Aspen Group Limited

Annual Report 2020

Chairman's Letter

Dear Securityholders

I am pleased to present the 2020 Annual Report for Aspen Group.

Aspen performed well during the year despite very difficult operating conditions including catastrophic bushfires over summer that forced the closure of our two NSW south coast parks, and the subsequent COVID-19 event. Revenues from short stay guests in our holiday parks has been materially impacted by these events, however this has been largely offset by management's decisive actions including leasing the majority of our cabins to essential workers and others on a longer stay basis, and a material reduction in operating expenses. Earnings have been underpinned by the recent acquisitions of residential properties with longer term leases in non-seasonal metropolitan locations, and the receipt of COVID-related subsidies and grants from governments (eg. JobKeeper).

Aspen provides quality accommodation on competitive terms and our relatively low rents are well supported by our customers' household incomes, even those dependent on government subsidies. Our properties generally have the potential to be profitably repositioned and developed into higher value uses over time. Since 30 June 2019, Aspen's property portfolio has increased by 36% to $174 million including the recently announced Co-Living community in Cooks Hill, Newcastle which settled in early July and a Build-to-Rent Residential community in Burleigh Heads, QLD (expected to settle in the next few months). The portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 8.1% and an average of $77,000 per site including land and dwellings.

In FY20 Aspen produced Underlying Earnings of 6.80 cents per security, an increase of 32% on FY19, and paid Distributions of 6.00 cents per security, an increase of 20%. Net Asset Value increased by 2% to $1.15 per security. At 30 June 2020 gearing was 19% and there was approximately $28 million of undrawn capacity under our debt facility which expires in November 2022.

I would like to thank all of Aspen's employees at head office and the properties for their hard work and commitment throughout the last 12 months. I would also like to thank the existing and new securityholders who strongly supported our recent equity raising to help fund our growth.

I look forward to meeting with you and providing a further update at our Annual General Meeting.

Clive Appleton

Chairman

ASPEN GROUP LIMITED

(THE COMPANY)

(ABN: 50 004 160 927)

ASPEN PROPERTY TRUST

(THE TRUST)

(ARSN: 104 807 767)

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2020

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Annual Report contents

Directors' Report contents

The Directors of Aspen Group Limited ("AGL" or the "Company") present their report together with the Company's financial report for the year ended 30 June 2020 and the Independent Auditor's Report thereon. The Company's financial report comprises the consolidated financial report of the Company and its controlled entities, including Aspen Property Trust ("APT" or the "Trust") and its controlled entities.

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

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

Directors

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

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

Executive Director
John Carter (Joint Chief Executive Officer)

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

Qualifications, experience and special responsibilities

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

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

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

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

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

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

From December 2011 to June 2015, Mr Appleton was a non-executive director of Federation Centres.

Mr Appleton is currently Deputy Chairman of the Gandel Group, a non-executive director of APN Property Group Limited, Perth Airport Pty Limited, and Perth Airport Development Group Pty Limited and the Non-Executive Chairman of Pancare Foundation.

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

Directorships of other listed entities within last 3 years:

Non - Executive Director of APN Property Group Limited – current (ASX: APD)

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

Guy Farrands – Independent Non-Executive Director

BEc, Grad Dip Man, FAPI, MAICD

Mr Farrands has over 30 years' experience in direct and listed property markets in Australia and internationally across commercial, retail, industrial, residential and retirement property 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. 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 currently acts as a consultant for and is expected to become the Chief Executive Officer of ALE Property Group.

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

Directorships of other listed entities within last 3 years: Nil

John Carter - Executive Director

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

Mr Carter has over 30 years' experience in real estate and financial markets. On 14 March 2019, Mr Carter was appointed joint Chief Executive Officer (CEO) of Aspen Group Limited. In 2004 Mr Carter established Mill Hill Capital to pursue private equity opportunities in real estate, agriculture and equities.

Prior to this Mr Carter was Managing Director, Co-head of Equities and on the Australian Executive Committee for UBS in Australasia from 2001 to 2004.

