Aspen Group Limited

ABN: 50 004 160 927

Appendix 4E and Financial Report for the year ended

30 June 2016

Details of reporting periods:

Current period	30 June 2016
Corresponding period	30 June 2015

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from ordinary activities	down	23.01%	to	37,206
Profit after tax	up	131.25%	to	9,913
Profit after tax attributable to securityholders of Aspen Group	up	140.71%	to	9,540
Operating Profit before tax*	down	31.82%	to	5,973

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

Dividends/Distributions

Combined

30 June 2016		30 June 2015	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
4.6	5,208	4.5	5,035
4.6	4,990	4.5	5,093
9.2	10,198	9.0	10,128

Aspen Property Trust

30 June 2016				30 June 2015			
Period	Cents per Unit	Total $ '000	Deferred tax %	Period	Cents per Unit	Total $ '000	Deferred tax %
Jul – Dec 15	4.6	5,208	73.01%	Jul – Dec 14	4.5	5,035	3.00%
Jan – Jun 16	4.6	4,990	73.01%	Jan – Jun 15	4.5	5,093	3.00%
	9.2	10,198	73.01%		9.0	10,128	3.00%

Aspen Group Limited

30 June 2016				30 June 2015			
Period	**Cents per Share**	**Total $ '000**	**Tax rate for franking credit %**	**Period**	**Cents per Share**	**Total $ '000**	**Tax rate for franking credit %**
Jul – Jun 16	-	-	-	Jul – Jun 15	-	-	-
	-	-			-	-	

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

Interim dividend/distribution (December) 31 December 2015

Interim dividend/distribution (June) 30 June 2016

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

ASPEN FUNDS MANAGEMENT LIMITED

(AS RESPONSIBLE ENTITY)

(ABN: 104 322 278)

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Annual Report table of contents

Directors' report contents page

Directors' report

1. Directors

The directors of the Company and Aspen Funds Management Limited ("AFM"), the responsible entity of the Trust, at any time during or since the end of the financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
Clive Appleton BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD **Independent chairman** *(appointed chairman on 7 June 2016*	Mr Appleton has had a successful career in property and funds management with over 30 years' experience in several of Australia's leading retail property investment, management and development groups. Mr Appleton's early career was spent with the Jennings Group where, from 1986, he held senior executive roles, responsible for managing and developing the retail assets jointly owned by Jennings Properties Limited (JPL) and Jennings Property and Investment Group. In 1990, following a restructure of JPL to become Centro Properties Limited, Mr Appleton became managing director. From 1997 to 2004, Mr Appleton was the managing director of the Gandel Group Pty Limited, one of Australia's leading retail property investment, management and development groups. In 2005 Mr Appleton joined APN Property Group Limited as managing director. Mr Appleton is currently a non-executive director of the Gandel Group, Arrow International Group Limited, APN Property Group Limited, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd. He is also a council member of Cairnmillar Institute. Appointed a non-executive director on 30 April 2012, the chairman of the Board (on 7 June 2016) and a member of the Audit Committee (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 26 October 2015. Mr Appleton was the chairman of the Remuneration Committee (disbanded) between 22 June 2015 and 22 February 2016 and a member of the Nomination Committee (disbanded) between 22 January 2013 and 22 February 2016. *Directorships of listed entities within last 3 years:* Non-executive director of Federation Centres to 11 June 2015 (ASX: FDC) Non-executive director of APN Property Group Limited – current (ASX: APD)
Clem Salwin BA (Honours) **Managing director**	Mr Salwin has over 25 years' experience across real estate funds, investment, management, development, investment banking and corporate management. Mr Salwin was most recently the acting Chief Executive Officer ("CEO") of Valad Property Group, the ASX listed REIT, with operations across Australia and Europe. Prior to Valad, Mr Salwin was a real estate investment banker with UBS, having been based both in Australia and Japan. Before then, he was with Bankers Trust Australia, responsible for real estate funds management. Mr Salwin was appointed as managing director and CEO of Aspen from 1 July 2013. Mr Salwin has resigned as managing director and CEO effective as at 30 September 2016. *Directorships of listed entities within the last 3 years*: Nil

Name and qualifications	Experience, special responsibilities and other directorships
Guy Farrands BEc, Grad Dip Man, FAPI, MAICD **Independent non-executive director**	Mr Farrands has over 30 years' experience in direct and listed property markets both in Australia and internationally across commercial, retail, industrial, residential and retirement asset classes. He was managing director and CEO of GEO Property Group (now Villa World Limited) between 2007 and 2011. Previously Mr Farrands was CEO of Valad Property Group between 2005 and 2007, departing prior to Valad's acquisition of Crownstone / Scarborough. Prior to that Mr Farrands was head of corporate development and investor relations for Valad. Mr Farrands' former roles included division director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, associate director and joint head of property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle. Mr Farrands is currently the Chief Financial Officer of Viva Energy REIT. Appointed a non-executive director on 26 November 2012 and Chairman of the Audit Committee (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 22 January 2013. Mr Farrands was a member of the Remuneration Committee (disbanded) between 22 January 2013 and 22 February 2016 and a member of the Nomination Committee (disbanded) between 22 January 2013 and 22 February 2016. *Directorships of listed entities within last 3 years* Nil
John Carter MBA (Syd), BAppSc (Property Resource Mgmt) (UniSA), AAPI, GAICD **Non-executive director**	Mr Carter has over 30 years' experience in real estate and financial markets. In 2004 Mr Carter established Mill Hill Capital to pursue investment opportunities in real estate, agriculture and equities. Prior to this Mr Carter was managing director, co-head of Equities and on the Australian Executive Committee for UBS in Australasia from 2001 - 2004. From 1991 - 2001 Mr Carter was head of property and head of real estate research at UBS. While at UBS, Mr Carter led over $10 billion of M&A and $20 billion of capital raising transactions for Australia's leading companies including Colonial, Westfield, Stockland, GPT, Mirvac, AMP, Multiplex, Macquarie Airports and Bankers Trust. Prior to UBS Mr Carter was involved in commercial real estate at two international real estate consultancy groups. Appointed a non-executive director on 23 February 2015. Mr Carter was a member of the Remuneration Committee (disbanded) between 22 June 2015 and 22 February 2016 and the Nomination Committee (disbanded) between 19 January 2016 and 22 February 2016. *Directorships of listed entities within last 3 years* Nil

Name and qualifications	Experience, special responsibilities and other directorships
Frank Zipfinger BA (Economics), LLB, LLM, MBA **Independent chairman** *(resigned on 7 June 2016)*	Mr Zipfinger has over 30 years' experience in the property industry. Mr Zipfinger was formerly a partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development. Mr Zipfinger was also the chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, he completed over 5 years in various roles as a managing partner with the firm. *Directorships of listed entities within last 3 years:* Non-executive director of Galileo Japan Trust since 2006 and Aspen Group (ASX: APZ) between 31 January 2011 and 7 June 2016.
Hugh Martin B.Bus, CPA, MAICD **Independent non-executive director** *(resigned on 14 September 2015)*	Mr Martin has enjoyed a successful career at director and senior executive levels with over 30 years' experience in major institutions in the property industry, internationally and domestically. Mr Martin started his career as an accountant in South Africa before relocating to Australia. Mr Martin was formerly an executive director of Lend Lease Limited. From 1997 to 2001, Mr Martin was CEO of the joint venture between Mirvac and Lend Lease for the development, construction and sale of the Olympic Village, now known as the suburb of Newington in Sydney. Mr Martin has previously held senior executive positions as finance director of Baulderstone Hornibrook, director of Property Investment with the State Authorities Superannuation Board of NSW (now Dexus), managing director of Leda Holdings, chief general manager of Homebush Bay Development Corporation, general manager of special projects at Westfield Holdings Limited, Executive Director for Vivas Lend Lease; and National General Manager for the Apartments Development Division at Stockland Corporation. *Directorships of listed entities within last 3 years:* Non-executive director of Aspen Group (ASX: APZ) between 30 April 2012 and 14 September 2015 and non-executive director of The Investec Property Ltd since September 2014 (JSE: IAP).

Directors meetings

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

	Board of Directors		Independent Board Committee[1]		Non-Executive Directors		Audit, Risk and Compliance Committee[2]	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Non-executive								
F Zipfinger	21	20	26	26	4	4	-	-
H Martin	5	4	-	-	-	-	-	-
C Appleton	22	19	17	17	4	4	1	1
G Farrands	22	21	26	26	4	4	1	1
J Carter	22	22	9	9	4	4	-	-
Executive								
C Salwin	22	22	17	17	-	-	-	-

1 Independent Board Committee meetings in relation to (1) the merger proposal between Aspen Group and Aspen Parks Property Fund and (2) Mill Hill Capital Proposal

2 Established on 22 February 2016

	Nomination Committee*		Remuneration Committee*		Audit Committee*	
Directors	Held	Attended	Held	Attended	Held	Attended
Non-executive						
F Zipfinger	-	-	-	-	3	3
H Martin	-	-	-	-	1	1
C Appleton	-	-	2	2	2	1
G Farrands	-	-	2	2	3	3
J Carter	-	-	2	2	-	-
Executive						
C Salwin	-	-	-	-	-	-

* The committees were disbanded on 22 February 2016

2. Company secretary

Ms Men (Mandy) Chiang was appointed to the position of company secretary on 18 March 2015.

Ms Chiang has approximately 20 years of company secretarial experience including having worked at MLC and Brookfield Australia Group prior to joining Aspen.

Ms Chiang is a Fellow member of Governance Institute of Australia. She holds a Bachelor of Arts (Hons) Accountancy Degree and a Master of Business Law Degree.

3. Operating and financial review

Aspen recorded a profit after tax of $9.913 million (2015: loss of $31.724 million) for the year ended 30 June 2016 calculated in accordance with International Financial Reporting Standards ("IFRS").

Operating results

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

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

Operating Profit after adjusting for non-controlling interests and management fees as assessed by the directors, for the year was $4.789 million (2015: $4.741 million), reflecting a 1.0% increase from the previous year.

The table below has not been audited by PricewaterhouseCoopers.

	Note	**2016 $ '000**	2015 $ '000
Consolidated statutory net profit / (loss) after tax		**9,913**	(31,724)
Specific non-underlying items			
Fair value gain on deconsolidation of APPF/Gain on termination of management rights in APPF/ Other income		**(22,492)**	(353)
Change in fair value of investment properties and PPE		**10,005**	31,044
Administration / restructuring expenses		**1,339**	3,748
Financial costs (mark to market of interest rate swap position)	2	**1,110**	2,026
Other expenses (incl. transaction / acquisition costs)		**6,207**	4,093
Change in fair value of assets held for sale		**(161)**	1,892
Share of (profit)/loss of equity accounted investees		**-**	(1,262)
(Profit) / loss from discontinued operations – subsidiary assets held for sale		**(63)**	(2,024)
(Profit) / loss from discontinued operations		**115**	1,321
Total specific non-underlying items (profit) / loss		**(3,940)**	40,485
Total operating profit before tax		**5,973**	8,761
Residential / short stay operating profit before tax		**8,392**	10,418
Resources operating profit before tax		**4,022**	6,529
Non-core operating profit before tax		**4,005**	8,325
Corporate , finance, other operating expenses before tax		**(10,446)**	(16,511)
Total operating profit before tax		**5,973**	8,761
Tax expense		**-**	-
Non-controlling interest adjustments		**(1,184)**	(4,020)
Total operating profit after tax attributable to securityholders of Aspen		**4,789**	4,741
Operating profit after tax attributable to securityholders of Aspen per security (cents)		**4.2**	4.2

Income distributions paid during the year and payable as at 30 June 2016 to Aspen securityholders were as follows:

	Cents per Unit	Total $ '000
Paid during the year		
Final distribution for the previous year	4.5	5,093
Interim distribution for the year	4.6	5,208
Proposed and unpaid at the end of the year		
Final distribution for the year	4.6	4,990

Income distributions paid during the year to APPF securityholders were as follows:

Paid during the period	Cents per Unit	Total $ '000
Monthly Distribution – June	0.329	765
Monthly Distribution – July	0.339	788
Monthly Distribution – August	0.339	788
Monthly Distribution – September	0.328	763
Monthly Distribution – October	0.339	788
	1.674	**3,892**

APPF was deconsolidated from 9 December 2015. The November 2015 distribution payable was derecognised at this date.

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

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

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

The table below provides reconciliation between the net assets per the statutory Consolidated Balance Sheet and NAV. NAV includes the value attributed to goodwill and acquisition costs above its carrying value that exists in respect to Aspen's accommodation parks. The table below has not been audited by PricewaterhouseCoopers.

Further detail in respect to this reconciliation is outlined in the table below:

	2016 $ '000s	2015 $ '000s
Property, plant and equipment per the statutory Consolidated Balance Sheet	**34,904**	209,794
Investment properties per the statutory Consolidated Balance Sheet	**29,000**	-
Goodwill per the statutory Consolidated Balance Sheet	**14,248**	11,953
Carrying value of properties per the statutory Consolidated Balance Sheet	**78,152**	221,747
Fair value of goodwill (relating to leasehold properties) above carrying value *	**-**	5,991
Acquisition costs	**1,842**	2,435
Adjusted value of properties	**79,994**	230,173
Net assets per the statutory Consolidated Balance Sheet	**127,764**	196,062
Fair value of goodwill (relating to leasehold properties) above carrying value *	**-**	5,991
Acquisition costs **	**1,842**	2,435
Non-controlling interests associated with APPF consolidation	**-**	(55,251)
Non-controlling interests associated with goodwill above carrying value	**-**	(5,941)
Non-controlling interests associated with APPF acquisition costs	**-**	(776)
NAV	**129,606**	142,520
NAV per security ($)	**1.26**	1.26

** As a result of the classification of the property portfolio as property, plant and equipment and goodwill on properties, Aspen cannot recognise any portion of the fair value of goodwill on properties above acquisition value for statutory reporting purposes. As a result, the fair value in excess of carrying value is not recognised in the Consolidated Balance Sheet. The fair value of goodwill on properties in excess of carrying value is included in determining the NAV of the park properties, which in the opinion of the directors represents the full fair value of the park properties.*

*** The acquisition costs pertain to Aspen's share of transactions during the financial year.*

Operating performance

Aspen has three business segments, as outlined below:

ACCOMMODATION		
RESIDENTIAL / SHORT STAY	**RESOURCES**	**NON CORE**
• 2 manufactured housing estates ("MHE") • 2 residential / short stay parks • GAV[1] of $39.716 million • Caters to short stay residents (cabins and sites), annuals, and permanent residents	• 1 resource park • GAV[1] of $11.278 million • Caters to both corporate resource clients and contractors as well as short to long term stays.	• Spearwood South • Development syndicates (1 of 5 remaining) • GAV[1] of $35.379 million

[1] *Gross Asset Value ("GAV") represents carrying value of property, plant and equipment plus acquisition costs relating to transactions.*

Accommodation parks outlined above are 100% owned by Aspen Group. In addition, until 5 February 2016, Aspen was manager of, and an equity investor in, Aspen Parks Property Fund ("APPF"). APPF owned an additional 21 accommodation properties and was consolidated on the Aspen Group balance sheet until 9 December 2015.

Accommodation

Aspen's accommodation business comprises two key business segments:

- Residential / short stay; and
- Resources.

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

	2016 $'000	2015 $'000	Change %
Residential / short stay			
Underlying profit	8,392	10,418	(19.4%)
Non-underlying items	(1,587)	(2,652)	67.1%
Total residential / short stay	**6,805**	**7,766**	**(12.4%)**
Resources			
Underlying profit	4,022	6,529	(38.4%)
Non-underlying items	(10,060)	(27,237)	63.1%
Total resources	**(6,038)**	**(20,708)**	**70.8%**
Total accommodation profit / (loss)	**767**	**(12,943)**	**105.9%**
Non-controlling interest	(3,481)	1,620	(314.9%)
APZ share	**(2,714)**	**(11,323)**	**76.0%**

Residential / short stay

At 30 June 2016, Aspen owned four parks. Two of these are 100% MHE, one is a mixed residential / short stay park, and one is a 100% short stay park.

During the year, Aspen acquired two parks for a combined value of $20.815 million (including acquisition costs). Aspen's wholly owned total residential / short stay assets, as at 30 June 2016, had a GAV of $39.716 million.

Aspen was the manager of an additional 17 residential / short stay parks valued at $162.409 million, including unrecognised goodwill, until the sale and settlement of Aspen's equity in, and management rights to, APPF on 5 February 2016.

