ASPEN GROUP LIMITED
ABN 50 004 160 927

ASPEN PROPERTY TRUST
ARSN 104 807 767

Appendix 4D
For the period ended
31 December 2019

Results for announcement to the market

Aspen Group Limited & Aspen Property Trust

Details of reporting periods:

Current period	31 December 2019
Corresponding period	31 December 2018

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from continuing operations	up	21.83%	to	16,640
Profit or (loss) after tax	up	425.46%	to	2,291
Profit or (loss) after tax attributable to securityholders of Aspen Group	up	318.83%	to	2,291
Operating profit before tax*	up	54.59%	to	3,656

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

Dividends/Distributions

Combined

31 December 2019		31 December 2018	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
2.75	2,649	2.3	2,215

Aspen Property Trust

31 December 2019			31 December 2018		
Period	Cents per Unit	Total $ '000	Period	Cents per Unit	Total $ '000
Jul 19 – Dec 19	2.75	2,649	Jul 18 – Dec 18	2.3	2,215
	2.3	2,215		2.3	2,215

Aspen Group Limited

31 December 2019				31 December 2018			
Period	Cents per Share	Total $ '000	Tax rate for franking credit %	Period	Cents per Share	Total $ '000	Tax rate for franking credit %
Jul 19 – Dec 19	-	-	-	Jul 18 – Dec 18	-	-	-
	-	-			-	-	

Interim distribution dates

Ex-dividend date	30 December 2019
Record date	31 December 2019
Payment date (on or around)	28 February 2020

Net tangible assets per security

	31 December 2019	31 December 2018
Net tangible assets per security	**$0.98**	**$0.92**

Following the adoption of AASB 16 Leases, net tangible assets include the right-of-use assets of $548,000, the net investment in sublease of $2,940,000 and the lease liabilities of $4,075,000 in the above calculation.

This information should be read in conjunction with the 30 June 2019 annual report and any public announcements made by Aspen Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated interim financial statements for the half-year ended 31 December 2019 (attached).

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 December 2019

Interim financial report table of contents

Directors' report

The directors present their report together with the consolidated condensed interim financial statements of Aspen Group ("Aspen") comprising Aspen Group Limited (the "Company") and its subsidiaries, and its stapled entity Aspen Property Trust (the "Trust") and its subsidiaries, for the half-year ended 31 December 2019 ("period") and the auditor's review report thereon.

Directors

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

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

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

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

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

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

Operating and financial review

Statutory net profit after tax attributable to ordinary equity holders of the parent entity for the period was $2.29 million (up 319% on 1H FY19 of $0.55 million) calculated in accordance with international financial reporting standards (IFRS).

Operating results

Operating Profit for the period was $3.66 million (up 55% on 1H FY19 of $2.37 million). Net operating cashflow (including finance income and expenses) for the period was $3.79 million (up from $0.03 million in 1H FY19). A reconciliation between Operating Profit and statutory net profit is shown below.

Operating Profit (also referred to as "net profit after tax before non-underlying items") is a non-IFRS measure that is determined to present, in the opinion of the directors, the operating activities of Aspen in a way that appropriately reflects Aspen's operating performance. Operating Profit excludes items such as consolidation/deconsolidation losses and gains and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial assets and property). Other Non-Operating Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Aspen's ongoing business activities. Operating Profit is determined having regard to principles which include providing clear reconciliation between statutory profit and Operating Profit in the directors' report and financial report, including both positive and negative adjustments, maintaining consistency between reporting years, and taking into consideration property industry practices.

Operating results as assessed by the directors for 1H FY20 compared to 1H FY19 were:

- Operating revenue increased 11% to $15.13 million. Operating revenue at all properties increased except at Darwin Freespirit Resort (down approximately $0.50m) and Tomago Village (down by approximately $0.03m). There was minimal contribution from the Lindfield Apartments and Perth Residential Portfolio that were acquired in the half year period
- Gross operating income increased by 12% to $13.13 million
- Net operating income increased 11% to $6.36 million at a margin of 42% which was similar to last year
- Development profit was $0.41 million at a margin of 32% compared to a loss last year
- Operating and development net income increased 20% to $6.78 million

Directors' Report (continued)

Operating and financial review (continued)

Operating results (continued)

- Net corporate overheads decreased 15% to $2.42 million. Gross overheads were $2.62 million and project management fees earned on the Mill Hill Capital funds' projects totalled $0.21 million
- EBITDA increased 55% to $4.36 million
- Net finance expense increased 60% to $0.71 million due to acquisitions and capital expenditure over the past 18 months being funded with cash and debt. No interest was capitalised to any projects in the half-year period
- Tax paid was $nil in both years. Aspen Group has a material amount of unrecognised tax losses from prior years that could shelter taxable income in the current and future years
- Operating Profit was $3.66 million or 3.80 cents per security, both an increase of 55% on 1H FY19
- Ordinary distributions declared for the half increased 20% to 2.75 cents per security

The table below has not been audited or reviewed by Deloitte Touche Tohmatsu.