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

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

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

Directorships of other listed entities within last 3 years: Nil

Directors' meetings

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

	Board of Directors		Audit, Risk and Compliance Committee	
Directors	Held	Attended	Held	Attended
C Appleton	7	7	3	3
G Farrands	7	6	3	3
J Carter	7	7	-	-

Interests of Directors

Securities in the Group held by directors or their associates as at 30 June 2020 were:

	Issued Securities	Rights
Clive Appleton	265,613	-
Guy Farrands	170,475	-
John Carter*	9,436,465	295,806
David Dixon*	9,517,342	295,806

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

Company Secretaries

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

Mr Mark Licciardo was appointed to the position of joint company secretary in 30 September 2016. He is the founder and Managing Director of Mertons Corporate Services Pty Limited. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting, and company secretarial matters. He is also the former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies. Mr Licciardo holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Ms Belinda Cleminson was appointed to the position of joint company secretary in 30 September 2016. She has over 15 years' experience as an Assistant Company Secretary of Australian listed companies including ASX 200 clients. Ms Cleminson previously managed the Company Secretarial team for Australian Company Secretaries representing a domestic and global client base. Prior to this she held roles within the legal and banking industry.

Operating and financial review

Aspen's Business

Aspen is a leading provider of quality accommodation on competitive terms in the residential, retirement and short stay sectors. Aspen's opportunities are enormous within Australia's $7 trillion residential market given significant unsatisfied demand for suitable accommodation at more affordable prices and rents.

Aspen's fully integrated platform encompasses operations, asset management, development, and capital management. We provide a broad spectrum of products and services to our customers under different regulatory regimes and ownership schemes:

Rentals – Shared Equity – Sales.

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

Operating and financial review *(continued)*

Over the past 12 months Aspen experienced significant environmental, economic, and business challenges including catastrophic bushfires over summer, the COVID-19 event from March onwards, and the oversupply of accommodation in some markets, particularly Darwin. Aspen's operating environment is expected to be subdued over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism will remain restricted until COVID-19 is contained. We believe Aspen can continue to perform relatively well in this environment as domestic households and tourists seek lower cost accommodation in attractive locations. Aspen's rents are typically at levels that are well supported by the income of our tenants, even those entirely dependent on government support.

Portfolio

The value of Aspen's property portfolio increased by 30% over the year to $167.0 million, mainly through the acquisition of the Lindfield Apartments ($206k per dwelling*) and the Perth Residential Portfolio ($238k per dwelling*). Subsequent to year end, Aspen settled the acquisition of a Co-living community at Cooks Hill, Newcastle in July 2020 ($68k per dwelling*) and is expected to settle the acquisition of a build to rent residential community in Burleigh Heads, Queensland around October 2020 ($175k per dwelling* partially completed). The low entry prices enable us to provide quality accommodation to our customers on competitive terms whilst also generating attractive returns for securityholders. Additionally, these metropolitan, non-seasonal, rental properties have reduced portfolio risk, in our opinion.

* Pre-acquisition costs

Capital improvement activity has increased across the portfolio. For instance, the redevelopment and expansion of Sweetwater Grove into a land lease community has commenced; the Treatts Road, Lindfield apartments are being refurbished and released at materially higher rents; new hi-tech cabins are being installed at Highway 1 Adelaide; new entertainment facilities have been installed at Darwin Freespirit Resort; and labour and energy saving initiatives have been completed or are underway at all properties.

During the financial year, management reassessed the historical balance sheet classification of the Group's property portfolio. Historically property assets were classified on the basis of being business assets used in the production of goods and services pursuant to AASB 116 *Property Plant and Equipment,* with the resultant recognition of Property, Plant and Equipment (PP&E) and residual Goodwill balances.

The reassessment included consideration of the classification guidance included in AASB 140 *Investment Property* relating to the principal purpose of the assets as well as consideration of other factors, including the workforce and skillset associated with the assets, the historical level of ancillary services offered at the assets and the classification adopted by the Group's listed peers for similar assets. Based on this reassessment, management concluded that all but one of Aspen's accommodation property assets more appropriately historically and to-date satisfied the classification criteria of Investment Property assets pursuant to AASB 140, with a principal purpose of earning rental income and capital appreciation. The noted exception relates to the Darwin FreeSpirit Resort which has since its acquisition operated as a full facility resort offering significant ancillary services to its rental accommodation, including food & beverage, and more recently gaming.

As a result of the reassessment, for the relevant assets, excluding Darwin Freespirit Resort, balances in the Group's Balance Sheet previously disclosed as Property Plant and Equipment and Goodwill have been reclassified as Investment Property. Furthermore, movements in Reserves relating to revaluation of property, plant and equipment will be replaced with recognition of fair value movements in the Consolidated Statement of Profit or Loss, and depreciation expense previously recognised in respect of these assets has been removed. The Darwin Freespirit Resort asset has retained its historical classification as Property Plant and Equipment. Notably, the above changes have had no impact on the Group's historical reported consolidated Net Assets / Equity position, nor on the Group's historical consolidated Cash Flow Statement.