During the year, Aspen commenced $6.085 million of value enhancing works in this segment ($1.585 million of which pertained to wholly owned properties), with $3.255 million being incurred during the year ($1.155 million of which pertained to wholly owned properties). These value enhancing works are aimed at generating additional revenue through either increasing accommodation capacity or improving the amenity of residents or visitors at a number of parks.

a) Underlying earnings

Aspen's share of operating profit from residential / short stay parks during the year was $8.392 million (2015: $10.418 million), a 19.4% decrease against the prior year due to the sale and settlement of Aspen's equity in, and management rights to, APPF.

The acquisition of the two parks acquired during the year provided earnings accretion of $1.418 million from their respective settlement dates up to 30 June 2016.

During the year, Aspen settled seven residential cabins for a profit of $0.556 million (2015: $0.294 million). Stock on hand at 30 June 2016 comprised nil cabins (2015: six cabins).

b) Non underlying earnings

Aspen had a non-underlying loss of $1.587 million (2015: $2.652 million) within the residential / short stay segment. The non-underlying transactions were primarily driven by acquisition costs written off in the amount of $1.065 million for statutory purposes. As outlined on page 9, these acquisition costs have been included as part of the $1.842 million of acquisition costs used for the purposes of calculating NAV.

<u>Resources</u>

At 30 June 2016, Aspen held one resource park on its balance sheet, being Aspen Karratha Village ("AKV"). During the first half of FY16, Aspen secured a further two year lease extension at AKV from its major tenant, extending the lease term to January 2018. This lease secured a minimum 83% occupancy within this park for the lease term.

During the year, Aspen managed / owned, through its position in APPF, an additional four resource parks valued at $19.942 million, until the sale and settlement of Aspen's equity in, and management rights to, APPF on 5 February 2016.

Furthermore, as further weakness in commodity prices continue to impact resource companies operating in the north-west region of Western Australia, Aspen has faced challenges as it relates to its sole property in the region. This is reflected in a value decline of 48.7% on Aspen Karratha Village (to $11.278 million) from the 30 June 2015 portfolio carrying value of $22.000 million, which includes amortisation of the value attributed to the lease Aspen has with its major tenant until January 2018. Despite this, Aspen is beginning to see a slight uplift in occupancy by other guests outside of its major tenant.

a) Underlying earnings

Aspen's operating profit from resource parks during the year was $4.022 million (2015: $6.529 million), a 38.4% reduction against the prior year, which was primarily driven by the sale and settlement of Aspen's equity in, and management rights to, APPF, as well as the reduced lease income from the latest lease extension with its major tenant.

b) Non-underlying items

Aspen had a total non-underlying loss of $10.060 million (2015: $27.237 million) within the resource segment. The non-underlying items were predominantly attributed to net changes in the fair value of AKV ($10.722 million valuation reduction), which includes amortisation of the value attributed to the lease Aspen has with its major tenant until January 2018.

Non-core

During the year, Aspen recorded an operating profit of $4.005 million (2015: $8.325 million) and a non-underlying loss of $0.456 million (2015: $1.888 million). The reduction in underlying earnings primarily reflects settlement of three non-core APPF properties, and settlement of Spearwood North, during FY16.

Industrial

At 30 June 2016, the industrial property portfolio comprises one property (Spearwood South). Net profit from this industrial asset during the period was $3.191 million. This property was reclassified as at 31 December 2015 to investment property (from assets held for sale), reflecting that the Board does not intend to sell this property within the next 12 months.

Resort / short stay parks

During the year, Aspen (via APPF) completed the sale of its two resort parks, as well as one 100% short stay park. All three parks are located in the north-west region of Western Australia.

These three parks had a carrying value of $34.171 million at 30 June 2015.

Development

At 30 June 2016, Aspen had $6.379 million of development assets remaining. Of these, $2.525 million was contracted for sale.

During the year, Aspen progressed the wind up of four of the five development syndicates.

Aspen Whitsunday Shores Pty Ltd is now the sole remaining syndicate continuing to hold land assets, and upon the sale and settlement of its land assets, this syndicate will also commence a process to wind up.

Capital management

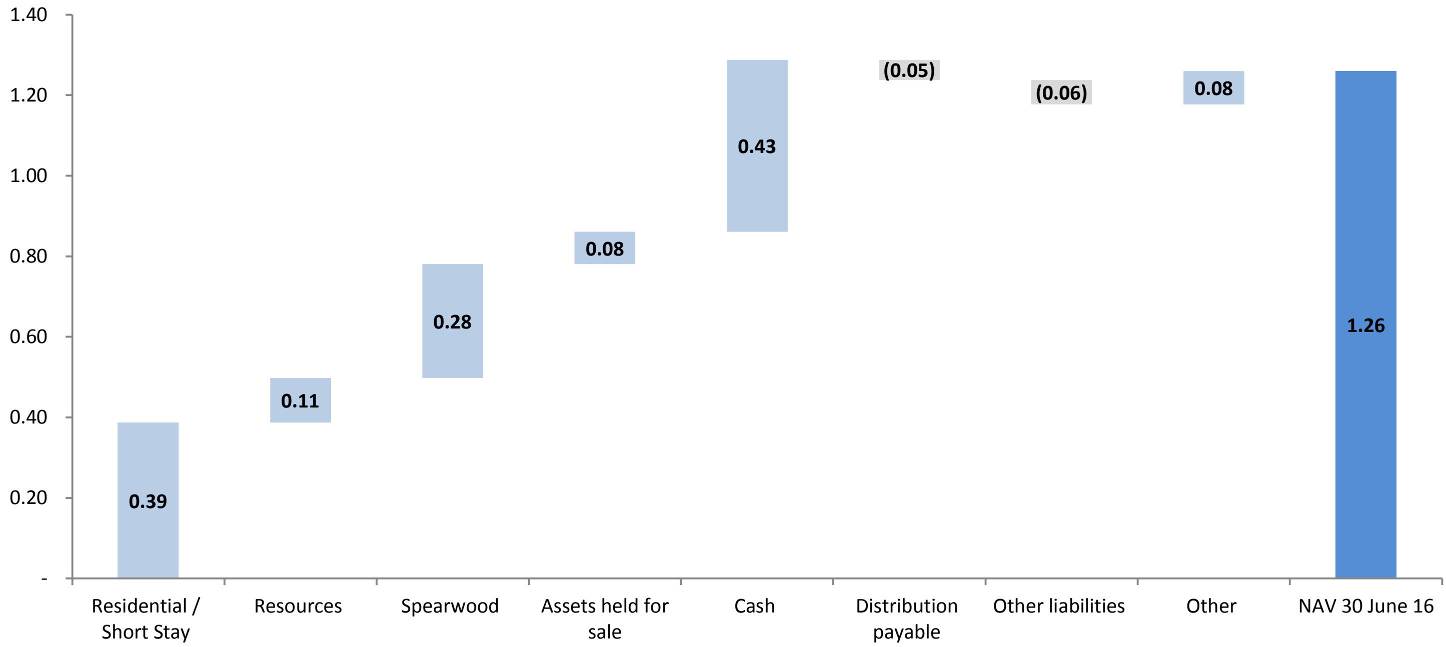
At 30 June 2016, Aspen had no debt (30 June 2015: $142.525 million), and nil gearing (30 June 2015: 35.2%).

During the year, Aspen bought back 10.731 million securities, at an average price of $1.20.

Financial position

The NAV of Aspen at 30 June 2016 is $1.26 per security ($1.26 per security at 30 June 2015).

The following diagram outlines the key components of the NAV assessed as at 30 June 2016:



Assets

Total assets have decreased by $223.780 million to $138.648 million during the year and investment property together with property, plant and equipment have decreased by $143.595 million during the year, including the reclassification of Spearwood South. Key movements to Aspen's gross assets during the year include:

- De-consolidation of APPF (net of proceeds decrease of $120.030 million);
- Settlement of assets held for sale (net decrease to total assets of $68.741 million)
- Acquisition of new accommodation parks (net increase of $19.750 million excluding transaction costs); and
- Downward revaluation of Aspen Karratha Village (net decrease of $10.722 million).

Liabilities

Total liabilities decreased by $155.482 million to $10.884 million during the year, and interest bearing loans and borrowings have decreased by $141.891 million to nil. These are primarily a result of Aspen's de-consolidation of APPF and disposal of Spearwood North and the three resort / short stay parks.

Equity

Total equity decreased by $68.298 million during the year, primarily as a result of the removal of non-controlling interests of $53.678 million due to Aspen's de-consolidation of APPF, as well as the securities buyback decrease of $12.841 million.

Likely developments

The immediate focus for Aspen is to continue to pursue growth opportunities in the affordable accommodation sector, both in acquisitions of assets and development works on existing accommodation parks.

In addition to this, Aspen will continue to progress the sale of its remaining development assets (gross unsold carrying value of $3.854 million, primarily AWSS).

Business risks

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

- **Exposure to the resources industry** – more specifically the risk that the demand for accommodation services for resource providers reduces further or remains subdued after experiencing significant downturn in demand over the past two years. Aspen has exposure to the sector through ownership of AKV, which is located in a key resource region in Western Australia.
- **Long-term contract risk –** at two of its assets, being AKV and Spearwood, Aspen has entered into long-term arrangements. Upon lease expiry, Aspen will be subject to market factors / conditions which could result in a lower earnings profile to Aspen.
- **Economic downturn affecting tourism** – short stay income is variable, and occupancy levels and room rates for short stay sites are dependent on various market conditions, which could negatively impact Aspen's short stay earnings. One example would be if Australia, or a geographical location within Australia, were to suffer subdued economic conditions, which in turn affected consumer spending on holidays.
- **Sales rates of residential cabins** – there are a number of risks associated with the development and sale of cabins which could impact future earnings for Aspen. These risks include delays or issues in respect to planning and regulatory approvals, cost overruns, and sales rates slower than budgeted.

Safety and environment

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

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

Significant changes in the state of affairs

As at 5 February, Aspen had sold its 42% equity interest in APPF for total consideration of $60.929 million. Furthermore, as part of the sale of its equity interest in APPF, Aspen agreed to terminate its management rights in APPF for consideration of $5.000 million. APPF was consolidated on the Aspen Group balance sheet until 9 December 2015.

Beginning on 9 May 2016, Aspen commenced an on-market buyback of up to 10% of its securities on issue. As at 30 June 2016, Aspen has purchased 10.731 million of securities at an average price per security of $1.20. At 30 June 2016, Aspen has 102.476 million of securities on issue.

On 8 June 2016, Aspen announced the resignations of its Chairman of the Board, Chief Executive Officer and Chief Financial Officer. The Chairman's resignation was effective immediately, while the Chief Executive Officer and Chief Financial Officer will remain with the business through to 30 September 2016 and 31 August 2016 respectively. Aspen has subsequently hired Mr Emmanuel Zammit as interim Chief Financial Officer.

Other than noted elsewhere in this financial report, there were no significant changes in the state of affairs of Aspen that occurred during the year under review.

Proceedings on behalf of the company

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

4. Remuneration report

1.0 Overview

1.1 Introduction

The directors present the remuneration report for Aspen Group for the year ended 30 June 2016. This report forms part of the directors' report and has been audited in accordance with the *Corporations Act 2001*. This report sets out remuneration information for Aspen Group's:

- non-executive directors; and
- CEO as well as other current and former members of the senior executive team (Executives).

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

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

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

1.2 Key management personnel

The table below provides details of the KMP for FY16. For those KMP who served as KMP for part of the year, this Remuneration Report only sets out the amounts they received as remuneration in their capacity as a KMP.

Name	Position	Term as KMP during the year
Executives		
C Salwin*	Chief Executive Officer	KMP for full year
A Marrs Ekamper*	Chief Financial Officer	KMP for full year
B Summers	Head of Asset Management	KMP for full year
C McMahon**	Head of Human Resources	KMP for full year
Former Executives	**Position**	
P Barker	Head of Funds Management	Ceased 13 May 2016
M Barter*	Head of Operations	Commenced 6 Oct 2015 and ceased 22 April 2016
Non-Executive directors	**Position**	
Clive Appleton	Non-Executive director	KMP for full year
Guy Farrands	Non-Executive director	KMP for full year
John Carter	Non-Executive director	KMP for full year
Former Non-Executive directors	**Position**	
Frank Zipfinger	Non-Executive director	Ceased 7 Jun 2016
Hugh Martin	Non-Executive director	Ceased 14 Sep 2015

*Resignation announced on 8 June 2016
** Costs for these Executives were partly borne by APPM.

4. Remuneration report *(continued)*

2.0 Executive remuneration outcomes

The table below sets out the cash and other benefits received by the Executives who were KMP during the year. This non-statutory remuneration outcomes table has been prepared to provide securityholders with a view of the remuneration that was actually paid to Executives during the year. The directors believe that presenting information in this way provides securityholders with increased clarity and transparency. Remuneration details prepared in accordance with statutory obligations and accounting standards are contained on page 24 of the remuneration report.

The totals in the table below received by the Executives in FY16 are either lower or higher than the amounts shown in the remuneration table on page 24 of the remuneration report. This is because the full remuneration table includes:

- Amounts in respect of potential LTI awards which have not yet vested;
- An allowance for an accrued FY16 STI, which would not be paid until September 2016, whereas the below table includes the FY15 STI that was accrued in the prior year and paid during FY16 as well as a deferred repayment of FY14;
- Does not include retention bonuses which were fully paid in FY16, but were accrued and included in the FY15 remuneration for applicable Executives; and
- Accrued annual leave and long service leave (if applicable).

FY16 remuneration outcomes table

	Cash salary	STI[a]	LTI	Other[b]	Total
C Salwin	490,000	45,938	-	-	535,938
A Marrs Ekamper	299,999	22,500	-	-	322,499
B Summers	256,217	-	-	19,708	275,925
C McMahon	192,826	-	-	67,309	260,135
P Barker	256,537	11,250	-	368,076	635,863
M Barter	152,307	-	-	31,731	184,038

a) The value of STI represents the actual cash payment received, and excludes any deferred FY15 amounts, or accrued annual or long service leave

b) The value represents retention bonus payments and termination payments

3.0 Remuneration governance and framework

3.1 Remuneration Governance

The Board currently oversees the remuneration practices of Aspen. Prior to its disbanding on 22 February 2016, the Remuneration Committee had this responsibility.

The Board is responsible for:

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

4. Remuneration report *(continued)*

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

3.2 Remuneration consultants

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

In FY16 there were no consultants engaged by the Board and as a consequence no recommendations obtained and no disclosures required under the *Corporations Act 2001*.

3.3 Remuneration framework

The objective of Aspen's remuneration framework is to remunerate its employees both competitively and appropriately such that Aspen Group attracts, retains and motivates a skilled, motivated and qualified KMP team. The remuneration framework seeks to align securityholder interests with KMP's own interests, and attract and retain suitable people, by considering:

- Alignment to securityholders' interest:
  - net operating income and total securityholder returns;
  - key financial and non-financial drivers of securityholder value, including risk management;
  - attracting and retaining high calibre KMP.
- Alignment to employees' interest:
  - rewards capability and experience;
  - provides recognition for individual contribution;
  - provides a clear structure of earnings rewards.

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

4.0 Executive remuneration structure

Aspen Executives had the following remuneration mix for FY16:

<table>
<tr><th>FIXED</th><th colspan="3">AT RISK</th></tr>
<tr><td>Fixed Remuneration</td><td>Retention</td><td>Short term incentive (STI)</td><td>Long Term Incentive (LTI)</td></tr>
<tr><td colspan="3">CASH</td><td>EQUITY</td></tr>
<tr><td>• Base salary and superannuation
• Reviewed annually
• Determined by experience, qualifications and role</td><td>• Introduced in FY13 as a 'one-off' retention measure during a period of high uncertainty and transition
• Scheme extended given current transition of the business</td><td>• 75% of STI awarded (50% for the CEO) paid in September of each year.
• 25% of the STI outcome (50% for the CEO) is deferred for 18 months
• STI dependent on individual performance to KPIs
• STI dependent on Aspen performance</td><td>• Performance Rights Plan subject to three year vesting
• 100% Relative Total Shareholder Return
• Only available to Executives</td></tr>
<tr><td>Base level of reward competitive with the market</td><td colspan="3">Encourages sustainable performance in the medium to longer term and provides a retention element</td></tr>
</table>

4. Remuneration report *(continued)*

Remuneration mix	CEO	Executives
Fixed compensation	30% - 35%	50% - 70%
STIs	25% - 30%	20% - 30%
LTIs	40% - 50%	10% - 25%
Retention bonus (if applicable)	-	Up to 50%

STI, LTI and retention bonus components are "at risk" and are only realised if respective performance hurdles (as described later in the framework) are achieved.