Operating Profit:

	1H FY20 ($'000)	**1H FY19** ($'000)	**% Change**
Operating revenue	**15,131**	13,637	11%
Operating expenses	**(8,768)**	(7,899)	11%
Net operating income (NOI)	**6,363**	5,738	11%
Operating margin	**42%**	42%	
Revenue from development activities	**1,301**	20	
Cost of sales	**(887)**	(25)	
Development profit	**414**	(5)	
Development margin (profit / revenue)	**32%**	(25%)	
Discontinued operations loss – net of non-controlling interest	**-**	(75)	
Operating and development net income	**6,777**	5,658	20%
Net corporate overheads	**(2,416)**	(2,852)	(15%)
EBITDA	**4,361**	2,806	55%
Net finance expense	**(705)**	(441)	60%
Tax	**-**	-	
Operating profit	**3,656**	2,365	55%
Securities (weighted)	**96,322**	96,322	-
Operating profit per security (cents)	**3.80**	2.46	55%
Ordinary distributions per security (cents)	**2.75**	2.30	20%

Reconciliation of Statutory Profit and Operating Results:

Aspen classifies the majority of its property assets as property, plant and equipment (PP&E) which is treated differently to investment property under IFRS. For instance, the profit or loss of Aspen includes as an expense depreciation of PP&E, whereas investment property is not subject to depreciation. In addition, in 1H FY20, $0.53 million of operating level repairs and maintenance expenditure was incurred and this is included in the operating expenses for each of the properties. A further $0.32 million of capital expenditure was incurred to maintain the properties.

Directors' Report (continued)

Operating and financial review (continued)

Operating results (continued)

Reconciliation of Statutory Profit and Operating Results: (continued)

This table has not been audited or reviewed by Deloitte Touche Tohmatsu.

	1H FY20 ($'000)	1H FY19 ($'000)	% Change
Statutory net profit attributable to parent entity	**2,291**	547	319%
Adjustments:			
Depreciation of property, plant and equipment	1,335	1,091	
Asset revaluations	(150)	660	
Transaction costs & other	180	67	
Operating profit	**3,656**	2,365	55%
Net finance expense	705	441	
EBITDA	**4,361**	2,806	55%
Net corporate overheads and other	2,416	2,852	(15%)
Operating & development net income	**6,777**	5,658	20%

Balance Sheet

Aspen's balance sheet is tabled below. As at 31 December 2019, compared to 30 June 2019:

- Total assets increased $31.66 million or 22% to $173.28 million
- Total value of property assets increased by $31.56 million to $159.70 million. During the half-year, Aspen acquired two investment properties: Lindfield Apartments for $8.65 million (plus acquisition costs) and Perth Residential Portfolio for $20.00 million (plus acquisition costs). All transaction costs relating to acquisitions (totalling $1.58 million), and all capital expenditure on the properties that is expected to add to the value of the properties ($1.22 million) has been capitalised into property valuations. No properties were revalued by external valuers in the half-year period
- Total financial debt increased $28.00 million to $52.50 million. The Group has increased its debt facility limit to $71.00 million and extended the term to November 2022. At 31 December 2019, total undrawn capacity under the facility was $17.50 million (after allowing for bank guarantees of $0.5 million). Gearing (net debt / total assets less cash) increased from 13.3% to 28.6%, and loan to value ratio (per the finance facility covenant) increased from 16.4% to 33.6% (versus a covenant limit of 50%)
- NAV per security increased slightly to $1.14.

This table has not been audited or reviewed by Deloitte Touche Tohmatsu.

	31 December 2019 ($'000)	30 June 2019 ($'000)
Property, plant and equipment	**114,080**	112,934
Investment properties	**30,435**	-
Goodwill and intangibles	**15,200**	15,212
Carrying value of properties	**159,715**	128,146
Cash	**3,989**	6,466
Other assets	**9,690**	7,123
Total assets	**173,394**	141,735
Financial debt	**52,498**	24,500
Other liabilities	**11,237**	8,469
Total liabilities	**63,735**	32,969
Net Asset Value	**109,659**	108,766
NAV per security ($)	**1.14**	1.13

Directors' Report (continued)

Likely developments

Aspen intends to continue to pursue opportunities in the affordable accommodation sector through acquisitions and selected development works on existing assets.

Safety and environment

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

Towards the end, and subsequent to, the period there were major fire events around Aspen's Southern New South Wales properties, Barlings Beach, Tomakin and Tween Waters, Merimbula. The fires caused some minor physical damage to the properties, but much more significant losses to life, housing, businesses, critical infrastructure and the general environment throughout the region. So far, these two properties have suffered a material loss of revenue and profit estimated to be at least $0.50 million in late December and January due to reduced occupancy. At this stage, it is not known when these park businesses will return to normal, but notwithstanding this, the directors do not presently believe that there will be any significant impact on each of these properties valuations' as a result of the fires. Aspen is seeking to recover the losses incurred through its insurances, however, no accrual for any potential recovery is included in the accounts for the period ending 31 December 2019.

