.

This Guidance assumes no material change in business conditions. The upper end of the range is largely dependent on re-leasing of the Spearwood industrial property post December 2014.

**End**


| | |
|---|---|
| *For further information please contact:*<br>Clem Salwin<br>Chief Executive Officer<br>Phone: (+61) 8 9220 8400<br>Email: clems@aspengroup.com.au | *For media enquiries:*<br>David Tasker<br>Professional Public Relations<br>Phone: (+61) 8 9388 0944<br>Mobile: (+61) 433 112 936<br>Email: david.tasker@ppr.com.au |


**Attachments:**

Annexure 1 Aspen Group balance sheet and look through assets

Annexure 2 APPF Balance sheet

# Annexure 1

**Aspen Group balance sheet**

| $m | 30-Jun-14 | Buyback | APPF investment | Noble Park sale | Proforma |
|---|---|---|---|---|---|
| Accommodation | 49.2 | - | 41.8 | - | 91.0 |
| Commercial | 87.8 | - | - | (20.3) | 67.5 |
| Development | 23.5 | - | - | - | 23.5 |
| Cash | 44.7 | (8.5) | (18.5) | 10.8 | 28.4 |
| Other assets | 12.6 | - | - | - | 12.6 |
| **Total assets** | **217.8** | **(8.5)** | **23.3** | **(9.5)** | **223.0** |
| Debt | (26.7) | - | (23.3) | 10.0 | (40.0) |
| Other liabilities | (11.4) | - | - | - | (11.4) |
| **Total liabilities** | **(38.1)** | **-** | **(23.3)** | **10.0** | **(51.4)** |
| **Net equity** | **179.7** | **(8.5)** | **-** | **0.5** | **171.7** |
| Securities on issue (m) | 119.9 | (6.8) | - | - | 113.1 |
| NAV/security ($) | 1.50 | 1.25 | - | - | 1.52 |
| LVR (*) | 21.2% | | | | 37.7% |
| Gearing | - | | | | 5.9% |
| Look through gearing | - | | | | 14.9% |

*(*) LVR = debt/wholly owned properties*

**Look through assets**

| $m | 30-Jun-14 | Buyback | APPF investment | Noble Park sale | Proforma | Percent |
|---|---|---|---|---|---|---|
| Accomodation | 64.8 | - | 60.4 | - | 125.2 | **49%** |
| Commercial | 87.8 | - | - | (20.3) | 67.5 | **26%** |
| Development | 23.5 | - | - | - | 23.5 | **9%** |
| Cash | 44.7 | (8.5) | (18.5) | 10.8 | 28.4 | **11%** |
| Other liabilities | 12.6 | - | - | - | 12.6 | **5%** |
| **Total look through** | **233.4** | **(8.5)** | **41.9** | **(9.5)** | **257.2** | **100%** |

## Annexure 2

**APPF balance sheet**

| $m | 30-Jun-14 | Entitlement offer | Harrington | Proforma |
|---|---|---|---|---|
| Accommodation parks | 189.6 | - | 8.4 | 197.9 |
| Assets held for sale | 12.0 | - | - | 12.0 |
| Other assets | 8.8 | - | - | 8.8 |
| **Total assets** | **210.3** | **-** | **8.4** | **218.7** |
| | | | | |
| Debt | 110.2 | (40.8) | 8.4 | 77.7 |
| Other liabilities | 13.9 | - | - | 13.9 |
| **Total liabilities** | **124.1** | **(40.8)** | **8.4** | **91.6** |
| | | | | |
| **Net equity** | **86.2** | **40.8** | **-** | **127.1** |
| Securities on issue (m) | 162.7 | 81.4 | - | 244.1 |
| NAV / security ($) | 0.53 | | | 0.52 |
| | | | | |
| LVR | 54.8% | | | 34.6% |
| Gearing | 51.0% | | | 33.7% |