The remuneration components are described in sections 4.1 to 4.4 below.

4.1 Fixed compensation

Fixed compensation consists of an annual base salary plus employer contributions to superannuation funds plus any applicable fringe benefits provided. No guaranteed base salary increases are included in any Executive contracts.

Executive remuneration levels are reviewed annually by the Board through a process that considers:

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

4.2 Variable compensation - STI

The STI is an "at risk" incentive awarded annually and is paid in a combination of cash and equity, subject to retentions as well as the performance against agreed KPIs and the performance of Aspen as a whole.

The Board modified the eligibility criteria to limit the scope of the STI to include only senior manager level employees and those nominated by the CEO and approved by the Board, effective 1 July 2014.

All STIs are paid at the discretion of the Board. In addition, the STI pool can be scaled up or down by the Board depending upon the actual performance of Aspen.

The STI plan links the performance of individual employees to the operational and financial objectives of Aspen. These individual KPIs are agreed with employees at the start of each financial year as part of the individual's performance review process.

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

- financial priorities – e.g. earnings and distribution targets, forecast accuracy, expense management;
- business priorities – e.g. business growth, business systems, customer relationships;
- people leadership and governance – e.g. leadership, culture, risk management and ethics; and
- strategic priorities – e.g. implement and evaluate change, corporate reputation, future growth initiatives.

To be eligible for a STI a participant needs to be employed with Aspen for a minimum of 6 months.

All STIs for Executives are paid as a mixture of cash and equity award in the ratio of 75% cash to 25% equity, with the exception of the CEO, who has a ratio of 50% cash to 50% equity. The cash portion is paid in September each year following the finalisation of the financial statements. The equity portion is deferred for a period of 18 months from the grant date. The equity will be calculated by reference to the volume weighted average price of the Aspen securities for the five days prior to the issue date. To receive the benefit of the deferred STI amount, the Executive must have achieved a further hurdle - a period of 18 months continuous employment with Aspen after the granting of the award. Furthermore, notwithstanding the additional 18 months service, the vesting of the deferred STI amount is subject to testing by Aspen that there was no material misstatement in respect of the key performance indicators that were used in assessing the original award. The determination of whether a material misstatement has occurred is for the absolute discretion of the Board to determine.

4. Remuneration report *(continued)*

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

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

4.3 Variable compensation – executive retention bonus scheme

In the 2013 financial year, with considerable uncertainty on the future of the business, the Board determined that there was a serious risk that some Executives would depart. Owing to the complexity of Aspen and the urgency required to address the implementation of its strategy to simplify and de-leverage the business, such departures may have created significant gaps in knowledge and capacity that would not have been in the best interests of securityholders. This scheme is no longer in place.

4.4 Variable compensation - LTI

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

Aspen's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010 and which was refreshed at the 2013 Annual General Meeting.

<u>Performance Rights Plan</u>

The PRP facilitates the grant of performance rights to Executives of Aspen. A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

<u>Vesting conditions</u>

A performance right holder will only be able to exercise their performance rights to the extent the vesting conditions are satisfied (if at all). The TSR vesting conditions determine 100% of the total award and are measured over a three year period from the start of the financial year in which they are offered.

4. Remuneration report *(continued)*

The Board may consider introducing additional or different conditions for future grants of rights should prevailing market conditions support such a decision. Presently, continued employment and minimum individual performance rating are the only two additional conditions. Earnings per security (EPS) growth was removed as one of the two vesting conditions on the performance rights from July 2014. The reason for this decision was that the Aspen business was in significant transition and as a consequence setting meaningful EPS growth targets was difficult and contrary to the Group's current strategy.

The Board decided to use relative TSR as the single vesting condition because:

- Relative TSR is easily measured, verifiable by external data and therefore transparent for securityholders;
- Current market evidence supports the proposition of relative TSR as a sole measure – it is the single most utilised measure by ASX Top 100 companies.

TSR hurdle

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

The S&P ASX 300 Property Sector index is used as a comparator group as it represents Aspen's listed property peers that Aspen competes with for equity and talent.

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

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

Relative TSR over 3 years	Proportion of TSR related rights vested (from 1 July 2013)
At or below the 50th percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 75th percentile	Straight-line between 50% and 100%
75th percentile or above	100%

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

Other eligibility criteria event	Eligibility criteria
Resignation	If employment ceases due to resignation, any unvested LTIs will automatically lapse and be deemed forfeited.
Dismissal	If employment ceases due to dismissal, any unvested LTIs will automatically lapse and be deemed forfeited.
Redundancy, retirement or death	If employment ceases due to genuine redundancy, retirement or death, any LTIs will automatically lapse and be deemed forfeited. However, the Board may choose, at their absolute discretion, allow the unvested LTIs to remain in effect.
Change of control	LTIs will be payable immediately on the settlement of a change in control of Aspen. Each employee who is currently not undergoing performance management will be paid their current year's LTI opportunity based on their performance rating at the time of change of control on a pro rata basis.

4. Remuneration report *(continued)*

5.0 Executive remuneration outcomes

5.1 Overview of FY16 financial performance

In considering Aspen's performance and benefits for securityholder wealth, the Board had regard to the following indices in respect of the current financial year and the previous 4 years.

	2016	2015	2014	2013	2012
Statutory profit /(loss) after tax	**$9.9m**	**($31.7m)**	**($81.8m)**	**($38.0m)**	**($147.1m)**
Operating profit*	**$4.8m**	**$4.7m**	**$14.7m**	**$11.1m**	**$28.0m**
Distributions per security	**9.2cps**	**9.0cps**	**11.5cps**	**15cps**	**31.5cps**
Market Cap (30th June)	**$123m**	**$150m**	**$145m**	**$209m**	**$238m**
Share price (30th June) **	**$1.20**	**$1.33**	**$1.21**	**$1.75**	**$4.00**
Return on capital employed	**5.9%**	**(9.3%)**	**(31.8%)**	**3.9%**	**(40.4%)**

** Operating profit is considered as one of the financial performance targets in setting the STI. Refer to note 6 for further details.*

*** Share price for FY12 – FY13 has been adjusted to reflect the 10:1 security consolidation that occurred in November 2013.*

In FY15, the Board considered it appropriate to take into consideration underlying earnings as one of the performance targets in setting the FY15 STI. Statutory profit amounts for 2012 to 2015 have been calculated in accordance with Australian Accounting Standards ("AASBs").

The Board also considered the relative performance of KMP against the execution of Aspen's strategy. A high level scoreboard of the Aspen performance for FY16 for the purpose of assessing eligibility for STI has been considered by reference to both positive factors and negative factors:

Positive performance indicators	Negative performance indicators
• Secured the sale of Aspen's interest, and management rights to, APPF at a 38% premium to NAV • Acquired a further two accommodation parks valued at $19.750 million (excluding transaction costs) • Reset corporate overheads to be in line with the revised operational scale of the business • Met distribution guidance for 1H and 2H FY16 • Progressed the simplification of Aspen's structure and business with the wind up of non-performing managed investment schemes, and dormant entities	• $10.722 million (49%) impairment to the carrying value of Aspen Karratha Village

4. Remuneration report *(continued)*

5.2 STI outcomes

For the year ended 30 June 2016, one executive was awarded a STI, determined after performance reviews were completed and then approved by the Board. Four executives were not awarded STI's, primarily due to either resignation or redundancy of executives during the year.

The performance measures for the STI in FY16 were underlying earnings and the achievement of goals in relation to the sale of Aspen's interest and management rights to APPF, asset acquisitions, business simplification and overhead reduction. The assessment of these outcomes is detailed in section 5.1 above.

The Board determined that 100% was the appropriate scaling to be applied to the overall STI pool for FY16. As a result of the individual performance assessments the average percentage awarded of the maximum STI opportunity for the executives was 50%.

The total STI awarded to the executives for FY16 was $0.051 million down 37% on FY15 (excluding retentions).

A summary of the STIs (excluding payments in the retention scheme) awarded to during FY16 executives is outlined below:

	Cash STI $	Deferred $	Total FY15 award $	Retention Accrual [1] $	Total STI $	% of max STI opportunity vested in year	% of STI not yet vested	% of STI opportunity forfeited in year
Clem Salwin	-	-	-	-	-	-	-	-
Adam Marrs Ekamper	-	-	-	-	-	-	-	-
Brett Summers	38,430	12,810	51,240	19,708	70,948	69%	13%	31%
Catherine McMahon	-	-	-	16,155	16,155	19%	-	81%
Total	**38,430**	**12,810**	**51,240**	**35,863**	**87,103**	**-**	**-**	**-**

[1] *Refer to section 4.3 above for details of the retention scheme.*

5.3 LTI outcomes

The table below summarises how Aspen has performed against vesting conditions for active LTI schemes at 30 June 2016:

Issue	Tranche 4 FY14	Tranche 5 FY15	Tranche 6 FY16
Effective Issue date	Sept 2013	July 2014	July 2015
Vesting date	*30 June 2016*	*30 June 2017*	*30 June 2018*
Current Status	*TSR is below 50th percentile*	*TSR is below 50th percentile*	*TSR is below 50th percentile*

6.0 Executive contract details

6.1 Remuneration structure and contract terms for Mr Clem Salwin

The contract of employment contract for the CEO, Mr Salwin, commenced 1 July 2013 and has no fixed term and specifies the duties and obligations of the role. The employment contract may be terminated by Aspen Group or Mr Salwin by giving 6 months' notice of an intention to terminate his employment. Termination benefits to the extent permitted under the Corporations Act are included in his contract in the event of certain termination events.

The remuneration package for Mr Salwin was designed and negotiated to ensure a strong alignment of his financial rewards with the creation of value for Aspen Group securityholders. The equity component of Mr Salwin's package was approved at Extraordinary

4. Remuneration report *(continued)*

General Meeting in September 2013, including 3 year options, an issue of performance rights and a placement of Aspen Group securities.

With respect to the placement, Mr Salwin invested $0.98m of his own funds in Aspen Group securities at $1.70 (post 10:1 consolidation). The Aspen Group security price closed at $1.20 on 30 June 2016.

6.2 Contract terms for other current Executives

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

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

4. Remuneration report *(continued)*

7. 0 Executives remuneration

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

		Short-term				Post-employment						
	Year	**Base salary**	**STI**	**Non-monetary benefits**	**Total**	**Superannuation benefits**	**Termination benefits**	**Other Long Term**	**LTI**	**Total**	**% of rem performance related**	**Value of LTI as % of rem**
Current Execs												
Clem Salwin	2016	521,233	-	-	521,233	19,307	180,000	-	490,353	**1,210,893**	40.50%	40.50%
	2015	514,067	91,875	-	605,942	18,783	-	-	511,396	**1,136,121**	53.10%	45.01%
Adam Marrs Ekamper	2016	362,090	-	-	362,090	19,307	105,823	-	90,924	**578,144**	15.97%	15.97%
	2015	313,238	90,604	-	403,842	18,783	-	-	65,835	**488,460**	32.03%	13.48%
Brett Summers	2016	266,032	70,948	-	336,980	19,307	-	-	17,080	**373,367**	23.58%	4.57%
	2015	76,338	-	-	76,338	7,252	-	-	-	**83,590**	-	-
Catherine McMahon	2016	204,201	16,155	-	220,356	18,220	51,154	-	14,000	**303,730**	9.96%	4.62%
	2015	53,021	-	-	53,021	5,037	-	-	-	**58,058**	-	-
Former Execs												
Philip Barker	2016	242,753	-	2,231	244,984	19,307	223,076	-	-	**487,367**	-	-
	2015	290,508	111,667	6,366	408,541	18,783	-	-	49,400	**476,724**	33.79%	10.36%
Marie Barter	2016	157,520	31,731	-	189,251	12,166	-	-	18,333	**219,750**	22.96%	8.41%
	2015	-	-	-	-	-	-	-	-	**-**	-	-
Total	**2016**	**1,753,829**	**118,834**	**2,231**	**1,874,894**	**107,614**	**560,053**	**-**	**630,690**	**3,173,251**		
	2015	**1,247,172**	**294,146**	**6,366**	**1,547,684**	**68,638**	**-**	**-**	**626,631**	**2,242,953**		

Notes in relation to the table of key management personnel remuneration

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

4. Remuneration report *(continued)*

LTI grants and movements during the year

The following tables provide details of rights granted during the year under the LTI plan, as well as the movement during the year in options and rights granted under the LTI plan in previous financial years.

	Equity type	Balance as at 30 June 2015	Granted during the year as remuneration [(a)]	Value of Grant [(b)]	Exercised / vested during the year	Value of options and rights exercised / vested	Lapsed / cancelled during the year	Value of options and rights lapsed / cancelled [(c)]	Balance as at 30 June 2016
		No.	No.	$	No.	$	No.	$	No.
Current executives									
Clem Salwin	Options PR	**1,729,412** **1,354,604**	- 457,659	- 367,500	- -	- -	- -	- -	**1,729,412** **1,812,263**
Adam Marrs Ekamper	PR	**241,514**	149,440	120,000	-	-	46,340	5,005	**344,614**
Brett Summers	PR	-	63,811	51,240	-	-	-	-	**63,811**
Catherine McMahon	PR	-	52,304	42,000	-	-	-	-	**52,304**
Former Executives									
Phil Barker	PR	182,027	-	-	-	-	182,027	28,239	-
Marie Barter	PR	-	68,493	55,000	-	-	68,493	-	-

(a) Rights were granted to Executives on 1 October 2015, to be tested 30 June 2018.

(b) The fair market value of rights granted on 30 June 2016, calculated using a Monte Carlo simulation analysis is $1.30 per right relating to the TSR measure.

(c) Value is calculated at fair market value of option or right on date of grant

The number of options and rights included in the balance at 30 June 2016 for the Executives is set out below:

	2012	2013	2014	2015	2016	Total
Current executives						
Clem Salwin *	-	-	2,257,430	826,586	457,659	3,541,675
Adam Marrs Ekamper *	Cancelled	Cancelled	43,103	152,071	149,440	344,614
Brett Summers	-	-	-	-	63,811	63,811
Catherine McMahon*	-	-	-	-	52,304	52,304
Former Executives						
Phil Barker**	Cancelled	Cancelled	Forfeited	Forfeited	Forfeited	-
Marie Barter**	-	-	-	Forfeited	Forfeited	-

* all unvested performance rights will be cancelled as at their final date of employment

** all unvested performance rights were automatically forfeited upon termination by redundancy.

4. Remuneration report *(continued)*

8.0 Non-executive director remuneration

8.1 Non-executive director remuneration structure

The total remuneration for non-executive directors for the 2016 financial year was $499,247 (2015: $501,896), broadly consistent with the prior financial year.

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

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

The annual fees payable in FY16 were in accordance with the table below:

Position	FY16 remuneration (base fees excluding super)*
Non-executive chairman	$149,625
Non-executive director	$76,950
Audit committee chairman	$8,550
Audit committee member	$4,275
Remuneration committee chairman**	$8,550
Remuneration committee member**	$4,275
Nominations committee chairman**	$8,550
Nominations committee member**	$4,275

* The Board has determined that for the FY17, there will be no increase in fees.

**These committees were terminated on 22 February 2016.

8.2 Non-executive directors' remuneration

Details of the remuneration paid to non-executive directors are in the table below:

	Year	Non-executive director	Committee chair fees	Committee member fees	Superannuation	Total remuneration
		$	$	$	$	$
Clive Appleton	**2016**	**81,391**	**5,547**	**10,151**	**9,224**	**106,313**
	2015	76,950	187	12,743	8,133	98,013
Guy Farrands	**2016**	**76,950**	**11,753**	**7,049**	**9,096**	**104,848**
	2015	76,950	17,100	8,550	9,747	112,347
John Carter	**2016**	**76,950**	**-**	**3,184**	**7,612**	**87,746**
	2015	26,543	-	94	2,530	29,167
Former non-executive Directors						
Hugh Martin	**2016**	**38,475**	**-**	**2,138**	**3,858**	**44,471**
	2015	76,950	-	4,275	7,716	88,941
	2016	**140,066**	**5,547**	**4,002**	**14,213**	**163,828**
Frank Zipfinger	2015	149,625	16,936	4,275	16,229	187,065
Total non-executive directors	**2016**	**413,832**	**22,847**	**26,524**	**44,003**	**507,206**
	2015	407,018	34,223	29,937	44,355	515,533

4. Remuneration report *(continued)*

9.0 KMP transactions

9.1 Loans

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

9.2 Movements in securities

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

	Year	Balance at beginning of year	LTI's vested	Net purchases / (sales)	Balance at end of year
Current Executives					
Clem Salwin	**2016**	1,291,734	-	360,821	1,652,555
	2015	641,734	-	650,000	1,291,734
Adam Marrs Ekamper	**2016**	71,352	-	13,856	85,208
	2015	29,352	-	42,000	71,352
Brett Summers	**2016**	-	-	-	-
	2015	-	-	-	-
Catherine McMahon	**2016**	-	-	-	-
	2015	-	-	-	-
Former Executives					
Phil Barker (as at 13 May 2016)	**2016**	-	-	2,928	2,928
	2015	-	-	-	-
Marie Barter	**2016**	-	-	-	-
	2015	-	-	-	-
Non-executive directors					
Clive Appleton	**2016**	11,000	-	20,000	31,000
	2015	11,000	-	-	11,000
Guy Farrands	**2016**	105,475	-	45,000	150,475
	2015	50,000	-	55,475	105,475
John Carter	**2016**	11,051,729	-	11,330,810	22,382,539
	2015	4,025,864	-	7,025,865	11,051,729
Former Non-executive directors					
Frank Zipfinger (as at 7 Jun 2016)	**2016**	170,000	-	36,132	206,132
	2015	100,000	-	70,000	170,000
Hugh Martin (as at 14 Sep 2016)	**2016**	-	-	-	-
	2015	-	-	-	-

Directors and KMP received distribution on the above securities from the date acquired

5. Principal activities

The principal activities of Aspen during the year were to focus on the accommodation sector and to continue divestment of its remaining non-core assets (with the exception of Spearwood South which is no longer held for sale). Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the year.