Significant changes in the state of affairs

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

Proceedings on behalf of the company

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

Principal activities

The principal activities of Aspen during the half-year were to invest in the affordable accommodation sector. Other than as disclosed above, there was no significant change in the nature of the activities of Aspen during the year.

Events subsequent to reporting date

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of the Directors' Report.

Directors' Report (continued)

Rounding off

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

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

On behalf of the directors of Aspen Group Limited

Clive Appleton
Chairman
SYDNEY, 21 February 2020

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The Board of Directors of
Aspen Group Limited
21 Oxford Street
Bondi Junction NSW 2022

21 February 2020

Dear Board Members

Auditor's Independence Declaration to Aspen Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Board of Directors of Aspen Group Limited.

As lead audit partner for the review of the financial report of Aspen Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of the stapled entity comprising Aspen Group Limited (the "Company"), Aspen Property Trust (the "Trust") and their controlled entities (together referred to as the "Group"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2019, and the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

The Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the stapled entity comprising Aspen Group Limited and Aspen Property Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 21 February 2020

Interim Consolidated Financial Statements Contents

Aspen Group Limited
Condensed consolidated interim statement of profit or loss
for the period ended 31 December 2019

	Note	Consolidated 31 December 2019 $'000	31 December 2018 $'000
Continuing operations			
Revenue	1	**16,640**	13,658
Cost of sales	2	**(9,656)**	(7,925)
Gross profit		**6,984**	5,733
Expenses and other items			
Administration expenses	2	**(2,624)**	(2,852)
Property depreciation, fair value adjustments and other	2	**(1,341)**	(1,818)
		(3,965)	(4,670)
Earnings before interest and income tax expense (EBIT)		**3,019**	1,063
Finance income	2	**108**	127
Finance costs	2	**(836)**	(568)
Profit before income tax		**2,291**	622
Income tax expense	2	**-**	-
Profit from continuing operations		**2,291**	622
Discontinued operations			
Loss for the period from discontinued operations		**-**	(186)
Profit for the period		**2,291**	436
Profit attributable to ordinary equity holders of the parent entity		**2,291**	547
Loss attributable to non-controlling interest	11	**-**	(111)
Profit for the period		**2,291**	436
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations		**Cents**	Cents
Basic earnings per security	7	**2.38**	0.65
Diluted earnings per security	7	**2.38**	0.65
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	7	**2.38**	0.57
Diluted earnings per security	7	**2.38**	0.57

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

Aspen Group Limited

Condensed consolidated interim statement of comprehensive income

for the period ended 31 December 2019

		Consolidated	
		31 December 2019	31 December 2018
	Note	**$'000**	$'000
Profit for the period		**2,291**	436
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Revaluation of property, plant and equipment		**892**	684
Other comprehensive income for the period, net of tax		**3,183**	1,120
Total comprehensive income (loss) for the period from:			
Continuing operations		**3,183**	1,306
Discontinued operations		**-**	(186)
		3,183	1,120
Total comprehensive income (loss) for the period attributable to:			
Security holders of Aspen		**3,183**	1,231
Non-controlling interest	11	**-**	(111)
		3,183	1,120

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

Aspen Group Limited

Condensed consolidated interim statement of financial position

as at 31 Dec 2019

	Note	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		**3,989**	6,466
Trade and other receivables		**3,961**	3,913
Inventories		**1,799**	2,760
Net Investment in sublease	15	**1,044**	-
Total current assets		**10,793**	13,139
Non-current assets			
Property, plant and equipment	3	**114,080**	112,934
Investment properties	4	**30,435**	-
Intangible asset	10	**15,200**	15,212
Right of use assets	14	**548**	-
Net Investment in sublease	15	**1,896**	-
Other		**442**	450
Total non-current assets		**162,601**	128,596
Total assets		**173,394**	141,735
Liabilities			
Current liabilities			
Trade and other payables		**5,952**	6,485
Provisions		**1,210**	1,984
Lease liability	16	**1,215**	-
Total current liabilities		**8,377**	8,469
Non-current liabilities			
Interest bearing loans and borrowings	8	**52,498**	24,500
Lease liability	16	**2,860**	-
Total non-current liabilities		**55,358**	24,500
Total liabilities		**63,735**	32,969
Net assets		**109,659**	108,766
Equity			
Equity attributable to equity holders of the parent			
Issued capital		**490,348**	490,348
Reserves	6	**15,085**	14,092
Accumulated losses		**(376,877)**	(375,531)
Total equity attributable to equity holders		**128,556**	128,909
Non-controlling interest	11	**(18,897)**	(20,143)
Total equity		**109,659**	108,766