Presentation of certain historical revenue and expense items have also been reclassified to conform with current year presentation.

Operating and financial review *(continued)*

Financial Performance – FY20

Despite the challenging operating conditions, Aspen's financial performance improved materially in FY20 compared to FY19:

- **Statutory net profit after tax increased 1,338% to $11.87 million** (this includes an income tax credit of $3.13 million resulting from Aspen Group Limited recognising a deferred tax asset in respect of certain timing differences and historical tax losses)
- Operating profit increased 34% to $6.64 million equating to 6.80 cents per security
- **Ordinary distribution per security increased 20% to 6.00 cents**
- Net cashflow from operating activities increased 192% to $11.25 million
- Total rental and ancillary services revenue increased by 2% to $28.13 million, mainly due to increases at Highway 1 Caravan Park, Aspen Karratha Village and our land lease communities, and the acquisition of the Lindfield Apartments and the Perth Residential Portfolio during the year, however these were largely offset by the collapse in short stay tourist revenues during the COVID-19 event from March through to the end of the year, and bushfires which materially impacted our Barlings Beach and Tween Waters properties on the NSW south coast over their peak summer trading period
- Net operating income from the properties increased 5% to $11.78 million. The collapse in total short stay revenue during the COVID-19 pandemic was largely recovered through leasing park cabins on a longer stay basis, material cost reductions at the properties, and the receipt of government subsidies and rebates which we estimate contributed about $0.5 million net to the result. Operating margin increased to 42%. Insurance claims totalling $0.7 million of lost profits and $0.2 million of physical damage relating to the summer bushfires remain outstanding as at the date of this report and were not included in the results
- Development and trading profit increased 16% to $0.68 million from the sale of seven houses at Four Lanterns
- Net corporate overheads decreased 25% to $4.43 million, with a significant reduction in the use of external consultants and Aspen earning $0.35 million in project management fees from the Mill Hill Capital funds
- EBITDA increased 36% to $8.03m due to increased net operating income from the properties, increased development profits and a reduction in net corporate overheads
- Net finance expense increased 49% to $1.39 million, due to increased debt which was used to fund acquisitions and project works

Operating and financial review *(continued)*

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

	FY20 ($'000)	FY19 ($'000)	% Change
Rental and ancillary services revenue	**28,126**	27,537	2%
Direct property expenses	**(16,343)**	(16,308)	0%
Net operating income (NOI)	**11,783**	11,229	5%
Operating margin	**42%**	41%	
Revenue from development and trading activities	**2,247**	1,691	33%
Cost of sales	**(1,571)**	(1,106)	42%
Net development income	**676**	585	16%
Development margin	**30%**	35%	
Operating and development net income	**12,459**	11,814	5%
Net corporate overheads	**(4,434)**	(5,920)	(25%)
EBITDA	**8,025**	5,894	36%
Net finance expense	**(1,386)**	(933)	49%
Tax*	**0**	0	0%
Operating profit	**6,639**	4,961	34%
No. of Securities (weighted - '000)	**97,592**	96,322	
Operating profit per security (cents)	**6.80**	5.15	32%
Ordinary distributions per security (cents)	**6.00**	5.00	20%

* Note that for the purpose of illustrating operating profit above, the deferred tax benefit has been excluded.

	FY20 ($'000)	FY19 ($'000)	% Change
Statutory net profit after tax attributable to parent entity	**11,871**	(959)	1,338%
Adjustments:			
Depreciation of property, plant and equipment	523	653	
Asset revaluations	(3,401)	4,523	
Transaction costs & other	771	744	
Tax benefit	(3,125)	0	
Operating profit	**6,639**	4,961	34%
Net finance expense	1,386	933	49%
EBITDA	**8,025**	5,894	36%
Net corporate overheads and other	4,434	5,920	(25%)
Operating & development net income	**12,459**	11,814	5%

Operating and financial review *(continued)*

Financial Performance – 4Q FY20, including COVID-19

The negative impacts of COVID-19 became evident in March 2020 and affected operating performance over the entire 4Q FY20. A summary of 4Q FY20 performance is provided below to illustrate Aspen's changed operating metrics during the COVID-19 event:

- Operating profit was $1.67 million or 1.65 cents per security (approximately 25% of the FY20 result)
- Total rental and ancillary revenue was $6.07 million. During the period, some state governments placed restrictions on short stays at caravan parks, so we could typically only offer our traditional short stay tourist cabins to essential workers and customers that were unable to travel. The customers that occupied our parks during the period were typically on 90-day leases at discounted rates, and we provided very limited service. As at 30 June 2020, approximately 57% of our available cabin stock was occupied by longer stay customers at an average rate of approximately $263 per week
- Net operating income was $2.74 million
- Development and trading profit was $0.10 million from the sale of one house at Four Lanterns
- Net corporate overheads was $0.95 million
- EBITDA was $2.01 million
- Net finance expense was $0.33 million

The impacts of the COVID-19 event have continued into 1Q FY21 and our operating settings are largely unchanged from 4Q FY20. We have retained sufficient flexibility to be able to revert back to offering our cabins and land sites on a short stay basis when demand recovers and it becomes more profitable to do so, however we are being prudent and maintaining a relatively high level of longer stay patronage and tight cost controls.

Balance Sheet

As at 30 June 2020, Aspen had total assets of $190.7 million, total liabilities of $56.7 million (including gross debt of $42.5 million) and net asset value (NAV) of $134.0 million equating to $1.15 per security.

In June, Aspen raised $20 million of equity (before costs) through the issue of 20 million securities at $1.00 each and net proceeds were initially used for debt reduction and working capital. At 30 June 2020 gearing was 18.8% which is comfortably below our target range of 30-40%. Aspen has a debt facility of $71 million expiring in November 2022, of which $28.3 million was undrawn at balance date. Total margin (line fee plus drawn margin) is 180bps and $25 million of BBSW exposure is fixed at 81bps with interest rate swaps to January 2023. Post the end of the year, the acquisition of the Cooks Hill Co-living community was funded with cash, and the acquisition and development of the Burleigh Heads property is expected to be funded with debt.

The 2% increase in NAV over the year to $1.15 is attributable to a net increase in property valuations, a recognition of some value for deferred tax assets and retained earnings. In our opinion, the portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 8.1% and an average value of approximately $77,000 per approved site including dwellings and land sites.

Operating and financial review *(continued)*

The table below summarises Aspen's balance sheet.

	30 June 2020 ($'000)	30 June 2019 ($'000)
Investment properties*	**150,085**	110,540
Property, plant and equipment*	**16,919**	17,500
Carrying value of properties	**167,004**	128,040
Cash	**8,161**	6,466
Other assets**	**15,549**	7,229
Total assets	**190,714**	141,735
Financial debt	**42,498**	24,500
Other liabilities	**14,186**	8,469
Total liabilities	**56,684**	32,969
Net Asset Value (NAV)	**134,030**	108,766
NAV per security ($)	**1.15**	1.13

* At 30 June 2020, the property assets (except for Darwin Freespirit Resort) which were previously classified as Property, Plant and Equipment and Goodwill were reclassified as Investment Properties. This was adjusted retrospectively under the requirements of the Accounting Standards.

** This includes a deferred tax asset of $3.125m at 30 June 2020.

Outlook

We have been managing the risks of the COVID-19 event and the recessionary economic environment by entering into longer term leases for our traditional short stay cabins and materially reducing operating costs. Importantly, we have retained flexibility within the leases to be able to shift back to short stay business should demand improve and if it can lead to higher profits. There is the potential for buoyant intra-state and possibly interstate travel activity, particularly over the summer period because holidaymakers may not be able to travel overseas this year.

Aspen will continue to seek opportunities to grow its portfolio of affordable accommodation properties in the residential, retirement and short stay sectors through acquisition and development. This was the main purpose of Aspen's $20 million equity raising in June 2020.