6. Events subsequent to reporting date

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 the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

7. Indemnification and insurance of officers and auditors

During the financial year Aspen paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2016 and, since year end Aspen has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of Aspen.

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

Aspen has agreed to indemnify the following current officers of the Company, Mr Salwin, Mr Appleton, Mr Carter and Mr Farrands against all liabilities to another person (other than Aspen) that may arise from their positions as officers of Aspen, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that Aspen will meet the full amount of any such liabilities, including costs and expenses. Aspen has agreed to indemnify Mr Marrs Ekamper in his role as director of development syndicates controlled by Aspen has also agreed to indemnify paid officers and committee members for their roles during the period they held those positions with Aspen.

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

8. Non-audit services

During the year PricewaterhouseCoopers, Aspen's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Aspen, acting as an advocate for Aspen or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of Aspen, PwC (respectively for 2016 and 2015), and their related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2016 **$**	**2015** **$**
Audit services:		
Audit and review of financial reports		
PwC	**257,700**	300,000
	257,700	300,000
Assurance related services		
PwC	**-**	29,846
Other	**-**	2,000
	-	31,846
Non-assurance related services		
PwC	**162,000**	3,800
	162,000	3,800

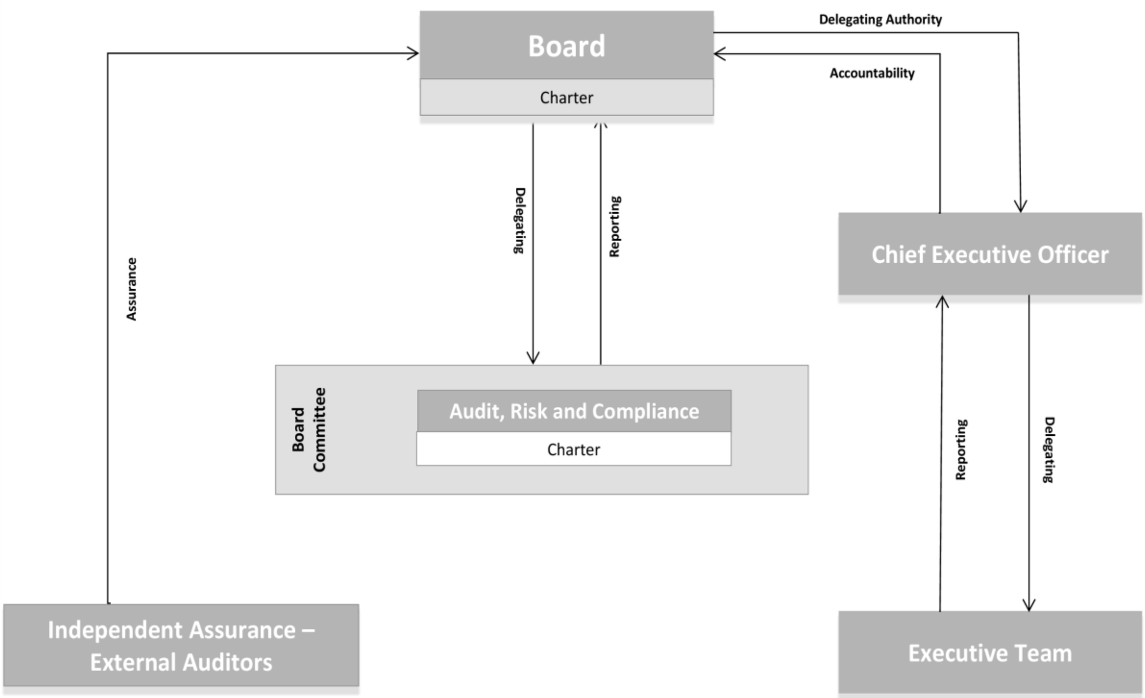
9. Corporate governance statement

The Board is responsible for establishment of a corporate governance framework that provides a level of accountability and processes and systems which support the day to day operations of Aspen. Aspen's governance framework has been prepared with regard to the ASX Corporate Governance Council's published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles). Aspen has established policies, charters and practices that support this commitment.

Aspen's Corporate Governance Statement is available on our website at
http://www.aspengroup.com.au/shareholder-information/corporate-governance

At a glance, Aspen's governance framework is outlined below, showing the relationship between the Board, its Committee and the CEO position.

Aspen Group – External Governance Framework



10. 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 32 and forms part of the Directors' Report.

11. Rounding off

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

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

On behalf of the directors of AGL and AFM

Clem Salwin

Managing Director

SYDNEY, 30 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Aspen Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

J A Dunning

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
30 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

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

Report on the financial report

We have audited the accompanying financial report of Aspen Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aspen Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the notes to the consolidated financial statements entitled "About this report", the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Aspen Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the notes to the consolidated financial statements entitled "About this report".

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 27 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aspen Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
30 August 2016

Financial Statements Contents

Consolidated statement of profit and loss

for the year ended 30 June 2016

	Note	CONSOLIDATED 2016 $'000	2015 $'000
Continuing operations			
Revenue	1	**37,206**	48,326
Cost of sales	2	**(18,421)**	(23,136)
Gross profit		**18,785**	25,190
Expenses			
Administration expenses	2	**(14,311)**	(19,227)
Property depreciation, fair value adjustments and other	2	**(14,233)**	(37,829)
Total expenses		**(28,544)**	(57,056)
Other income		**-**	4
Fair value gain on deconsolidation of APPF	22	**17,492**	-
Gain on termination of management rights in APPF		**5,000**	-
Share of (losses)/profits of associates	19	**(7)**	473
		22,485	477
Earnings before interest and income tax expense (EBIT)		**12,726**	(31,389)
Finance income	2	**817**	1,128
Finance costs	2	**(3,779)**	(8,124)
Profit/(loss) before income tax		**9,764**	(38,385)
Income tax expense	3	**-**	-
Profit/(loss) from continuing operations		**9,764**	(38,385)
Discontinued operations			
Profit for the year from discontinued operations	23	**149**	6,661
Profit/(Loss) for the year		**9,913**	(31,724)
Profit/(loss) attributable to ordinary equity holders of the parent entity		**9,540**	(23,433)
Profit/(loss) attributable to non-controlling interest		**373**	(8,291)
Profit/(loss) for the year		**9,913**	(31,724)
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations			Cents
Basic earnings per security	15	**8.67**	(25.87)
Diluted earnings per security	15	**8.50**	(25.87)
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	15	**8.44**	(20.40)
Diluted earnings per security	15	**8.28**	(20.40)

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

Consolidated statement of comprehensive income

for the year ended 30 June 2016

	Note	CONSOLIDATED 2016 $'000	2015 $'000
Profit/(loss) for the year		**9,913**	(31,724)
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss:			
Loss on non-controlling interest from withdrawal offer		**-**	(547)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		**393**	6,338
Other comprehensive income/(loss) for the year, net of tax		**10,306**	(25,933)
Total comprehensive income/(loss) for the year from:			
Continuing operations		**10,157**	(32,748)
Discontinued operations		**149**	6,815
		10,306	(25,933)
Total comprehensive income/(loss) for the year attributable to:			
Securityholders of Aspen		**9,745**	(21,003)
Non-controlling interests		**561**	(4,930)
		10,306	(25,933)

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

Consolidated balance sheet

as at 30 June 2016

	Note	CONSOLIDATED 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	4	**43,800**	18,237
Restricted cash at bank		**5,000**	5,013
Trade and other receivables	5	**2,888**	4,950
Current tax asset		**-**	592
Assets classified as held for sale	9	**8,210**	108,485
Inventories		**78**	692
Other		**-**	2,051
Total current assets		**59,976**	140,020
Non-current assets			
Associate	19	**-**	37
Investment property	8	**29,000**	-
Property, plant and equipment	7	**34,904**	209,794
Intangible asset - goodwill	21	**14,248**	11,953
Other		**520**	624
Total non-current assets		**78,672**	222,408
Total assets		**138,648**	362,428
Liabilities			
Current liabilities			
Trade and other payables	6	**7,528**	15,810
Liabilities classified as held for sale	10	**12**	602
Interest bearing loans and borrowings	16	**-**	33,070
Provisions	11	**3,344**	5,244
Derivative financial liability		**-**	1,392
Total current liabilities		**10,884**	56,118
Non-current liabilities			
Interest bearing loans and borrowings	16	**-**	108,821
Derivative financial liability		**-**	1,427
Total non-current liabilities		**-**	110,248
Total liabilities		**10,884**	166,366
Net assets		**127,764**	196,062
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	**501,665**	514,473
Reserves	14	**69**	2,660
Accumulated losses		**(354,623)**	(357,179)
Total equity attributable to equity holders		**147,111**	159,954
Non-controlling interest	24	**(19,347)**	36,108
Total equity		**127,764**	196,062

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

Consolidated cash flow statement
for the year ended 30 June 2016

	Note	CONSOLIDATED 2016 $'000	2015 $'000
Cash flows from/(used in) operating activities			
Receipts from customers		**45,712**	76,310
Payments to suppliers and employees		**(40,712)**	(67,028)
Dividends and distributions received from associates		**352**	230
Interest received		**867**	1,192
Borrowing costs		**(2,057)**	(7,289)
Income tax received		**556**	-
Net cash flows from operating activities	4	**4,718**	3,415
Cash flows from/(used in) investing activities			
Proceeds from sale of investment properties		**-**	20,673
Proceeds from sale of interest in APPF, net of selling costs		**60,860**	-
Proceeds resulting from termination of APPF management rights		**5,000**	-
Proceeds from sale of assets held for sale, net of selling costs		**71,807**	18,393
Payments for and development of investment properties		**-**	(1,031)
Proceeds from funds held in escrow		**2,000**	-
Proceeds from third party loan repayment		**-**	3,000
Proceeds from director's loan repayment		**-**	2,150
Acquisition of property, plant and equipment and goodwill		**(23,939)**	(53,209)
Acquisition of subsidiary, net of cash acquired		**-**	(33,571)
Cash invested in term deposits and restricted funds		**13**	(2,834)
Net cash flows from/(used in) investing activities		**115,741**	(46,429)
Cash flows (used in)/from financing activities			
Proceeds from borrowings		**9,300**	68,304
Repayment of borrowings		**(75,800)**	(20,150)
Payments for securities buy-back and transaction costs		**(12,869)**	(8,641)
Distributions paid		**(10,341)**	(10,441)
Settlement of Interest rate swaps		**(1,367)**	-
Payment of financing costs		**(115)**	-
Payment for securities bought from non-controlling interest		**(49)**	(5,786)
Distributions paid to non-controlling interest		**(2,258)**	(4,116)
Net cash flows (used in)/from financing activities		**(93,499)**	19,170
Net increase/(decrease) in cash and cash equivalents		**26,960**	(23,844)
Cash and cash equivalents at beginning of year		**19,784**	43,627
less: cash derecognised on deconsolidation of APPF		**(1,303)**	-
Less: cash included in assets of disposal group held for sale		**(1,641)**	(1,546)
Cash and cash equivalents at end of year		**43,800**	18,237

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

Consolidated statement of changes in equity

for the year ended 30 June 2016

CONSOLIDATED	Note	Attributable to securityholders of Aspen Issued capital $'000	Other equity $'000	Reserves $'000	Accumulated losses $'000	Non-interest $'000	Total equity $'000
Balance at 1 July 2014		523,031	(1,465)	(1,423)	(320,777)	(19,667)	179,699
Net loss for the year		-	-	-	(23,433)	(8,291)	(31,724)
Effect of withdrawal offer of APPF		-	-	-	(230)	(317)	(547)
Revaluation of property, plant & equipment				2,660	-	3,678	6,338
Total comprehensive income/(loss) for the year		-	-	2,660	(23,663)	(4,930)	(25,933)
Transfer to accumulated loss		-	1,465	1,423	(2,888)	-	-
Issue of stapled securities	14	83	-	-	-	-	83
Security buy-back	14	(8,641)	-	-	-	(16)	(8,657)
Effect of consolidation of APPF		-	-	-	-	70,290	70,290
Effect of withdrawal offer of APPF		-	-	-	-	(5,453)	(5,453)
Security based compensation		-	-	-	277	-	277
Distributions to securityholders		-	-	-	(10,128)	(4,116)	(14,244)
Balance at 30 June 2015 and 1 July 2015		514,473	-	2,660	(357,179)	36,108	196,062
Net profit for the year		**-**	**-**	**-**	**9,540**	**373**	**9,913**
Effect of withdrawal offer of APPF		**-**	**-**	**-**	**-**	**-**	**-**
Revaluation of property, plant & equipment		**-**	**-**	**205**	**-**	**188**	**393**
Total comprehensive income/(loss) for the year		**-**	**-**	**205**	**9,540**	**561**	**10,306**
Issue of stapled securities	14	**59**	**-**	**-**	**-**	**-**	**59**
Transfer to accumulated loss		**-**	**-**	**(2,796)**	**2,796**	**-**	**-**
Purchase of securities by parent entity		**-**	**-**	**-**	**-**	**(49)**	**(49)**
Security buy-back	14	**(12,841)**	**-**	**-**	**-**	**-**	**(12,841)**
Effect of deconsolidation of APPF		**-**	**-**	**-**	**-**	**(53,678)**	**(53,678)**
Transaction costs	14	**(26)**	**-**	**-**	**-**	**(7)**	**(33)**
Security based compensation		**-**	**-**	**-**	**647**	**-**	**647**
Distributions to securityholders		**-**	**-**	**-**	**(10,427)**	**(2,282)**	**(12,709)**
Balance at 30 June 2016		**501,665**	**-**	**69**	**(354,623)**	**(19,347)**	**127,764**

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

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

The Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen's registered office is Level 3, 37 Pitt Street, Sydney, New South Wales 2000.

The consolidated financial statements of Aspen as at and for the year ended 30 June 2016 are combined financial statements that present the financial statements and accompanying notes of both the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. Aspen is a for-profit entity and is primarily involved in investment in property and operation of accommodation parks.

The consolidated financial statements were authorised for issue by the Board on 30 August 2016.

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

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the AASB;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for derivative financial instruments, available for sale financial instruments, investment property, assets held for sale, assets of disposal group held for sale, assets of discontinued operations held for sale, certain classes of property, plant and equipment and share-based payments;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Class Order 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation; reclassification of Spearwood South from discontinued operations to continuing operations was a material restatement of comparative information (refer notes 1, 2, 15 and 23 for details);
- 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 2015. Refer to note 30 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Key judgements and estimates

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

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

Note 7:	Property, plant and equipment	Page 50
Note 8:	Investment property	Page 53
Note 20:	Business combinations	Page 67
Note 21:	Goodwill	Page 67

Basis of consolidation

These consolidated financial statements consist of the Company, the Trust, and their controlled entities. A list of controlled entities (subsidiaries) at year end is contained in note 22.

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

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

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

Note 19	Associates	Page 66
Note 20:	Business combinations	Page 67
Note 22:	Subsidiaries	Page 68
Note 24:	Non-controlling interests	Page 71

Other accounting policies

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

The notes to the financial statements

The notes are organised into the following sections:

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

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

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

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

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

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

Financial Position

During the year ended 30 June 2016 Aspen recorded a profit after tax of $9.913 million (2015: loss before tax of $31.724 million). At 30 June 2016 Aspen had net assets of $127.764 million (30 June 2015: $196.062 million), cash reserves of $48.800 million (30 June 2015: $23.250 million) and current assets exceeded current liabilities by $49.092 million (30 June 2015: $83.902 million).