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

Aspen Group Limited
Condensed consolidated interim statement of cash flows
for the period ended 31 December 2019

		Consolidated	
		31 December 2019	31 December 2018
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**18,954**	14,785
Payments to suppliers and employees (Inclusive of GST)		**(14,597)**	(14,616)
Net cash flows from operating activities		**4,357**	169
Cash flows (used in)/from investing activities			
Proceeds from sale of assets held for sale, net of selling costs		**-**	2,543
Acquisition of property, plant and equipment		**(1,146)**	(25,529)
Acquisition of investment properties, including transaction costs		**(30,435)**	-
Net cash flows used in investing activities		**(31,581)**	(22,986)
Cash flows (used in)/ from financing activities			
Proceeds from borrowings		**27,998**	25,600
Proceeds from net investment in sublease		**484**	-
Interest received		**108**	118
Payment of financing and borrowing costs		**(672)**	(257)
Payment of lease liability		**(570)**	-
Distributions paid		**(2,601)**	(2,020)
Net cash flows used in financing activities		**24,747**	23,441
Cash and cash equivalents at beginning of the period		**6,466**	13,370
Net (decrease)/increase in cash and cash equivalents		**(2,477)**	624
Cash and cash equivalents at end of period		**3,989**	13,994

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

Aspen Group Limited

Condensed consolidated interim statement of changes in equity

for the period ended 31 December 2019

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		490,361	7,130	(362,782)	(20,033)	114,676
Net profit for the period		-	-	547	(111)	436
Revaluation of property, plant & equipment		-	684	-	-	684
Total comprehensive income/(loss) for the period		-	684	547	(111)	1,120
Securities cancelled		(13)	-	-	-	(13)
Security based compensation		-	-	53	-	53
Distributions payable or paid to security holders		-	-	(2,215)	-	(2,215)
Balance at 31 December 2018		490,348	7,814	(364,397)	(20,144)	113,621
Balance at 1 July 2019		**490,348**	**14,092**	**(375,531)**	**(20,143)**	**108,766**
Retrospective adjustment – initial application of AASB 16	18	**-**	**-**	**258**	**-**	**258**
Restated balance as at 1 July 2019		**490,348**	**14,092**	**(375,273)**	**(20,143)**	**109,024**
Net profit for the period		**-**	**-**	**2,291**	**-**	**2,291**
Revaluation of property, plant & equipment	6	**-**	**892**	**-**	**-**	**892**
Total comprehensive income for the period		**-**	**892**	**2,291**	**-**	**3,183**
Security based compensation	2	**-**	**101**	**-**	**-**	**101**
Distributions payable or paid to security holders	5	**-**	**-**	**(2,649)**	**-**	**(2,649)**
Transfer of non-controlling interest to parent entity upon deregistration of subsidiaries	11	**-**	**-**	**(1,246)**	**1,246**	**-**
Balance at 31 December 2019		**490,348**	**15,085**	**(376,877)**	**(18,897)**	**109,659**

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

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

Aspen was established for the purpose of facilitating a joint quotation of the Trust and the Company and their controlled entities on the ASX, with both entities being stapled together. The Deed of the Trust and the Constitution of the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and that 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 and operating within the affordable accommodation sector.

The Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen’s registered office is 21 Oxford Street, Bondi Junction, NSW 2022.

The consolidated financial statements of Aspen as at and for the period ended 31 December 2019 are combined financial statements that present the financial statements and accompanying notes of both the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. The Company is the deemed parent entity of Aspen. Aspen is a for-profit entity and is primarily involved in investment in and operation of affordable accommodation assets.

The consolidated financial statements were authorised for issue by the Board on 21 February 2020.

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

- has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for the full annual financial statements prepared in accordance with Australian Accounting Standards.
- has been prepared on a historical cost basis, except for derivative financial instruments, financial assets at fair value through profit or loss, 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 Corporations Instrument 2016/191;
- represents comparative information where required for consistency with the current year’s presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of Aspen and effective for reporting periods beginning on or after 1 July 2019. Refer to note 17 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 3:	Property, plant and equipment	Page 21
Note 4	Investment properties	Page 22
Note 10:	Intangible assets	Page 25

Comparative information

Where necessary, prior period comparative information has been reclassified to achieve consistency in disclosure with current period amounts and disclosures.

Financial position

During the period ended 31 December 2019 Aspen recorded a statutory after-tax profit attributable to the holders of the parent entity of $2.291 million (1H FY19: $0.547 million). At 31 December 2019 Aspen had net assets of $109.659 million (30 June 2019: $108.766 million), cash reserves of $3.989 million (30 June 2019: $6.466 million) and current assets exceeded current liabilities by $2.416 million (30 June 2019: $4.670 million).