Operating and financial review *(continued)*

Business risks

Aspen has policies and processes in place for the oversight and management of business risks. Further details of the risk management framework and processes are detailed in Aspen's Corporate Governance Statement, and a discussion of risks, including credit risk, liquidity risk, market risk and operation risk factors are detailed in note 16 of the financial statements. Listed below are relevant key risks for the business identified in the risk management matrix:

- **Exposure to travel restrictions / border closures due to COVID-19** – Aspen offers a variety of accommodation products and services and income from the tourism property assets that primarily focus on short stay customers which is more variable than income from residential and retirement properties. During the COVID-19 event, restrictions have been placed on the movement of people which is negatively impacting the demand for Aspen's short stay products and services
- **Leasing and sales rates of retirement / residential dwellings** – there are a number of risks associated with the development, leasing and sale of dwellings which could impact future earnings. These risks include the timing of achieving planning and regulatory approvals, the potential for cost overruns, variable demand for our products, and the level of rents and pricing achieved
- **Tourism market conditions** – short stay income is volatile and often seasonal, and occupancy levels and rates for rooms, cabins and sites are dependent on many variables which could negatively impact Aspen's short stay earnings. Some examples include subdued economic conditions (including during the current COVID-19 event), changes in consumer preferences, weather conditions, increased competition, and increased operating costs particularly labour, energy and rates and taxes
- **Exposure to the resources industry** – more specifically, the risk that the demand for accommodation declines in Karratha, a key resource region in Western Australia. Aspen has exposure through the ownership of Aspen Karratha Village (AKV), where we have enjoyed a long term contract with a major corporate client for the vast majority of its 180 rooms. If a new contract is not agreed beyond the current expiry in January 2021, Aspen would offer the rooms to other customers and may become more exposed to short term market fluctuations which could result in a material change in earnings and asset value
- **Due Diligence and integration risk** – Aspen is expected to continue to acquire properties. There is a risk that income is materially lower and or capital expenditure requirements are materially higher than expected regardless of the level of due diligence undertaken. This risk is elevated in the case of tourism-related properties with highly variable income and costs. Additionally, acquisitions involve transaction costs and disruption through the transition of ownership and management which may impact operating performance, particularly in the short term
- **Environmental risk** – Aspen's properties are subject to environmental risks including but not limited to bushfires, storm events (eg. cyclones), coastal erosion and flooding. As the climate continues to change in future these risks may increase. Aspen holds insurance for these types of events, but in recent years insurance cover has become more limited and increasingly expensive

Safety and environment

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

Once the COVID-19 event became evident, we implemented various measures across our businesses to ensure the safety of our employees, customers, suppliers and others, and to ensure compliance with health regulations across the various states. This included, amongst other initiatives, increased frequency of cleaning, reducing interactions between people, and strict procedures around vetting and monitoring customers and others at our properties. To date there have been no reported incidents of COVID-19 infection at any of our properties.

Significant changes in the state of affairs of the company

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

Proceedings on behalf of the company

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

Remuneration report

Introduction

The directors present the remuneration report for Aspen Group for the year ended 30 June 2020. 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
- CEOs as well as 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.

Key management personnel

The table below provides details of the KMP for FY20. For those KMP who served as KMP for part of the year, this Remuneration Report only sets out the amounts they received as remuneration in their capacity as a KMP.

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

Remuneration Governance

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

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

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

Remuneration consultants

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

In FY20 there were no consultants engaged by the Board and consequently no recommendations obtained, and no disclosures required under the *Corporations Act 2001*.

Remuneration report *(continued)*

Remuneration framework

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

- Alignment to securityholders' interests:
  - 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 and senior managers
- Alignment to employees' interests:
  - rewards capability and experience
  - provides recognition for individual contribution
  - provides a clear structure of earning rewards

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

Executive remuneration structure

Aspen's executives had the following remuneration mix for FY20:

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

Remuneration mix	CEOs	Senior Managers
Fixed compensation	50.0%	66.7%
STIs	12.5%	16.7%
LTIs	37.5%	16.7%

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

Fixed compensation

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

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

Remuneration report *(continued)*

Variable compensation - STI

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

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

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

- financial priorities – 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
- strategic priorities – e.g. evaluating and implementing change, corporate reputation, future growth initiatives.

All STIs for executives are paid 50% in cash with the remainder taken as APZ securities. The issue of securities is deferred by 12 months. The immediate cash portion is paid in September each year following the finalisation of the consolidated financial statements. To receive the benefit of the deferred STI amount, the executive must have achieved a further hurdle – that employment with Aspen remains in place and no notice of resignation has been served by the employee.

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

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

Variable compensation – executive retention bonus scheme

The scheme's objectives are to minimise the risks of disruption caused by the departure of key employees where the departure has the potential to create significant gaps in the knowledge and capacity that would not be in the best interests of the securityholders. No employees were subject to the retention bonus scheme in FY20.