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

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

Significant changes in the current reporting period

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

Operating segments

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

Internal management reports on each of these segments are reviewed on at a least a monthly basis by the executive management team, representing the chief operating decision makers. Segment results and assets include items directly attributable to the operating segments as well as those that can be allocated on a reasonable basis.

The following details the three operating and reporting segments, namely residential / short stay, resource, and non-core in addition to the other segment:

- Residential / short stay – this segment includes income and expenses relating to two manufactured housing estates and two mixed use accommodation parks. These properties cater to permanent and short stay residents.

  In addition, this segment includes an allocation of earnings associated with Aspen's investment in, and funds management of APPF, as it relates to APPF's 17 mixed use parks. With the deconsolidation of APPF on 9 December 2015, earnings from the 17 APPF mixed use accommodation assets were no longer reported in this segment.
- Resources – this segment includes income and expenses relating to Aspen's one resource accommodation park, being Aspen Karratha Village. This property primarily caters to one corporate resource client.

  In addition, this segment includes an allocation of earnings associated with Aspen's investment in, and funds management of APPF, as it relates to APPF's four resource accommodation parks. With the deconsolidation of APPF on 9 December 2015, earnings from the four APPF resource parks were no longer reported in this segment.
- Non-core – this segment includes income and expenses relating to discontinued development assets and resort / short stay parks, Spearwood South industrial property, and any other activities deemed non-core by the Board.

  Details of assets within the discontinued operations segment are included in the Operating and Financial Review within this financial report. In addition, this segment includes an allocation of earnings associated with Aspen's cornerstone investment in and funds management of APPF as it relates to the resort accommodation assets which were settled during the period.
- Other – this segment includes income and expenses that is not allocated to an operating segment. This includes corporate overheads, interest revenue and interest expenses. In addition, this segment includes the gain on deconsolidation of APPF on 9 December 2015.

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. All segments' operating results are reviewed regularly by Aspen's executive management team 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 executive management team 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.

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

Major customers

Revenues from one customer of Aspen's property portfolio represent approximately $8.128 million of Aspen's total revenues within the resource segment (2015: $10.221 million), while revenue from another major customer represents approximately $3.758 million of total revenues within the non-core operations segment (2015: $3.556 million).

	Residential / short stay		Resources		Non-core		Other		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue [1]	**21,392**	27,178	**12,055**	17,163	**7,928**	21,057	**-**	131	**41,375**	65,529
Operating EBIT [2]	**8,392**	10,418	**4,022**	6,530	**4,011**	8,283	**(8,877)**	(11,856)	**7,548**	13,375
Finance income	**-**	-	**-**	2	**2**	47	**817**	1,126	**819**	1,175
Finance costs	**-**	-	**-**	(3)	**(8)**	(5)	**(2,386)**	(5,781)	**(2,394)**	(5,789)
Opening profit/(loss) before income tax	**8,392**	10,418	**4,022**	6,529	**4,005**	8,325	**(10,446)**	(16,511)	**5,973**	8,761
Non-underlying items [3]	**(1,587)**	(2,652)	**(10,060)**	(27,237)	**(456)**	(1,464)	**16,043**	(9,132)	**3,940**	(40,485)
Income tax benefit/(expense)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Profit/(loss) after tax	**6,805**	7,766	**(6,038)**	(20,708)	**3,549**	6,861	**5,597**	(25,643)	**9,913**	(31,724)
Other segment information										
Segment assets	**37,859**	178,372	**12,046**	45,124	**38,366**	112,261	**1,577**	3,384	**89,848**	339,141
Investment in associates	**-**	-	**-**	-	**-**	37	**-**	-	**-**	37
Cash and cash equivalents and restricted cash	**-**	-	**-**	-	**-**	-	**48,800**	23,250	**48,800**	23,250
Total assets	**37,859**	178,372	**12,046**	45,124	**38,366**	112,298	**50,377**	26,634	**138,648**	362,428
Segment liabilities	**2,258**	8,195	**702**	1,449	**465**	2,628	**7,459**	12,203	**10,884**	24,475
Interest-bearing liabilities	**-**	-	**-**	-	**-**	-	**-**	141,891	**-**	141,891
Total liabilities	**2,258**	8,195	**702**	1,449	**465**	2,628	**7,459**	154,094	**10,884**	166,366
Net assets	**35,601**	170,177	**11,344**	43,675	**37,901**	109,670	**42,918**	(127,460)	**127,764**	196,062
Share of net profit or loss of associates included in profit	**-**	214	**-**	150	**7**	109	**-**	-	**7**	473

1 *All segment revenues are derived from external customers. Non-underlying revenue of Nil (2015: $0.519 million) excluded.*
2 *Operating EBIT represents earnings before interest and tax excluding non-underlying items.*
3 *Non-underlying items include gains and losses on fair value movements and disposals, and non-recurring items which are not part of ordinary operating performance.*

1: Revenue

	Consolidated	
	2016	2015
	$'000	$'000
Rental income from investment property	3,759	14,283
Revenue from accommodation parks	31,343	32,915
Fund management fees from associates	410	657
Revenue from development activities	1,694	471
Revenue	**37,206**	**48,326**

Recognition and measurement

Revenue from investment property

Rental income from investment property is recognised over the rental period when it is due from tenants and recognised in the period when it is earned. It is measured at the fair value of revenue received or receivable.

Revenue from accommodation parks

Accommodation income is recognised when the amount of revenue can be measured reliably and it is probable that it will be received by Aspen. It is measured at the fair value of revenue received or receivable.

Management fees from associates

Management fees from associates include fund management fees and property development fees.

Fund management fee income is recognised monthly on an accruals basis based on the gross asset value of the fund, in accordance with fees disclosed in the relevant Product Disclosure Statement or Offer Document. Transaction specific fees including project development, acquisition, incentive and establishment fees recognised as development or acquisition costs are incurred.

During the period of consolidation of APPF, management fee income continued to be received by the parent entity but was eliminated on consolidation for group reporting.

Impact of the consolidation and deconsolidation of the Aspen Parks Property Fund

On 10 October 2014, Aspen consolidated APPF following Aspen's participation and underwriting of the APPF entitlement offer. The consolidation of APPF resulted in the inclusion of revenue from accommodation parks and the removal of management fees relating to APPF from the date of consolidation by Aspen.

On 9 December 2015, Aspen deconsolidated APPF when it was deemed Aspen had lost control of APPF. Refer to Note 22 for further details.

Reclassification of investment property

At 30 June 2015, Aspen reclassified its investment property portfolio, which at that date solely comprised Aspen Karratha Village, to PPE. This was on the basis that given Aspen's strategic focus was to focus on the affordable accommodation sector, the Board considered that the intent of its holding of accommodation assets was no longer solely to generate passive rental income and capital returns, but also to provide accommodation services.

On 31 December 2015, Aspen reclassified the Spearwood South property from assets held for sale to investment property, which reflects that the Board does not intend to sell the property within twelve months of balance date.

Profit from Spearwood South has been presented in continuing operations including the reclassification of comparative year profit from discontinuing operations. This has resulted in comparative year information being represented within this note and additionally in notes 2, 15 and 23. This has resulted in $0.486 million of net loss being reclassified from discontinued operations to continued operations.

2: Expenses

(a) Cost of sales

	Consolidated	
	2016	2015
	$'000	$'000
Cost of sales from investment property	556	4,086
Cost of sales from accommodation parks	10,726	10,311
Direct employee benefits expenses	6,001	8,562
Cost of sales from development activities	1,138	177
Cost of sales	**18,421**	23,136

(b) Administration expenses

Salary and wages	5,593	7,500
Superannuation	368	456
Security-based payments expense	647	277
Less: employee benefits capitalised	(360)	(65)
Occupancy costs	322	677
Restructuring and relocation costs	443	3,351
Net loss on disposal of fixtures included in property, plant & equipment	3	1,183
Transaction costs	3,348	1,185
Depreciation	147	273
Corporate and fund administration costs	3,300	3,202
Other expenses	500	1,188
Administration expenses	**14,311**	19,227

(c) Property depreciation, fair value adjustments and other

Acquisition costs	1,195	3,292
Depreciation expense	3,194	5,009
Fair value adjustment of investment property	-	20,612
Fair value adjustment of PPE	10,005	10,408
Fair value adjustment of assets held for sale	(161)	(525)
Fair value adjustment on obtaining control of an associate	-	(967)
	14,233	37,829

Recognition and measurement

Cost of sales from investment property

Cost of sales from investment property includes all direct property costs excluding employee benefits.

Cost of sales from accommodation parks

Cost of sales from accommodation parks includes all direct property expenses excluding employee benefits.

Security-based payments expense

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

Employee benefits expense

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

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

Operating lease expenses

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense and are recognised on a straight line basis over the term of the lease.

Depreciation expense

Refer to note 7 on depreciation expense.

Impairment

Impairment expenses are recognised to the extent that the carrying amount of assets exceeds their recoverable amount. Refer to note 18 for further details on impairment.

Transaction costs

Transaction costs relate to due diligence and implementation costs of merger, disposal and acquisition proposals.

Finance income and costs

	Consolidated	
	2016	2015
	$'000	$'000
Interest – bank deposits	**817**	1,115
Interest – related party	**-**	13
Finance income	**817**	1,128
Interest and borrowing costs – loan and borrowings	**2,625**	6,098
Unwinding of discount on provisions	**44**	-
Change in fair value of interest rate swap	**1,110**	2,026
Finance costs	**3,779**	8,124

Finance income

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

Finance costs

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

Key estimate: discounting

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Capitalisation of borrowing costs

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

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

3: Tax expense

	Consolidated	
	2016	2015
	$'000	$'000
Income statement (continuing operations)		
Current income tax expense		
Current year	**-**	-
Deferred income tax expense		
Temporary differences	**-**	-
Deferred tax assets derecognised	**-**	-
Income tax reported in the income statement	**-**	-
Tax reconciliation		
Profit/(loss) before tax	**9,913**	(31,724)
Income tax at the statutory tax rate of 30%	**2,974**	(9,517)
Add prima facie income tax on loss from trusts	**471**	5,276
Non-deductible items	**44**	(3)
Unrecognised temporary difference, including utilisation of unrecognised tax losses	**(3,489)**	4,244
Income tax on profit before tax	**-**	-
Deferred tax not recognised on the balance sheet relates to the following:		
Deferred tax assets*	**88,597**	94,777
Deferred tax liabilities (set off against deferred tax assets)	**185**	1,625
Net deferred tax assets	**88,412**	93,152
Unrecognised deferred tax assets	**88,412**	93,152
Net deferred tax recognised	**-**	-

*Included in the deferred tax assets are carried forward tax losses of $31.353 million.

Recognition and measurement

Current taxes

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred taxes

Deferred tax is recognised using the liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

This disclosed analysis of the deferred tax not recognised on the balance sheet is not finalised for taxation purposes, is unaudited and may change due to calculation adjustment, denial, offset or recoupment.

Tax consolidation

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

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

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

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

The Trust

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

Key judgement

At 30 June 2016 a deferred tax asset of $88.412 million (2015: $93.152 million) for deductable temporary differences has not been recognised based on the assessment that it is not probable that future taxable profits would be available against which they can be utilised.

4: Cash and cash equivalents

	Consolidated	
	2016	2015
	$'000	$'000
Cash at bank and in hand	**4,183**	4,013
Term deposits	**39,617**	14,224
Cash and cash equivalents at end of the year	**43,800**	18,237

Australian Financial Services Licence ("AFSL") regulations require Aspen Group's subsidiary, Aspen Funds Management Limited ("AFM"), to maintain minimum Net Tangible Assets ("NTA"), as defined by the regulations, of $10.000 million. At 30 June 2016, $2.489 million of cash and cash equivalents, in addition to the $5.000 million of restricted cash, contributed to AFM maintaining the minimum NTA requirement.

Reconciliation of net profit/(loss) after tax to net cash flows from operations	**2016**	2015
	$'000	$'000
Net profit/(loss) for the year	**9,913**	(31,724)
Adjustments for:		
FV Gain on deconsolidation of APPF	**(17,492)**	-
Gain on termination of APPF management rights	**(5,000)**	-
Depreciation	**3,338**	5,433
Financial expenses	**-**	(256)
Change in fair value of investment properties	**-**	16,607
Change in fair value of property, plant & equipment	**10,005**	10,268
Change in fair value of equity accounted instruments	**-**	(967)
Change in fair value of assets held for sale	**(87)**	(525)
Share of profit/(losses) of associates	**7**	(473)
Loss on disposal of property, plant & equipment	**3**	1,183
Change in fair value of interest rate swap	**1,110**	1,095
Share based payments expense	**647**	277
Other expenses	**19**	(551)
Business combination costs	**1,343**	-
Loss from discontinued operations	**128**	3,233
Operating profit before movements in working capital and provisions	**3,934**	3,600
(Increase)/decrease in assets		
Trade and other receivables	**(138)**	1,839
Assets of disposal group held for sale	**-**	1,994
Investments in associates	**30**	230
Other investments	**-**	303
Other assets	**845**	(596)
Increase/(decrease) in liabilities		
Trade and other payables	**47**	(644)
Liabilities of disposal group held for sale	**-**	(3,311)
Net cash inflows from operating activities	**4,718**	3,415

Recognition and measurement

Cash and cash equivalents

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

Cash flows are included in the statement of cash flows on a gross basis.

5: Trade and other receivables

	Consolidated 2016 $'000	2015 $'000
Trade receivables	**1,600**	3,128
Recharges receivable from APPF	**935**	-
Other debtors	**159**	212
Prepayments and other current assets	**194**	1,610
	2,888	4,950
Trade receivables past due		
Under 90 days	**861**	309
Over 90 days	**108**	138
Trade receivables past due	**969**	447
Impairment expenses	**(10)**	(138)
Trade receivables past due after impairment expenses	**959**	309

Recognition and measurement

Trade and other receivables are initially measured at their fair value and subsequently at amortised cost less impairment losses. The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful debts. Aspen's policy is to impair any debtors greater than 90 days, unless it has sufficient security over a debtor asset or the specific circumstances of the debt have been assessed and recoverability is considered probable.

Aspen's credit terms for customers is 30 days.

6: Trade and other payables

	Consolidated 2016 $'000	2015 $'000
Trade payables	**2,116**	5,460
Distributions payable	**5,174**	5,537
Unearned revenue	**106**	2,787
Other	**132**	2,026
	7,528	15,810

Recognition and measurement

Trade and other payables are measured at their amortised cost using the effective interest method, less any impairment losses.

Aspen's credit terms for suppliers is between 7 - 30 days.

7: Property, plant and equipment

	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Corporate assets $'000	Total $'000
Year ended 30 June 2016						
Cost or valuation	**24,400**	**9,059**	**186**	**4,216**	**402**	**38,263**
Accumulated depreciation and impairment		**(1,413)**	**(186)**	**(1,618)**	**(142)**	**(3,359)**
Net carrying amount	**24,400**	**7,646**	**-**	**2,598**	**260**	**34,904**
Movement						
Opening net book amount	**32,608**	**123,587**	**23,158**	**30,122**	**319**	**209,794**
Additions	**9,200**	**1,503**	**70**	**3,296**	**71**	**14,140**
Disposals and write-offs	**-**	**-**	**-**	**-**	**(6)**	**(6)**
Depreciation	**-**	**(1,413)**	**(186)**	**(1,618)**	**(124)**	**(3,341)**
Revaluation gains / (losses)	**-**	**(9,292)**	**147**	**(467)**	**-**	**(9,612)**
Transfer from/(to) goodwill	**860**	**(2,487)**	**-**	**(1,016)**	**-**	**(2,643)**
Reclassification	**5,240**	**(4,864)**	**-**	**(376)**	**-**	**-**
Deconsolidation of APPF	**(23,508)**	**(99,388)**	**(23,189)**	**(27,343)**	**-**	**(173,428)**
Net carrying amount at the end of the year	**24,400**	**7,646**	**-**	**2,598**	**260**	**34,904**
Year ended 30 June 2015						
Cost or valuation	40,054	124,974	23,509	32,346	592	221,475
Accumulated depreciation and impairment	(7,446)	(1,387)	(351)	(2,224)	(273)	(11,681)
Net carrying amount	32,608	123,587	23,158	30,122	319	209,794
Movement						
Net carrying amount at the beginning of the year	-	-	-	-	1,436	1,436
Disposals and write-offs	-	-	-	-	(1,183)	(1,183)
Additions	19,574	7,616	650	17,655	339	45,834
Consolidation of APPF	21,676	106,880	33,674	15,325	-	177,555
Depreciation	-	(3,575)	(201)	(1,657)	(273)	(5,706)
Revaluation gains / (losses)	(7,404)	2,188	(150)	(566)	-	(5,932)
Reclassification from investment property	-	21,154	-	846	-	22,000
Reclassification to assets held for sale	(1,238)	(10,676)	(10,815)	(1,481)	-	(24,210)
Net carrying amount at the end of the year	32,608	123,587	23,158	30,122	319	209,794

Property, plant and equipment (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, and the cost of major inspections when constructing PPE.