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

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

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 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 / retirement / short stay, corporate, and non-core in addition to the other segment:

- Residential/Retirement/Short Stay – this segment includes land lease communities, retirement villages, mixed-use parks, tourism parks and residential properties. These properties cater to customers on a broad range of commercial terms including duration of stay from overnight through to lifetime.
- Corporate – this segment includes Aspen's sole corporate accommodation park, being Aspen Karratha Village. This property primarily caters to one corporate client and the day-to-day operation of the property is outsourced.
- Non-core – this segment includes discontinued industrial, development and tourism assets and any other activities deemed non-core by the Board.
- Other – this segment includes income and expenses that are not allocated to an operating segment. This includes corporate overheads, finance income and finance expenses.

Geographical segments

Aspen is an Australian-based company and its current operating activities are spread throughout Australia. There are no other geographical segments.

Segment information

	Residential / Retirement / Short Stay		Corporate		Non-core		Other		Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000
Revenue from accommodation assets	10,737	9,389	4,394	4,249	-	-	**-**	**-**	**15,131**	**13,638**
Revenue from development activities	1,301	20	-		-	-	**-**	**-**	**1,301**	**20**
Other management fees	-		-				**208**	**-**	**208**	**-**
Total segment revenue [1]	**12,038**	9,409	**4,394**	4,249	**-**	-	**208**	-	**16,640**	13,658
Operating EBITDA [2]	**4,953**	3,939	**1,824**	1,794	**-**	(75)	**(2,416)**	(2,852)	**4,361**	2,806
Finance income	**-**	-	**-**	-	**-**	-	**18**	127	**18**	127
Finance costs	**-**	-	**-**	-	**-**	-	**(723)**	(568)	**(723)**	(568)
Operating profit / (loss) before depreciation and income tax	**4,953**	3,939	**1,824**	1,794	**-**	(75)	**(3,121)**	(3,293)	**3,656**	2,365
Depreciation and amortisation	**(1,171)**	(956)	**(164)**	(160)	**-**	-	**(12)**	-	**(1,347)**	(1,116)
Non-underlying items [3]	**-**	(59)	**150**	(660)	**-**	-	**(168)**	17	**(18)**	(702)
Income tax benefit / (expense)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Profit / (loss) after tax attributable to parent entity	**3,782**	2,924	**1,810**	974	**-**	(75)	**(3,301)**	(3,276)	**2,291**	547

1 *All segment revenues are derived from external customers.*
2 *Operating EBITDA represents earnings before depreciation, 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

	31 December 2019 $'000	31 December 2018 $'000
Revenue from accommodation assets	**15,131**	13,638
Revenue from development activities	**1,301**	20
Other management fees	**208**	-
Revenue	**16,640**	13,658

2. Expenses and other items

Cost of sales

	31 December 2019 $'000	31 December 2018 $'000
Cost of sales from accommodation assets	**6,050**	5,385
Direct employee benefits expenses	**2,719**	2,515
Cost of sales from development activities	**887**	25
Cost of sales	**9,656**	7,925

Administration expenses

Salary and wages	**1,582**	1,232
Superannuation	**102**	96
Employee benefits capitalised	**-**	59
Occupancy costs	**56**	92
Depreciation - corporate	**1**	15
Corporate administration costs	**883**	1,332
Other expenses	**-**	26
Administration expenses	**2,624**	2,852

Property depreciation, fair value adjustments and other

Transaction and acquisition costs	**32**	342
Depreciation expense - properties	**1,335**	1,091
(Reversal)/impairment adjustment of property, plant & equipment	**(150)**	660
Security-based payment expenses	**101**	40
Licence amortisation	**12**	25
Other provisions	**-**	(340)
Depreciation on rights of use assets	**11**	-
Property depreciation, fair value adjustments and other	**1,341**	1,818

2. Expenses and other items (continued)

Finance income / expenses

Interest – bank deposits	**18**	127
Interest – investment in sublease	**90**	
Finance income	**108**	127
Interest and borrowing costs – loans and borrowings	**723**	536
Interest on lease liability	**113**	-
Unwinding of discount on provisions	**-**	32
Finance costs	**836**	568

Income tax expense

Aspen has a nil income tax expense for the period ended 31 December 2019 as it has unrecognised carried forward tax losses in excess of taxable profits generated during the period.

No deferred tax asset has been recognised in respect of carried forward tax losses.

3. Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Corporate assets $'000	Total $'000
Year ended 30 June 2019					
Cost or valuation	59,594	36,561	22,787	-	118,942
Accumulated depreciation and/or impairment	-	(2,090)	(3,918)	-	(6,008)
Net carrying amount – 30 June 2019	59,594	34,471	18,869	-	112,934
Period ended 31 December 2019					
Movements					
Net carrying amount at the beginning of the period	**59,594**	**34,471**	**18,869**	**-**	**112,934**
Additions	**-**	**28**	**1,191**	**12**	**1,231**
Depreciation	**-**	**(519)**	**(816)**	**(1)**	**(1,336)**
Revaluation gains	**-**	**519**	**522**	**-**	**1,041**
Reclassification and transfers	**-**	**267**	**(57)**	**-**	**210**
Net carrying amount at the period end	**59,594**	**34,766**	**19,709**	**11**	**114,080**
Period ended 31 December 2019					
Cost or valuation	**59,594**	**37,375**	**24,442**	**12**	**121,423**
Accumulated depreciation and impairment	**-**	**(2,609)**	**(4,733)**	**(1)**	**(7,343)**
Net carrying amount – 31 December 2019	**59,594**	**34,766**	**19,709**	**11**	**114,080**

Valuation of assets

No independent valuation was performed for the property, plant and equipment for the period ended 31 December 2019.

Level 3 fair value

The fair value measurement of property plant & equipment of $114.080 million (30 June 2019: $112.934 million) has been categorised as a Level 3 fair value, based on the unobservable inputs to the valuation technique used. The directors have assessed that there have been no material changes in the underlying valuation inputs as disclosed in the 30 June 2019 annual report, and accordingly, no fair value adjustments have been recognised at the period-end. Reference is made to the Directors' Report under the heading "Safety and environment", where the impact of the recent bushfires is described. The directors are monitoring this position, however at this stage, they do not believe that there will be any impact from these events on the value of associated property, plant and equipment.

The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values.

Segment	Percentage of property assets independently valued during the period	Total of latest independent valuation * $'000	Total carrying value* $'000
Residential / Retirement / Short Stay	0%	119,540	118,175
Corporate	0%	10,250	11,000
Other	-	-	-
Total	**-**	**129,790**	**129,175**

* *The carrying values outlined in the above table include goodwill of $15.106 million as outlined in Note 10.*

4. Investment properties

During the period, Aspen acquired 2 apartment complexes registered under the NSW Retirement Villages Act in Lindfield (NSW) and a Perth (WA) Residential Portfolio. The acquisitions were acquired principally for purposes of rental and capital appreciation. The directors have determined the fair values of these properties based on their recent acquisition cost (supported by independent valuation reports), inclusive of transaction costs. This fair value has been categorised as a Level 2 fair value assessment.

Investment properties	31 December 2019 $'000	30 June 2019 $'000
Opening balance	-	-
Investment properties acquired at fair value, including acquisition costs	30,435	-
Closing balance	**30,435**	-

5. Distributions

	Aspen security holders			
	Cents per security		Total amount	
	31 December 2019 Cents	31 December 2018 Cents	**31 December 2019 $'000**	31 December 2018 $'000
Paid during the period				
Final distribution for the previous year	**2.70**	2.10	**2,601**	2,022
Declared and unpaid at the end of the period				
Interim distribution for the period	**2.75**	2.30	**2,649**	2,215

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

Aspen announced a distribution of 2.75 cents per security on 13 December 2019 in respect of the half-year ended 31 December 2019. This distribution will be paid to securityholders on or around 28 February 2020.

6. Equity and reserves

	Securities	
Movement in stapled securities	'000 units	$'000
At 1 July 2018	96,333	490,361
Security buy-back	(11)	(13)
At 30 June 2019 and 1 July 2019	96,322	490,348
At 31 December 2019	**96,322**	**490,348**

During the period, Aspen completed a reallocation of capital between the Aspen Property Trust ("APT") and Aspen Group Limited ("AGL") by increasing the share capital of AGL through applying a distribution of capital of $0.31 per unit from APT to AGL's share capital. A total of $29.86 million was reallocated between the two entities. The reallocation did not change the overall capital of Aspen Group.

6. Equity and reserves (continued)

The nature of Aspen's contributed equity

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

Issued capital

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

Reserves	Revaluation reserve $'000	Security-based payment reserve $'000	Total Reserves $'000
At 1 July 2018	7,129	-	7,129
Revaluation of property, plant and equipment, net of tax	6,963	-	6,963
At 30 June 2019 and 1 July 2019	**14,092**	**-**	**14,092**
Revaluation of property, plant and equipment, net of tax	**892**	**-**	**892**
Security-based payment	**-**	**101**	**101**
At 31 December 2019	**14,984**	**101**	**15,085**

7. Earnings per stapled security

	31 December 2019	31 December 2018
Profit for the period attributable to ordinary equity holders of the parent entity ($ '000)	**2,291**	547
Basic weighted average number of stapled securities (No. '000)	**96,322**	96,322
Diluted weighted average number of stapled securities (No. '000)	**96,322**	96,322
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**2.38**	0.57
Diluted earnings per stapled security (cents per security)	**2.38**	0.57
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**2.38**	0.65
Diluted earnings per stapled security (cents per security)	**2.38**	0.65
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	**-**	(0.08)
Diluted earnings per stapled security (cents per security)	**-**	(0.08)

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 period.