Remuneration report *(continued)*

Variable compensation - LTI

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

Aspen's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010 and which was refreshed at the 2016 Annual General Meeting. The PRP facilitates the grant of performance rights to some executives and senior managers of Aspen. A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

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

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

TSR hurdle

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

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

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

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

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

Remuneration report *(continued)*

Variable compensation – LTI *(continued)*

NAV hurdle

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

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

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

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

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

Executive remuneration outcomes

Overview of FY20 financial performance

In considering Aspen's performance and benefits for securityholder wealth in the current financial year, the Board had regard to the following metrics:

	2020	2019	2018	2017	2016
Operating Profit (underlying) (million)	**$6.64**	$4.96	$3.05	$4.50	$5.97
Operating Profit per security (cents)	**6.80**	5.15	3.05	4.41	5.28
Ordinary distributions per security (cents)	**6.00**	5.00	4.20	4.60	9.20
Security price (30th June)	**$0.995**	$1.060	$0.960	$1.100	$1.200
Net Asset Value (30th June)	**$1.15**	$1.13	$1.19	$1.22	$1.26
Return on capital employed (Operating Profit per security / closing NAV per security)	**5.9%**	4.6%	2.6%	3.0%	5.9%
NAV growth (change in NAV plus distribution / starting NAV)	**7.1%**	(0.8%)	5.1%[1]	0.5%	7.3%

[1] includes special distribution of 5 cents per security

Remuneration report *(continued)*

Executive remuneration outcomes *(continued)*

The Board also considered the relative performance of KMP against the execution of Aspen's strategy. A high-level scoreboard of the Aspen performance for FY20 for the purpose of assessing eligibility for STI and LTI has been considered by reference to both positive and negative factors:

Positive performance indicators	Negative performance indicators
▪ Improved management and culture ▪ Improved strategy ▪ Met guidance despite challenging operating environment - Underlying EPS up 32% and DPS up 20% on FY19 ▪ NAV up 2% to $1.15 with property values now underpinned by improved profitability ▪ Total property assets up by 30% to $167m ▪ Net corporate overheads down 25% and management expense ratio (net corporate overheads / closing total assets) reduced from 4.2% to 2.3% ▪ Material increase in development and sales activity ▪ Reduced portfolio risk (eg. longer lease duration, less seasonality, higher weighting to metropolitan markets) ▪ Debt facility upsized with greater flexibility, longer duration and same margins ▪ Raised $20 million of equity with high level of participation by existing securityholders (retail and institutional) whilst also broadening the register ▪ Strong balance sheet to fund future growth with end of period gearing of only 19% compared to target of 30-40% ▪ Improved investor and broker relations ▪ APZ security return was top quartile amongst S&P/ASX300 REITs	▪ Darwin Freespirit Resort operating performance ▪ AKV contract extension not resolved ▪ Closing stock price of $0.995 was lower than prior year of $1.055 and below NAV of $1.15

STI outcomes

For the year ended 30 June 2020, two KMP were awarded a STI, determined after performance reviews were completed and approved by the Board. The total STI awarded to these KMP was $0.190 million (FY19 $0.056 million). As a result of the individual performance assessments the average percentage awarded of the maximum STI opportunity for these executives was 100%. A summary of the STIs awarded to these executives during FY20 is outlined below:

	Cash STI $	Deferred STI payment[1] $	Total FY20 award $	% of max STI opportunity vested in year	% of STI not yet vested	% of STI opportunity forfeited in year
John Carter	$52,013	$52,012	$104,025	100%	50%	0%
David Dixon	$52,013	$52,012	$104,025	100%	50%	0%
Total	**$104,026**	**$104,024**	**$208,050**			

[1] the deferred cash STI payment is due in 12 months post release of FY21 audited accounts.

LTI outcomes

The table below summarises how Aspen has performed versus vesting conditions for active LTI schemes at 30 June 2020:

	FY20 Scheme
Effective issue date	19 December 2019
Award starting date	1 July 2019
Vesting date	30 June 2022
Current Status	TSR is in the top quartile of peers NAV growth was 7.1% for the year ending 30 June 2020

Remuneration report *(continued)*

Executive contract details

Remuneration structure and contract terms for CEOs

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

Salary and benefits

Messrs Carter and Dixon currently each receive a salary of $380,000 (gross) per annum in addition to superannuation (unchanged from FY19). No directors' fees will be paid to Messrs Carter and Dixon for being a director of Aspen or any other group company (from the date of appointment as CEO).