Subsequent measurement

PPE, except for corporate assets, 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. Independent valuations are performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

The fair value of PPE is measured based on adopting the highest and best use, which is determined via either the capitalisation method, the discounted cash flow approach, or by comparison to comparable sales. Aspen considers all three techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply.

The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of 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, escalation (of sales and costs), and occupancy rate. 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.

A revaluation decrease is recognised in profit or loss except to the extent that the decrease is reducing an existing revaluation surplus in respect of the asset, which is recognised in other comprehensive income. A revaluation increase is recognised in other comprehensive income except to the extent that it reverses a revaluation decrease previously recognised in profit or loss in respect of the asset, which is recognised in profit or loss.

Revaluation surpluses are accumulated in the revaluation reserve within equity (note 14).

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 is between 3 and 10 years. Land is not depreciated. Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

De-recognition

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

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

Key estimates:

The fair value methodology which is used when valuing via the capitalisation method requires significant assumptions to be made by the valuers, and subsequently by the directors, including:

- The estimated future earnings of properties have been capitalised using capitalisation rates in the range of 8.2% - 10.5% for residential / short stay properties, and 29.3% for the sole resource property;
- Net operating income margins of between 60.0% - 70.4% for residential / short stay properties, and 45.2% for the sole resource property;
- Occupancy assumed to be between 61.8% - 100.0% for residential / short stay properties, and 89.0% for the sole resource property;
- Room rates assumed to be between $19 - $133 per day for residential / short stay properties, and $108 - $187 per day for the sole resource property;
- The fair values of excess land adjacent to the properties have been assessed having regard to arm's length transactions noted within an acceptable timeframe of the valuation date; and
- Fixtures, fittings and other equipment used in the operations are an integral part of the properties and have been included in the assessment of the properties' fair values.

The estimated fair value would increase (decrease) if:

- Capitalisation (or discount/risk) rate is lower (higher)
- Net operating income margins are higher (lower)
- Occupancy rates are higher (lower)
- Room rates are higher (lower)

Level 3 fair value

The fair value measurement of PPE of $34.904 million (30 June 2015: $209.794 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.

Valuation of assets

The Board has reviewed the carrying value of all properties as at 30 June 2016, and adopted directors' valuations for all properties as at this date, taking in to account current and forecast trading performance, the most recent valuations, and market evidence.

Independent valuations were commissioned for three properties in the portfolio during the first half of FY16. The balance of two properties that were not revalued during the year were acquired during the prior financial year, and independent valuations were received on these two properties immediately prior to acquisition.

As a result of the independent valuations received during 1H FY16, as well as the use of directors' valuations as at 30 June 2016, there was a net downwards movement of $10.722 million in the portfolio carrying value during the year ended 30 June 2016.

This downward movement was solely related to the revaluation of AKV, where a carrying value of $11.278 million was adopted (30 June 2015: $22.000 million). Of the $10.722 million net downwards movement in AKV, there was a $10.000 million downwards revaluation at 31 December 2015 from an independent valuation received, and a further downwards revaluation of $0.722 million at 30 June 2016 due to amortisation of AKV's lease for 83% of the property which expires in January 2018.

An overview of assets which have been subject to an independent valuation during the year is outlined as follows:

Segment	Percentage of portfolio revalued	Total of latest independent valuation	Total carrying value
		$'000	$'000
Mixed use	50%	37,370	37,616
Resource	100%	12,000 – 17,000	11,278
Other (corporate assets)	-	-	260
Total	60%	**49,370 – 54,370**	**49,154**

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

Property	Land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Year ended 30 June 2016				
Cost	24,400	18,396	2,846	45,642
Accumulated depreciation and impairment	-	(10,988)	(582)	(11,570)
Net carrying amount	**24,400**	**7,408**	**2,264**	**34,072**

Aspen Karratha Village valuation

Due to the continued weakness within the resources sector in which this accommodation property operates, the very low level of any comparable sales in the market, and the general uncertainty on the future outlook, Aspen commissioned two independent valuations on AKV in February 2016.

One of the independent valuers was the incumbent valuer, with the other valuer not having valued AKV since 2009. The two independent valuations received were $17.000 million from the incumbent valuer, and $12.000 million from the other valuer.

Both valuations consider the value of AKV on the same basis, which is allowing for a lease for 83% of the property to January 2018, and separately on a post January 2018 lease basis as well.

The Board considers that there remains considerable subjectivity on the forecast performance of AKV, and that this is reflected in the two independent opinions of valuation received, and the material differences that exist between both valuations.

An overview of the key assumptions used within the two independent valuations, on a post-January 2018 lease basis, is as follows.

	Independent valuation 1	Independent valuation 2
Occupancy (%)	35%	35% - 65%
Average daily room rate (ex primary tenant) ($)	$187	$160
Capitalisation rate (%)	16%	15%
Average cost margin (%)	68%	69%
Independent valuation ($'000)	12,000	17,000

Given the subjectivity that exists within the forecast performance of AKV as part of the Board's consideration, sensitivities have been conducted on the lower valuation, to analyse the impact that varying occupancy levels and lower cost bases would have on the valuation (assuming all other assumptions remain constant). The outcome of modelling these sensitivities is outlined as follows.

	Independent valuation	Sensitivities			
Occupancy rate (%)	35%	40%	45%	50%	55%
Potential valuation ($'000)	12,000	13,200	14,300	15,500	16,600
Net operating profit margin (%)	32%	35%	40%	45%	50%
Potential valuation ($'000)	12,000	12,700	13,600	14,800	16,300

As at 30 June 2016, the Board adopted a carrying value of $11.278 million. This carrying value took into account the independent valuation of $12.000 million received in February 2016, and makes an adjustment by way of directors' valuation for amortisation of AKV's lease for 83% of the property which expires in January 2018.

8: Investment property

	Consolidated	
	2016	2015
	$'000	$'000
Net carrying amount at beginning of year	**-**	38,500
Transfer in from asset held for sale***	**29,000**	-
Fair value loss**	**-**	(16,607)
Transfer to property, plant & equipment*	**-**	(22,000)
Additions	**-**	107
Net carrying amount at end of year	**29,000**	-

* At 30 June 2015, Aspen reclassified its investment property portfolio to PPE. This was on the basis that given Aspen's strategic focus was to provide accommodation, the Board believed that the intent of its holding of accommodation assets is no longer solely to generate passive rental income and capital returns, but also to provide accommodation services.

** Refer to note 7 for information on valuation techniques and inputs.

*** Refer to note 9 for reclassification of Spearwood South property.

Recognition and measurement

Investment properties are properties which are held either to generate rental income, capital appreciation, or both. Investment properties are initially recognised at cost and are subsequently measured at fair value at each balance date. Fair value is determined on the basis of either an independent valuation prepared by independent valuers as at the balance sheet date or directors' valuation.

Independent valuations are obtained at intervals of not more than 3 years. Independent valuations are performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

The fair value of investment properties is measured based on the capitalisation method and the discounted cash flow approach. Aspen considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply.

The capitalisation method estimates the sustainable net income (where applicable) of any asset, and then applies a capitalisation (or discount/risk) 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.

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

Valuation of assets

The Board has reviewed the carrying value of investment property as at 30 June 2016, and adopted a directors' valuation as at this date, taking in to account recent and future trading performance, the most recent valuation, and market evidence by way of offers to purchase from external parties.

An overview of the carrying value of investment property, as compared to the last independent valuation, is outlined as follows:

	Last valuation date	**Total of latest independent valuation**	**Total carrying value**
		$'000	**$'000**
Spearwood South	June 2015	**28,500**	**29,000**
Total		**28,500**	**29,000**

9: Assets classified as held for sale

	Non-core assets classified as held for sale	Assets of disposal groups held for sale	Discontinued operations' assets classified as held for sale	Assets classified as held for sale
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2014	2,792	24,554	87,809	115,155
Additions	-	1,817	12,517	14,334
Disposals	(376)	(18,547)	(20,297)	(39,220)
Transfers in	-	-	24,210	24,210
Transfers out	(416)	-	-	(416)
Other movements	-	(1,354)	-	(1,354)
Fair value adjustments	525	1,973	(6,722)	(4,224)
Closing balance at 30 June 2015 and opening balance at 1 July 2015	**2,525**	**8,443**	**97,517**	**108,485**
Additions	**-**	**412**	**892**	**1,304**
Disposals	**-**	**(3,212)**	**(69,496)**	**(72,708)**
Transfers out	**-**	**-**	**(29,000)**	**(29,000)**
Other movements	**-**	**42**	**-**	**42**
Fair value adjustments	**-**	**-**	**87**	**87**
Closing balance at 30 June 2016	**2,525**	**5,685**	**-**	**8,210**

Recognition and measurement

During the year, Aspen (through its managed fund, APPF) settled the sale of its resort parks, as well as one short stay park. As all three parks are located in the north-west region of Western Australia forming a geographical segment, these were reclassified during the 30 June 2015 reporting period as a discontinued operation, and formed part of Aspen's non-core segment.

During the year, Aspen settled the sale of Spearwood North. On 31 December 2015 the Spearwood South property, with a carrying value of $29.000 million, was transferred out of assets held for sale to investment property, reflecting that the Board did not intend to sell the property within twelve months of reporting date. The remaining selling costs provision of $0.161 million was written back to profit and loss on reclassification.

Disposal groups held for sale includes all assets and liabilities pertaining to development syndicates consolidated by Aspen. These development syndicates have all made resolutions to sell all of their remaining assets and liabilities, and to complete an orderly wind up. At 30 June 2016, the three development syndicates included in disposal groups held for sale were in liquidation. Refer to page 12 of the director's report for further details on these development syndicates.

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

Impairment

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

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

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

10: Liabilities classified as held for sale

	Non-core liabilities classified as held for sale	Liabilities of disposal group held for sale	Discontinued operations' liabilities classified as held for sale	Liabilities classified as held for sale
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2014	-	3,913	19,306	23,219
Disposals	-	-	-	-
Other movements		(3,311)	-	(3,311)
Transfers out	-	-	(19,306)	(19,306)
Closing balance at 30 June 2015 and opening balance at 1 July 2015	**-**	**602**	**-**	**602**
Disposals	-	-	-	-
Other movements	-	**(590)**	-	**(590)**
Transfers out	-	-	-	-
Closing balance at 30 June 2016	**-**	**12**	**-**	**12**

11: Provisions

	Consolidated	
	2016	2015
	$'000	$'000
Current		
Employee benefits	**627**	1,967
Deferred purchase consideration	**900**	-
Onerous lease	**634**	760
Restructure and relocation	**758**	441
Other	**425**	2,076
	3,344	5,244

Movements in provisions during the financial year

	Consolidated	
	2016	2015
	$'000	$'000
Carrying amount at beginning of the year	**5,244**	2,919
Additional provisions recognised	**2,538**	5,244
Provisions used	**(2,189)**	(2,919)
Deconsolidation of APPF	**(2,022)**	-
Disposal with sale of parks	**(227)**	-
Carrying amount at end of the year	**3,344**	5,244

Recognition and measurement

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

Key estimate: discounting

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Short term benefits

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

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

Long term service benefits

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

Key estimate: discounting

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

– future increases in salaries and wages;

– future on-cost rates; and

– experience of employee departures and period of service.

The total long service leave liability is $0.06 million (2015: $0.70 million)

12: Capital management

Aspen's capital management objectives

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

The Board actively monitors the level of distributions paid to securityholders.

	Consolidated	
	2016	2015
	$'000	$'000
Equity and reserves		
Issued capital	**501,665**	514,473
Reserves	**69**	2,660
Accumulated losses	**(354,623)**	(357,179)
Non-controlling interests	**(19,347)**	36,108
Net capital	**127,764**	196,062
Net financial debt		
Net interest bearing debt less cash*	**-**	118,641

**Aspen had nil debt at 30 June 2016*

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

The Board can alter the capital structure of Aspen by:

- issuing new securities;
- buying back securities;
- adjusting the amount of distributions paid to securityholders;
- returning capital to securityholders;
- selling assets to reduce debt;
- buying assets to increase debt;
- adjusting the timing of development and capital expenditure; and
- by the operation of a dividend reinvestment plan.

During the year, Aspen Group bought back 10.730 million securities, at an average price of $1.20.

Other than cash backed bank guarantee requirements and AFSL requirements applicable to AFM, Aspen is not subject to externally imposed capital requirements.

		Aspen Group	
		2016	2015
		$'000	$'000
Interest cover			
EBITDA [1]	(A)	**7,310**	13,171
Interest expense	(B)	**563**	2,390
Interest cover (times) [2]	(A/B)	**12.98 times**	5.51 times
Net debt gearing ratio			
Total assets less cash	(E)	**89,848**	339,178
Net interest bearing debt less cash	(F)	**-** [3]	118,641
Net debt gearing ratio	(F/E)	**-** [3]	35.0%

[1] EBITDA represents earnings before interest, tax, depreciation and amortisation, and non-underlying transactions. This calculation is consistent with the bank covenants that Aspen is subject to under its debt facilities.

[2] Calculated in accordance with bank covenants that Aspen is subject to under its debt facilities.

[3] Net gearing ratio is calculated as nil, as Aspen's interest bearing debt is nil at 30 June 2016.

At 30 June 2016 Aspen had net cash of $48.800 million (including restricted cash of $5.000 million) and no debt facility.

13: Distributions

	Aspen securityholders			
	Cents per security		Total amount	
	2016	2015	**2016**	2015
	Cents	Cents	**$'000**	$'000
Paid during the year				
Final distribution for the previous year	**4.5**	4.0	**5,093**	4,775
Interim distribution for the year	**4.6**	4.5	**5,208**	5,035
	9.1	8.5	**10,301**	9,810
Proposed and unpaid at the end of the year				
Final distribution for the year	**4.6**	4.5	**4,990**	5,093
	4.6	4.5	**4,990**	5,093

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

	APPF securityholders			
	Cents per security		Total amount	
	2016	2015	**2016**	2015
	Cents	Cents	**$'000**	$'000
Paid during the period				
Monthly Distribution – June	**0.329**		**765**	
Monthly Distribution – July	**0.339**		**788**	
Monthly Distribution – August	**0.339**		**788**	
Monthly Distribution – September	**0.328**		**763**	
Monthly Distribution – October	**0.339**	0.340	**788**	829
Monthly Distribution – November	**-**	0.329	**-**	803
Monthly Distribution – December	**-**	0.340	**-**	790
Monthly Distribution – January	**-**	0.340	**-**	790
Monthly Distribution – February	**-**	0.307	**-**	714
Monthly Distribution – March	**-**	0.340	**-**	790
Monthly Distribution – April	**-**	0.329	**-**	765
Monthly Distribution – May	**-**	0.340	**-**	790
	1.674	2.665	**3,892**	6,271

APPF was deconsolidated from 9 December 2015. The November 2015 distribution payable was derecognised at this date.

Dividend franking accounts	**2016** **$'000**	2015 $'000
Franking credits - calculated at current tax rate of 30% (2015: 30%) available to securityholders of Aspen for subsequent financial years	**2,094**	2,094

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

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

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

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

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

14: Equity and reserves

Movement in stapled securities	Securities '000 units	$'000
At 1 July 2014	119,948	523,031
Issue of stapled securities	65	83
Cancellation of stapled securities under Employee Stapled Securities Incentive Plan	(6,852)	(8,641)
At 30 June 2015 and 1 July 2015	113,161	514,473
Issue of stapled securities	**45**	**59**
Effect of securities buy-back	**(10,730)**	**(12,867)**
At 30 June 2016	**102,476**	**501,665**

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 securities issued by Aspen. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Reserves	Available for sale reserve $'000	Equity accounted investee – share of other comprehensive income $'000	Revaluation reserve $'000	Total Reserves $'000
At 1 July 2014	(9)	(1,414)	-	(1,423)
Transfer to retained losses	9	1,414	-	1,423
Revaluation of property, plant and equipment, net of tax	-	-	2,660	2,660
At 30 June 2015 and 1 July 2015	-	-	**2,660**	**2,660**
Transfer to retained losses	**-**	**-**	**(2,796)**	**(2,796)**
Revaluation of property, plant and equipment, net of tax	**-**	**-**	**205**	**205**
At 30 June 2016	**-**	**-**	**69**	**69**

Revaluation reserve

The revaluation reserve represents the amount to which PPE has been revalued in excess of historical cost.