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 period after adjusting for the effective dilutive securities granted under security plans accounted for as options and rights granted under employee security plans. These dilutive securities are only included if the performance conditions are met at the end of the reporting period. As at 31 December 2019, the performance conditions were not met, and accordingly, the options and grants under employee security plans have not been included as dilutive securities.

8. Interest bearing loans and borrowings

	Consolidated	
	31 December 2019	30 June 2019
	$'000	$'000
Current		
Secured debt facilities	**-**	-
Non-current		
Secured debt facilities	**52,498**	24,500
Total interest-bearing loans and borrowings	**52,498**	24,500

Funding activities

Aspen has a finance facility with a total limit of $71.000 million comprising a $65.000 million revolver, a $5.000 million overdraft and a $1.000 million guarantee facility. This facility is secured with first ranking registered real property mortgages over Aspen Group's directly owned properties, and a fixed and floating charge over Aspen Group Ltd, Aspen Property Trust, Aspen Living Villages Pty Ltd, Aspen Property Developments Pty Ltd, Realise Residential WA Pty Ltd, Realise Residential WA 2 Pty Ltd, Realise Residential WA 3 Pty Ltd and Realise Residential WA 4 Pty Ltd.

9. Financial risk management

Financial risk management

Aspen Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 30 June 2019.

Credit 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 with regards to other financial instruments.

Liquidity risk

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

9. Financial risk management (continued)

Liquidity risk is managed by monitoring cash flow requirements on a continual 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. Surplus funds are, where possible, paid against debt, or invested in instruments that are tradeable in highly liquid markets with highly rated counterparties.

	Consolidated	
	31 December 2019	30 June 2019
	$'000	$'000
Secured financing facilities available		
Revolver	**65,000**	45,000
Overdraft	**5,000**	5,000
Guarantees	**1,000**	5,000
	71,000	55,000
Facilities used at balance date		
Revolver	**52,498**	24,500
Guarantees	**498**	298
	52,996	24,798
Facilities unused at balance date		
Revolver	**12,502**	20,500
Overdraft	**5,000**	5,000
Bank overdraft and guarantees	**502**	4,702
	18,004	30,202

Fair values

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

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

Cash

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

Receivables/payables

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

Interest-bearing liabilities

Aspen currently only have floating rates on its interest-bearing liabilities.

9. Financial risk management (continued)

Other financial assets / liabilities

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in the fair value are recognised immediately in profit or loss. 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 who report directly to the Joint Chief Executive Officers.

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

Significant valuation matters are reported to Aspen's Audit, Risk and Compliance Committee.

Aspen's financial instruments are valued using market observable inputs (Level 2) with the exception of financial assets at fair value through profit or loss (level 3) which were valued at $0.396 million (30 June 2019: $0.396 million).

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period ended 31 December 2019 (1H FY19: $Nil).

9. Financial risk management (continued)

Valuation of financial instruments (continued)

The following table shows a reconciliation of movements in Aspen's financial instruments classified as Level 3 within the fair value hierarchy for the periods ended 31 December 2019 and year ended 30 June 2019:

	31 December 2019 $'000	**30 June 2019** $'000
Opening Balance at 1 July	**396**	304
Total gains or losses		
In profit or loss	**-**	92
Closing Balance	**396**	396

The fair value of financial assets has been determined by reference to the published unit price of the investment at the period-end date. The investment comprises securities in an unlisted fund.

10. Intangible assets

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Goodwill	**15,106**	15,106
Software	**94**	106
	15,200	15,212

	Consolidated	
Movements	**31 December 2019 $'000**	30 June 2019 $'000
Opening	**15,212**	24,250
Additions – business combination	**-**	719
Additions	**-**	9
Transfer	**-**	57
Impairment	**-**	(9,759)
Amortisation for the period	**(12)**	(64)
	15,200	15,212

No indicators of material impairment of intangible assets was assessed at 31 December 2019.

11. Non-controlling interests

	ADF	AWSS	FBSV	ADLL	Total
NCI percentage as at 31 December 2019	**24.9%**	**45.9%**	**54.6%**	**56.8%**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance at 1 July 2018	(15,060)	(3,837)	927	(2,062)	(20,032)
Share of comprehensive income / (expense)	-	-	(106)	(5)	(111)
Closing balance at 30 June 2019 and opening balance at 1 July 2019	(15,060)	(3,837)	821	(2,067)	(20,143)
Share of comprehensive income / (expense)	-	-	-	-	-
Transfer to accumulated losses of parent entity upon deregistration of subsidiaries	-	-	(821)	2,067	1,246
Closing balance at 31 December 2019	(15,060)	(3,837)	-	-	(18,897)

Negative non-controlling interests

Aspen has recognised non-controlling interests (NCI) for AWSS and ADF as at 31 December 2019 even though these NCIs are negative. AWSS and ADF are limited companies, and there is no ability for Aspen to recoup the negative equity attributed to NCI.