15: Earnings per stapled security

	Consolidated 2016	2015
Profit/(loss) for the year attributable to ordinary equity holders of the parent entity ($ '000)	**9,540**	(23,433)
Basic weighted average number of stapled securities (No. '000)	**113,065**	114,864
Diluted weighted average number of stapled securities (No. '000)	**115,276**	116,793
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**8.438**	(20.401)
Diluted earnings per stapled security (cents per security) *	**8.276**	(20.401)
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**8.668**	(25.868)**
Diluted earnings per stapled security (cents per security) *	**8.502**	(25.868)**
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	**(0.230)**	5.468**
Diluted earnings per stapled security (cents per security)	**(0.230)**	5.377**

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

***Prior year continuing and discontinuing EPS have been recalculated since the prior year financial report to reflect the impact of the reclassification of Spearwood South profit from discontinuing to continuing operations.*

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 security granted under security plans accounted for as options and rights granted under employee security plans.

16: Interest bearing loans and borrowings

	Consolidated 2016 $'000	2015 $'000
Current		
Secured debt facilities	-	33,070
	-	33,070
Non-current		
Secured debt facilities	-	109,455
Deferred finance costs[1]	-	(634)
	-	108,821
Total interest-bearing loans and borrowings	-	141,891

[1] *Deferred finance costs are costs associated with the establishment of debt facility with the financiers. The capitalised costs are being amortised over the life of the facility.*

Recognition and measurement

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

Funding activities

Aspen had two debt facilities during the year.

One debt facility, with a total limit of $65.000 million (inclusive of a $5.000 million facility for working capital and bank guarantees) was applicable to Aspen Group. This debt facility was repaid on 15 January 2016, and terminated on 5 April 2016. The first ranking registered real property mortgages over Aspen Group's properties, and the fixed and floating charge over Aspen Group, were released subsequent to year end once all necessary release documents were executed.

The second debt facility, with a total limit of $95.000 million (inclusive of a $5.000 million facility for working capital and bank guarantees) was applicable to APPF. As APPF was deconsolidated on 9 December 2015, this debt facility is no longer included within Aspen's interest bearing loans and borrowings from the date of consolidation. Aspen Group has not provided any guarantees in respect to this debt facility.

Terms and debt repayment schedule

		Consolidated Face value 2016 $'000	Consolidated Carrying value 2016 $'000	Consolidated Face value 2015 $'000	Consolidated Carrying value 2015 $'000
Secured	Maturity				
Aspen Group debt facility	Repaid	-	-	35,100	35,100
APPF debt facility	Deconsolidated	-	-	107,425	107,425
		-	-	142,525	142,525

As at 30 June 2016, Aspen did not have any debt facilities. However, at 30 June 2016 Aspen had bank guarantees on issue of $1.509 million (refer note 25 for details). These bank guarantees were secured by first ranking registered real property mortgages over Aspen Group's properties, and a fixed and floating charge over Aspen Group.

Subsequent to year end, Aspen has entered in to an agreement with a financier for a $2.500 million bank guarantee facility, which is secured by cash held on deposit by the financier. All property mortgages over Aspen Group's property, and the fixed and floating charge over Aspen Group, have been released subsequent to year end.

17: Financial risk management

Aspen holds financial instruments for the following purposes:

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

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

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

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

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

These risks affect the fair value measurements applied by Aspen.

Credit risk

Nature of the risk

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

Credit risk management: trade and other receivables

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

Other than as disclosed as major customers on page 43, Aspen has a diverse range of customers and tenants, and therefore there are no significant concentrations of credit risk either by nature of industry or geographically.

An ageing of trade receivables past due is included in note 5. The credit risk of trade receivables neither past due nor impaired has been assessed as low on the basis of credit ratings (where available) or historical information about counterparty default. Refer to note 2 for the details on the impairment recognised on Aspen's financial assets.

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

	Consolidated	
	2016	2015
	$'000	$'000
Property management receivables (net of provisions)	**1,600**	2,998
Receivable from APPF	**935**	-
GST and other receivables	**159**	212
Subsidiary held for sale – cash	**1,641**	1,546
Subsidiary asset held for sale – trade receivables	**180**	225
Commercial property disposal amount held in trust	**-**	2,048
	4,515	7,029

Liquidity risk

Nature of the risk

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

Liquidity risk management

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

	Consolidated	
	2016	2015
	$'000	$'000
Financing facilities	**-**	
Secured debt facilities	**-**	170,000
Bank overdraft and guarantees	**1,509**	10,000
	1,509	180,000
Facilities used at balance date		
Secured debt facilities	**-**	142,525
Bank guarantees	**1,509**	1,464
	1,509	143,989
Facilities unused at balance date		
Secured debt facilities	**-**	27,475
Bank overdraft and guarantees	**-**	8,536
	-	36,011

Assets pledged as security

Subsequent to year end, Aspen has entered in to an agreement with a financier for a $2.500 million bank guarantee facility, which is secured by cash held on deposit by the financier. All property mortgages over Aspen Group's property, and the fixed and floating charge over Aspen Group, have been released subsequent to year end.

Maturity of financial liabilities

The following tables analyse Aspen's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet. The future cashflows on derivative instruments may be different from the amount in the table as interest rates change. Except for these liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Year ended 30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Trade and other payables	15,810	-	-	-	-	15,810	15,810
Liabilities of subsidiaries held for sale	602	-	-	-	-	602	602
Loans and borrowings before swaps	35,414	2,371	4,761	111,215	-	153,761	142,525
Total non-derivatives	51,826	2,371	4,761	111,215	-	170,173	158,937
Derivatives							
Interest rate swaps	696	696	1,387	1,788	-	4,567	2,819
Total derivatives	696	696	1,387	1,788	-	4,567	2,819
Year ended 30 June 2016							
Non-derivatives							
Trade and other payables	**7,528**	**-**	**-**	**-**	**-**	**7,528**	**7,528**
Liabilities of subsidiaries held for sale	**12**	**-**	**-**	**-**	**-**	**12**	**12**
Loans and borrowings before swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivatives	**7,540**	**-**	**-**	**-**	**-**	**7,540**	**7,540**
Derivatives							
Interest rate swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Market risk

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

Nature of interest rate risk

Aspen adopted a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Combined with fixed rate securities, interest rate swaps denominated in Australian dollars have been entered into to achieve an appropriate mix of fixed and floating rate interest rate exposures.

Aspen manages a proportion of its cash flow interest rate risk through the use of fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, Aspen agrees with hedge counterparties to exchange at specified intervals the difference between fixed contract rates and floating rate interest amounts, calculated with reference to the agreed notional principal amount.

Aspen was not required to hedge any of its senior debt floating rate exposure in accordance with the conditions of its debt funding facility with its financiers.

At 30 June 2016, Aspen had interest rate swaps of nil (30 June 2015: $130.000 million). The weighted average interest rate of interest swaps at 30 June 2015 was 3.25% with a weighted maturity term of 3.2 years.

Interest risk management

Aspen's policy is to limit exposure to adverse fluctuations in interest rates, which could erode Group profitability and adversely affect securityholder value. The policy requires Aspen to hedge between 50% - 85% of its debt. In circumstances where Aspen is outside of this policy bandwidth, a clear path to returning to within the policy within a reasonable timeframe is required, otherwise Aspen must either put in place or cancel (as applicable) hedging.

To manage the interest rate exposure, Aspen generally enters into interest rate swaps, in which Aspen agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Exposure

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

	2016		2015	
	Balance $'000	**Weighted average interest rate %**	Balance $'000	Weighted average interest rate %
Fixed rate instruments				
Term deposits	**39,617**	**2.74%**	14,224	2.39%
Interest rate derivatives	**-**	**-**	2,819	3.26%
Variable rate instruments				
Cash and cash equivalents	**4,183**	**1.44%**	4,173	1.50%
Cash held in restricted funds	**5,000**	**1.75%**	5,013	2.00%
Cash and cash equivalents - subsidiaries held for sale	**1,641**	**0.39%**	1,546	0.10%
Commercial property disposal amount held in trust	**-**	**-**	2,048	2.38%
Interest-bearing loans	**-**	**-**	(142,525)	3.90%
	10,824		(129,745)	
Total fixed and variable rate instruments	**50,441**		(112,702)	

Aspen's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Aspen's profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data.

	Impact on profit $'000	**Impact on equity $'000**
2015		
Australian variable interest rate +100bps	340	340
Australian variable interest rate -100bps	(340)	(340)
2016		
Australian variable interest rate +100bps	**108**	**108**
Australian variable interest rate -100bps	**(108)**	**(108)**

The interest rates used to discount estimated cash flows, where applicable, are based on the Commonwealth government yield curve at the reporting date plus an appropriate credit spread, and were as follows:

	2016 %	2015 %
Interest rate	**3.09%**	3.26%

Equity price risk

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

Fair values

The carrying amounts and estimated fair values of all 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 carrying amount of cash is considered as the fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to approximate their fair values.

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

Other financial assets/liabilities

The fair values of derivatives, corporate bonds, term deposits held at fair value and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values of loan notes and other financial assets have been calculated using market interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value are recognised immediately in profit or loss. Aspen does not hold any derivatives which are designated as a hedging instrument.

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

Valuation of financial instruments

For financial instruments measured and carried at fair value, Aspen uses the following to categorise the method used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Aspen has an established control framework with respect to the measurement of fair values. This includes finance staff that have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to the Chief Financial Officer.

These finance staff regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or external valuations is used to measure fair values, then the finance staff assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of accounting standards, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation matters are reported to the Aspen Audit Committee.

Aspen's financial instruments are valued using market observable inputs (Level 2) with the exception of available for sale financial assets at fair value (level 3) which were valued at $0.416 million (30 June 2015: $0.431 million).

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2016 (2015: nil).

The following table shows a reconciliation of movements in Aspen's financial instruments classified as Level 3 within the fair value hierarchy for the years ended 30 June 2016 and 30 June 2015:

	2016	2015
	$'000	$'000
Opening Balance	**431**	807
Total gains or losses		
In profit or loss	**(15)**	(376)
Disposals		-
Closing Balance	**416**	431

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

Reversal of impairment

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

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

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

18: Impairment of non-financial assets

Non-financial assets

The carrying amounts of Aspen's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or where there is any indicator of impairment.

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

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

Reversal of impairment

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

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

19: Associates

	Consolidated 2016 $'000	Consolidated 2015 $'000
Investment in Enclave at St Leonards (EASL)	-	37
Share of equity net assets	-	37
Share of equity accounted loss/(profit) before tax	(7)	473
Share of other comprehensive income	-	-
Income tax expense	-	-
Share of equity accounted net loss/(profit) accounted for using the equity method	(7)	473

	Consolidated 2016 %	Consolidated 2015 %
Investment in APPF*	-	-
Investment in EASL	10.0	10.0

	APPF* 2016 $'000	APPF* 2015 $'000	EASL 2016 $'000	EASL 2015 $'000	Total 2016 $'000	Total 2015 $'000
Revenue (100%)						
Loss/(profit)	-	3,003	(37)	21	(37)	3,024
Other comprehensive expense	-	-	-	-	-	-
Total comprehensive income/(expense)	-	3,003	(37)	21	(37)	3,024
Share of associate net profit/(loss)	-	462	(7)	11	(7)	473
Share of associate other comprehensive expense	-	-	-	-	-	-
Share of total comprehensive income/(expense)	-	462	(7)	11	(7)	473
Total assets (100%)	-	-	7	368	7	368
Total liabilities (100%)	-	-	(7)	-	(7)	-
Net assets as per associate (100%)	-	-	-	368	-	368

Recognition and measurement

Aspen's investments in its associates, being entities in which Aspen has significant influence and are neither subsidiaries nor jointly controlled assets, are accounted for using the equity method.

Each investment is treated as a separate cash generating unit and the fair value less cost of disposal method was used to determine the appropriate impairments for the investments.

*Investment in APPF

On 10 October 2014, Aspen obtained control of APPF for accounting purposes and was required to consolidate APPF from this date and no longer recognised it as an equity accounted associate. As such, the disclosure of APPF's total assets and total liabilities in the note above is not applicable for the year ended 30 June 2015 and no disclosures in the above table are applicable for the year ended 30 June 2016.

Key judgement: control and significant influence

Aspen considers a range of items when deciding whether Aspen has control or significant influence of an investee including the assessment of Aspen's power over the associate, the exposure to variability of returns and the link between power and returns. In assessing this, Aspen reviews details including but not limited to:

- Voting rights;
- Board composition; and
- Management and other agreements.

20: Business combinations

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Aspen. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment at each reporting date or where any indication of impairment is identified. Any gain on a bargain purchase is, after review, recognised in profit or loss immediately.

Acquisition transactions costs that Aspen incurs in connection with a business combination are expensed as incurred. These are included as *acquisition costs* disclosed in Note 2(c) above. Any contingent consideration payable is measured at fair value at the acquisition date.

If all the business combinations during the year had occurred on 1 July 2015, the consolidated group would have generated an estimated revenue and loss for the year ended 30 June 2016 of $37.792 million and $10.224 million respectively.

Acquisition of business – accommodation properties

During the period, Aspen acquired two accommodation properties:

- Tomago Village Van Park on 19 August 2015; and
- Adelaide Caravan Park on 21 October 2015.

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

Goodwill calculations	**$'000**
Consideration transferred	**19,750**
Less: fair value of identifiable net assets	**(11,145)**
Goodwill	**8,605**

The goodwill is mainly attributable to the value of the existing businesses which is in excess of PPE acquired.

	$'000
Consideration transferred	
Cash – acquisition of accommodation properties	**18,850**
Deferred consideration	**900**
	19,750
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**11,145**
	11,145

Revenue and profit contribution

The accommodation properties acquired during the period contributed revenues of $2.587 million and a net profit of $1.432 million to Aspen for the period from settlement of each accommodation property to 30 June 2016.

21: Goodwill

	Consolidated	
	2016	2015
	$'000	$'000
Opening	**11,953**	-
Additions	**8,605**	11,953
Transfers	**2,643**	-
Deconsolidation of APPF	**(8,953)**	-
	14,248	11,953

The goodwill outlined above exists solely in respect to the residential / short stay business segment.

Recognition and measurement

Goodwill

Goodwill that is recognised by Aspen is measured at cost less accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually at each balance sheet date or where any indication of impairment is identified.

Goodwill - additions

The business combinations of two park acquisitions, as disclosed in note 7, resulted in the acquisition of $8.605 million of goodwill.

Goodwill - transfers

The finalisation of value allocations relating to the business combinations during the year ended 30 June 2015 resulted in transfers of $2.643 million from property, plant and equipment. The finalisation of value allocations was based on external consultant reports received during the period.

Key judgement: goodwill impairment testing

At the reporting date, management tested the goodwill of $14.248 million at a segment level, and concluded the goodwill did not require impairment. This goodwill exists solely in respect to properties held by Aspen for the residential / short stay segment. In testing the goodwill, Aspen considered the independent valuations that exist in respect to the leasehold properties, and the value of PPE.

Details of the independent valuations which pertain to leasehold properties are outlined in note 7.

22: Subsidiaries

Parent entity	Ownership interest 2016 %	Ownership interest 2015 %
Aspen Group Limited (stapled entity - Aspen Property Trust)		
Subsidiaries		
Aspen Funds Management Limited	**100**	100
Aspen Living Villages Pty Limited	**100**	100
Aspen (Septimus Roe) Pty Limited (in members voluntary liquidation)	**100**	100
Aspen Property Developments Pty Limited	**100**	100
Aspen Select Property Fund (in members voluntary liquidation)	**100**	100
Aspen Communities Property Fund [1]	**100**	100
Aspen Villages Property Fund [2]	**100**	100
Aspen Equity Investments Pty Limited	**100**	100
Midland Property Trust	**100**	100
Caversham Property Development Pty Ltd	**100**	100
Aspen Whitsunday Shores Pty Limited (“AWSS”) (see note 23)	**54**	54
Aspen Development Fund No1 Pty Limited [3] (“ADF”) (see note 23)	**75**	75
Aspen Dunsborough Lakes Pty Ltd (“ADLL”) (see note 23) (in members voluntary liquidation)	**43**	43
Aspen Dunsborough Lakes Report Pty Ltd (in members voluntary liquidation)	**43**	43
Fern Bay Seaside Village Pty Ltd (“FBSV”) (see note 23)	**45**	45
Aspen Parks Property Management Limited	**-**	42
Aspen Gateway Travel Pty Ltd	**-**	42
Aspen Tourist Parks Pty Ltd	**-**	42
Aspen Monkey Mia Trust	**-**	42
Aspen Parks Property Trust	**-**	42
Aspen Shark Bay Airport Pty Ltd	**-**	42
Shark Bay Airport Trust	**-**	42
Aspen Monkey Mia Pty Limited	**-**	100

[1] Aspen Communities Property Fund comprises:
- Aspen Communities Nominees Pty Limited (in members voluntary liquidation)
- Aspen Communities Management Pty Limited (in members voluntary liquidation)
- Aspen Communities Construction Pty Limited (in members voluntary liquidation)

[2] Aspen Villages Property Fund comprises:
- Aspen Villages Property Trust (in members voluntary liquidation)
- Aspen Villages Nominees Pty Limited (in members voluntary liquidation)

[3] Aspen Development Fund No1 Pty Limited comprises:
- Aspen Development Fund No1 Pty Ltd (in members voluntary liquidation)
- Caversham Property Pty Ltd (in members voluntary liquidation)
- Bradwell Pty Ltd (in members voluntary liquidation)

Recognition and measurement

Subsidiaries

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

Loss of control of subsidiaries

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

Loss of control of APPF

On 9 December 2015, Aspen was notified that Discovery Holiday Parks ("Discovery") had reached an ownership interest of 43.88% in Aspen Parks Property Fund (APPF), resulting from its unconditional cash takeover offer, which exceeded Aspen Group's interest of 42.02% at this date. This entitled Discovery to more voting power than Aspen Group and in accordance with applicable accounting standards, it was determined that Aspen Group no longer controlled APPF from this date.

Aspen Group deconsolidated APPF from 9 December 2015, and accounted for its interest as an investment in an associate from this date. In accordance with accounting standards, Aspen Group is required to remeasure its interest in APPF on deconsolidation at fair value. The fair value of the investment in associate was measured at $0.6233 per security, being the Discovery takeover offer price of $0.63 per security less distributions received which were to be deducted from proceeds from the sale of Aspen Group's interest in APPF to Discovery.

On 23 December 2015, Aspen Group entered into a conditional agreement to accept Discovery's takeover offer under which part of its interest in APPF, representing 32.92% of APPF securities, was sold on that date. On 5 February 2016, following conditions of the agreement being satisfied, Aspen Group accepted Discovery's takeover offer for its remaining interest of 10.10% in APPF and also terminated its management rights APPF on 5 February 2016.

Details of assets and liabilities derecognised and the gain on re-measurement of the retained interest in APPF are detailed as follows:

	9 December 2015
Derecognition of APPF assets and liabilities, net of consolidation adjustments	**$'000**
Current assets	
Cash and cash equivalents	1,303
Trade and other receivables	1,610
Inventories	611
Non-current assets	
Intangible asset - goodwill	8,953
Property, plant and equipment	173,428
Other	54
Total assets	185,959
Current liabilities	
Trade and other payables	8,470
Provisions	2,022
Derivative financial liability	847
Non-current liabilities	
Interest-bearing loans and borrowings	75,790
Derivative financial liability	1,715
Total liabilities	88,844
Net assets derecognised	**97,115**
Less: non-controlling interest share of net assets	(53,678)
Aspen Group's share of net assets derecognised	**43,437**
Gain on remeasurement of retained interest in associate at fair value	17,492
Initial recognition of investment in associate (APPF)	**60,929**

APPF entities deconsolidated resulting from loss of control:

	Ownership interest	
	30 June 2016	9 December 2015
Entities deconsolidated from 9 December 2015	**%**	%
Aspen Parks Property Management Limited	-	42
Aspen Gateway Travel Pty Ltd	-	42
Aspen Tourist Parks Pty Ltd	-	42
Aspen Monkey Mia Trust	-	42
Aspen Parks Property Trust	-	42
Aspen Shark Bay Airport Pty Ltd	-	42
Shark Bay Airport Trust	-	42

23: Discontinued operations

	Disposal groups held for sale		Non-core and accommodation operations held for sale		Total discontinued operations	
	2016	**2015**	**2016**	**2015**	**2016**	2015
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Results of discontinued operations						
Revenue	**-**	1,643	**4,169**	16,257	**4,169**	17,900
Expenses	**(498)**	(1,965)	**(3,320)**	(10,046)	**(3,818)**	(12,011)
Profit/(loss) before income tax	**(498)**	(322)	**849**	6,211	**351**	5,889
Gain/(loss) on disposal after income tax	**(81)**	238	**(47)**	373	**(128)**	611
Net change in fair value	**-**	1,973	**(74)**	(1,812)	**(74)**	161
Profit/(loss) after tax from discontinued operations	**(579)**	1,889	**728**	4,772	**149**	6,661
Assets and liabilities of discontinued operations						
Assets						
Cash and cash equivalents	**1,641**	1,547	**-**	-	**1,641**	1,547
Trade and other receivables	**180**	225	**-**	-	**180**	225
Properties held for sale	**3,854**	6,654	**-**	68,741	**3,854**	75,395
Prepayments and other assets	**10**	17	**-**	-	**10**	17
Total assets	**5,685**	8,443	**-**	68,741	**5,685**	77,184
Liabilities						
Trade and other payables	**12**	189	**-**	-	**12**	189
Provisions and other liabilities	**-**	-	**-**	-	**-**	-
Deferred consideration	**-**	413	**-**	-	**-**	413
Interest bearing loans and borrowings	**-**	-	**-**	-	**-**	-
Total liabilities	**12**	602	**-**	-	**12**	602
Net assets	**5,673**	7,841	**-**	68,741	**5,673**	76,582
Cash flows of discontinued operations						
Net cash from /(used in) operating activities	**(471)**	(412)	**697**	6,162	**226**	5,750
Net cash from investing activities	**2,306**	15,393	**68,675**	20,911	**70,981**	36,304
Net cash from/(used in) financing activities	**-**	-	**-**	48	**-**	48
Net cash flows for the year	**1,835**	14,981	**69,372**	27,121	**71,207**	42,102

Recognition and measurement

Discontinued operations

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

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

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

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

Disposal groups held for sale

Aspen has a number of its development subsidiaries classified as a disposal group held for sale. At 30 June 2016, this primarily comprises AWSS, being the sole development subsidiary with property assets yet to be sold.

Non-core and accommodation operations held for sale

This comprises of resort parks and commercial and industrial properties that have been disposed.

24: Non-controlling interests

	ADF	AWSS	ADPF	FBSV	ADLL	APPF	Total
NCI percentage as at 30 June 2016	**24.9%**	**45.9%**	**-**	**54.6%**	**56.8%**	**-**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance at 1 July 2014	(15,492)	(2,894)	(12)	927	(2,196)	-	(19,667)
Share of comprehensive income/(expense)	429	(32)	12	(7)	121	(5,136)	(4,613)
Distribution to non-controlling interest	-	-	-	-	-	(4,116)	(4,116)
Effect of consolidation of APPF	-	-	-	-	-	70,290	70,290
Share buy back	-	-	-	-	-	(16)	(16)
Withdrawal offer impact on non-controlling interest	-	-	-	-	-	(5,453)	(5,453)
Loss on withdrawal offer	-	-	-	-	-	(317)	(317)
Closing balance at 30 June 2015 and opening balance at 1 July 2015	**(15,063)**	**(2,926)**	**-**	**920**	**(2,075)**	**55,252**	**36,108**
Share of comprehensive income/(expense)	**16**	**(254)**	**-**	**2**	**33**	**764**	**561**
Distribution to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(2,282)**	**(2,282)**
Purchase of equity by parent	**-**	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Equity costs	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**
Effect of deconsolidation of APPF	**-**	**-**	**-**	**-**	**-**	**(53,678)**	**(53,678)**
Closing balance at 30 June 2016	**(15,047)**	**(3,180)**		**922**	**(2,042)**	**-**	**(19,347)**

Recognition and measurement

Non-controlling interests – consolidation and deconsolidation of APPF

On 10 October 2014, Aspen acquired control of APPF and subsequently consolidated APPF. The consolidation of APPF resulted in the creation of non-controlling interest.

On 9 December 2015, Aspen lost control of APPF and has deconsolidated APPF from this date, which has resulted in derecognition of the NCI related to APPF. Refer to note 14 for further details.

Acquisition of non-controlling interests

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

Loss on withdrawal offer

In December 2014 APPF bought back 11.478 million securities, for cash consideration of $6.000 million. At the time of the buy-back, the net identifiable assets of APPF were $0.48 per unit, a value of $5.453 million for the 11.478 million securities withdrawn. Therefore, a loss on buy-back of $0.547 million has been recognised, being the excess cash consideration above the value of the securities bought back. An amount of $0.317 million was allocated to non-controlling interest of the total loss of $0.547 million, with the balance of the loss allocated to the securityholders of Aspen.

Negative non-controlling interests

Aspen has recognised non-controlling interests for AWSS, ADF and ADLL as at 30 June 2016 even though these NCI's are negative. AWSS and ADF are limited companies, and there is no ability for Aspen to recoup the negative equity attributed to non-controlling interests.

25: Commitments and contingencies

	Consolidated	
	2016	2015
	$'000	$'000
Contingent liabilities		
Defect maintenance periods	**3,006**	3,061
Tenant fitout incentives received	**903**	1,411
Finance facility bonds	**100**	1,411
	4,009	4,472
Operating lease commitments		
Group as lessee (i)		
Within 1 year	**1,595**	3,239
Greater than 1 year but not more than 5 years	**7,012**	11,000
More than 5 years	**253**	6,662
	8,860	20,901
Group as lessor (ii)		
Within one year	**9,354**	7,480
Greater than 1 year but not more than 5 years	**16,501**	20,471
More than 5 years	**452**	20,471
	26,307	27,951
Capital commitments *(iii)*		
Contracted by not provided for and payable:		
Within 1 year	**-**	1,055
Greater than 1 year but not more than 5 years	**-**	-
	-	1,055
Other expenditure commitments		
Bank guarantees issued to third parties	**1,509**	1,464
Insurance bond guarantees	**2,500**	3,008
	4,009	4,472

(i) Aspen leases various offices under non-cancellable operating leases. In addition, Aspen leases properties, under non-cancellable leases, on which it operates accommodation businesses. Operating lease expense for the year was $0.923 million (2015: $1.857 million).

(ii) Relates to leases of Aspen owned properties and former corporate offices sub leased.

(iii) Comprises commitments to expenditure on PPE.

Bank guarantees issued to third parties

These guarantees primarily related to the provision of guarantees provided for Aspen's subsidiaries and associates. However, Aspen has also issued bank guarantees to third parties which primarily secure fit out obligations on its office premises.

26: Subsequent events

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.

27: Parent entity disclosures

	Parent	
	2016	2015
	$'000	$'000
Assets		
Current assets	**13,317**	79,904
Non-current assets	**5,675**	64,973
Total assets	**18,992**	144,877
Liabilities		
Current liabilities	**51,413**	104,119
Non-current liabilities	**-**	96,026
Total liabilities	**51,413**	200,145
Net liabilities	**(32,421)**	(55,268)
Equity		
Issued capital	**123,691**	124,528
Accumulated losses	**(156,110)**	(179,796)
Total Equity	**(32,421)**	(55,268)
Profit/(loss) attributable to members of the parent	**23,686**	(8,414)
Total comprehensive profit/(loss) for the year, net of tax, attributable to members of the parent	**23,686**	(8,414)
Guarantees		
Guarantees to external parties		
Issued to third parties	**1,509**	1,464
Insurance bond guarantees	**2,500**	2,500
Total guarantees to external parties	**4,009**	3,964
Guarantees to subsidiaries		
ADF	**2,500**	2,500
Total guarantees to subsidiaries	**2,500**	2,500
Total guarantees	**6,509**	6,464

The directors have not identified any material contingencies as at 30 June 2016 (30 June 2015: nil).

Parent entity financial information

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

Investments in subsidiaries and associates

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

Guarantees

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

The Parent and its subsidiaries as per note 22 provide an unlimited guarantee and indemnity in favour of the Trust's banking facilities. The Parent and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen's subsidiaries. Under the terms of the agreements, the Parent and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due.

Parent entity financial information

As at 30 June 2016 the parent had a loan payable to the Trust of $16.642 million (2015: $71.930 million). As at 30 June 2016, the loan owing to the Trust ceased to have a fixed term, and it is currently at call. All other loan terms remain unchanged. Subsequent to year end, the Parent and the Trust agreed to extend the loan to 30 June 2017.

The significant increase in net assets of the parent during the year was due to dividends received from subsidiaries during the year was partly offset by the impairment of investments in and loans to associated entities.

Going concern

The Parent has a negative asset position of $32.421 million. This is due to the Parent not being able to recognise an uplift in the value of its equity in its wholly owned subsidiaries, AFM and Aspen Living Villages Pty Ltd ("ALV"), which hold net assets of $42.028 million.

When allowing for these net assets, which can be distributed from AFM and ALV by way of dividends solely to the Parent, the Parent's net asset position would increase to a positive net asset position of $9.607 million. As a consequence, the Board considers it appropriate for the Parent to be classified as a going concern.

Current liabilities exceed current assets by $38.096 million. This is due to loans owing to related entities within Aspen Group, which are at call. The Parent has obtained agreement from these related parties that the loans will not be called upon within 12 months of the date of this financial report unless the Parent is in a financial position to repay the loans.

As a consequence of the above, the Board considers it appropriate for the Parent to be classified as a going concern.

28: Auditors' remuneration

	Consolidated	
	2016	2015
Fees of the auditors of the company for:	**$**	$
Audit and review of financial reports		
PwC	**257,700**	300,000
	257,700	300,000
Assurance related services		
PwC	**-**	29,846
Other	**-**	2,000
	-	31,846
Non-assurance related services		
PwC	**162,000**	3,800
	162,000	3,800

29: Related party transactions

Identity of related parties

Aspen has a related party relationship with its associates

Associates

Associate management fees

	Consolidated	
	2016	2015
	$	$
Management fees from APPF *	**410,117**	656,916
	410,117	656,916

* 2015 fees relate to the period from 1st July 2014 until 10 October 2014, when APPF was consolidated. 2016 fees relate to the period from 9 December 2015, when APPF was deconsolidated until 5 February 2016, when Aspen Group's management rights terminated.

Director and executive remuneration

The remuneration disclosures are provided in sections 1 to 9 of the remuneration report on pages 15 to 27 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2016	2015
	$	$
Short-term benefits	**2,338,097**	3,068,841
Long-term benefits	**151,617**	180,899
Termination benefits	**560,053**	535,097
Equity compensation benefits	**630,690**	507,504
	3,680,457	4,292,341

30: Other accounting policies

a) New and amended accounting standards and interpretations adopted from 1 July 2015

All new and amended accounting policies and measurement bases have been adopted in this report for the period ended 30 June 2016. There has been no change to the group's accounting policies and are consistent with those disclosed in the Annual Report for the year ended 30 June 2015.

b) New and amended standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by Aspen in this financial report.

Reference	Description	Application of Standard	Application by Group
AASB 9 *Financial Instruments* AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)	AASB 9 includes requirements for the classification and measurement of financial assets and was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements aim to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. It also includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Aspen is still assessing the potential impact of this future standard amendment.	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • Identify contracts with customers • Identify the separate performance obligations • Determine the transaction price of the contract • Allocate the transaction price to each of the separate performance obligations, and • Recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue must be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at some point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licences, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. Aspen is still assessing the potential impact of this future standard amendment.	1 January 2018	1 July 2018
AASB 16 Leases	The new standard supersedes AASB 117 Leases and specifies recognition, measurement, presentation and disclosure requirements of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from AASB 117. Aspen is still assessing the potential impact of this future standard.	1 January 2019	1 July 2019

Directors' declaration

for the year ended 30 June 2016

1. In the opinion of the directors of Aspen Group Limited and Aspen Fund Management Limited (as responsible entity for Aspen Property Trust):

   (a) the consolidated financial statements and notes on pages 36 to 75, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the CEO and CFO for the financial year ended 30 June 2016.

3. The directors draw attention to note 2(a) to the consolidated financial statements, which includes statement of compliance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

Signed in accordance with a resolution of the directors.

Clem Salwin

Managing Director

SYDNEY, 30 August 2016