12. Commitments and contingencies

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Contingent liabilities		
Defect maintenance periods *(i)*	**-**	2,500
	-	2,500
Operating lease commitments		
Group as lessee (ii)		
Within 1 year	**18**	1,452
Greater than 1 year but not more than 5 years	**-**	2,532
More than 5 years	**-**	52
	18	4,036
Group as lessor (iii)		
Within one year	**-**	6,643
Greater than 1 year but not more than 5 years	**-**	5,760
More than 5 years	**-**	-
	-	12,403
Capital commitments *(iv)*		
Contracted but not provided for and payable:		
Within 1 year	**4,804**	7,785
	4,804	7,785
Other commitments		
Bank guarantees issued to third parties	**498**	-
Insurance bond guarantees	**-**	2,500
	498	2,500

(i) Note that this was secured against the insurance bond guarantees.

(ii) Relates to the head office lease at Bondi Junction (30 June 2019: leases over portions of land at one of Aspen's properties, and Aspen's head office leases at Bondi Junction and Perth). Refer Note 18(b) for the impact of adoption of AASB 16.

(iii) 30 June 2019: relates to the lease to Woodside at Aspen Karratha Village. Refer Note 18(b) for the impact of adoption of AASB 16.

(iv) Relates to the contracted development expenditure for development currently underway at Tomago Van Village (30 June 2019: acquisition of Lindfield Apartments).

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 31 December 2019 or at the date of completion of these condensed consolidated interim financial statements.

13. Subsequent events

Other than as disclosed under "Safety and Environment" in the Directors' Report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Aspen, to affect significantly the operations of Aspen, the results of those operations, or the state of affairs of Aspen, in future financial periods.

14. Rights of use assets

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Land and building	**559**	-
Less accumulated depreciation	**(11)**	-
	548	-

Refer to Note 18(b) for the accounting policy applied effective 1 July 2019.

15. Net investment in sublease

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Current net investment in sublease	**1,044**	
Non-current net investment in sublease	**1,896**	-
Total net investment in sublease	**2,940**	-

Refer to Note 18(b) for the accounting policy applied effective 1 July 2019.

16. Lease liability

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Current lease liability	**1,215**	
Non-current lease liability	**2,860**	-
Total lease liability	**4,075**	-

Refer to Note 18(b) for the accounting policy applied effective 1 July 2019.

17. Related party transactions

Related party arrangements during the period are consistent with those at 30 June 2019. Refer to the consolidated financial statements for the year ended 30 June 2019 for details of related party arrangements.

18. Changes in accounting policies

(a) New and amended standards adopted from 1 July 2019

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the adoption of AASB 16 *Leases* and other new and amended standards and interpretations commencing 1 January 2019 which have been adopted where applicable.

(b) Recently changed accounting standards

Aspen has adopted AASB 16 at 1 July 2019. The new leasing model requires the recognition of operating leases on the consolidated balance sheet, unless the operating leases are short term in nature (less than 12 months) or relate to low-value assets.

AASB 16 Leases

Aspen has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparative for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, Aspen's incremental borrowing rate (IBR) is used.

Lease liabilities are subsequently measured by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability and any variable lease payments not included in the measurement of the lease liability are recognised in the Consolidated Statement of Profit or Loss in the period in which they relate.

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability. The cost of the asset include:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration cost.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless they meet the definition of an investment property.

For sublease arrangement, the sublease is classified as a finance lease or an operating lease as follows:
- If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognising the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease;
- Otherwise, the sublease must be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset (such as the item of property, plant or equipment that is the subject of the lease).

If the sublease is considered to represent a finance lease, a net investment in sublease is recognised separately as an asset in the statement of financial position based on the net present value of the remaining future receipts expected from the lease arrangement.

Adjustments recognised on adoption of AASB 16 Leases

On adoption of AASB 16, Aspen recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using Aspen's weighted average incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.2%. At 1 July 2019, $4.6 million of lease liability was recognised in the Consolidated Statement of Financial Position.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. At 1 July 2019, $0.6 million of right-of use asset was recognised in the Consolidated Statement of Financial Position.

18. Changes in accounting policies

(b) Recently changed accounting standards (continued)

Adjustments recognised on adoption of AASB 16 Leases (continued)

Aspen's sublease arrangement is considered to meet the definition of a finance lease and $3.4 million was recognised as a net investment in sublease on 1 July 2019.

The initial adoption of AASB 16 as described has resulted in an adjustment of $0.26 million to the opening accumulated losses.

Directors' declaration

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

   (a) the condensed consolidated interim financial statements and notes on pages 17 to 29, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Aspen's Group's consolidated entity's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and

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

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

2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the period ended 31 December 2019.

Signed in accordance with a resolution of the directors.

Clive Appleton
Chairman
SYDNEY, 21 February 2020