Incentive arrangements

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

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

The remuneration package for Messrs Carter and Dixon was designed and negotiated to ensure a strong alignment of their financial rewards with the creation of value for Aspen Group securityholders. The equity component of Messrs Carter's and Dixon's packages, which include the issue of performance rights, will be subject to approval at the Annual General Meeting in November 2020.

Termination

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

Contract terms for other senior managers

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

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

Remuneration report *(continued)*

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

	Year	Short-term				Post-employment			LTI[2]	Total	% of rem performance related	Value of LTI as % of rem
		Base salary[1]	STI[3]	Non-monetary benefits	Total	Superannuation benefits	Termination benefits	Other Long Term				
Current Executives												
John Carter	**2020**	**392,430**	**104,025**	**-**	**496,455**	**25,000**	**-**	**-**	**85,537**	**606,992**	**31.2%**	**14.1%**
	2019[4]	105,231	28,000	-	133,231	5,133	-	-	-	138,364	20.2%	-
David Dixon	**2020**	**392,430**	**104,025**	**-**	**496,455**	**25,000**	**-**	**-**	**85,537**	**606,992**	**31.2%**	**14.1%**
	2019[4]	105,231	28,000	-	133,231	5,133	-	-	-	138,364	20.2%	-
Former Executives					-							
Joel Cann	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	346,770	-	-	346,770	18,536	22,779	-	(93,468)	294,617	(31.7%)	(31.7%)
Emmanuel Zammit	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	380,086	-	-	380,086	27,616	115,725	-	(28,449)	494,978	(5.7%)	(5.7%)
Total	**2020**	**784,860**	**208,050**	**-**	**992,910**	**50,000**	**-**	**-**	**171,074**	**1,213,984**	**31.2%**	**14.1%**
	2019	**937,318**	**56,000**	**-**	**993,318**	**56,418**	**138,504**	**-**	**(121,917)**	**1,066,323**	**(6.2%)**	**(11.4%)**

Notes in relation to the table of key management personnel remuneration

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

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

(3) Inclusive of superannuation

(4) For 2019, salary reflects pro-rata amounts paid from appointment date of 14 March 2019 for John Carter & David Dixon to 30 June 2019.

Remuneration report *(continued)*

LTI grants and movements during the year

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

	Equity type	Balance as at 30 June 2019	Granted during the year as remuneration	Fair Value at Grant date	Exercised / vested during the year	Value of options and rights exercised / vested	Lapsed / cancelled during the year	Value of options and rights lapsed / cancelled	Balance as at 30 June 2020
		No.	No.	$	No.	$	No.	$	No.
Current Executives									
John Carter	PR	-	295,807	256,613	-	-	-	-	295,807
David Dixon	PR	-	295,807	256,613	-	-	-	-	295,807

Non-executive director remuneration structure

The total remuneration for non-executive directors for the 2020 financial year was $288,506 (2019: $323,127), the decrease is due to John Carter being appointed as Joint CEO from 14 March 2019 and no longer receiving a director fee after this date. There has been no increase in remuneration of individual directors since FY2013, apart from Clive Appleton due to his appointment as Chairman in 7 June 2016.

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

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

The annual fees payable in FY20 (excluding superannuation) were in accordance with the table below:

Position	Annual Fees
Non-executive chairman	$149,625
Non-executive director	$76,950
Committee chairman	$8,550
Committee member	$4,275

* The Board has determined that for FY21, there will be no increase in fees.

Remuneration report *(continued)*

Non-executive directors' remuneration

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

	Year	Non-executive director	Committee chair fees	Committee member fees	Superannuation	Total remuneration
		$	$	$	$	$
Directors						
Clive Appleton	**2020**	149,625	-	4,275	14,621	168,521
	2019	149,625	-	4,275	14,621	168,521
Guy Farrands	**2020**	76,950	8,550	-	8,123	93,623
	2019	76,950	8,550	-	8,123	93,623
John Carter*	**2020**	-	-	-	-	-
	2019	55,641	-	-	5,342	60,983
Total Directors	**2020**	226,575	8,550	4,275	22,744	262,144
	2019	282,216	8,550	4,275	28,086	323,127

*Director fee was paid pro-rata up to the date of appointment as Joint CEO on 14 March 2019.

KMP transactions

Loans

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

Movements in securities

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

	Year	Balance at beginning of year	Net increase / (decrease)	Balance at end of year
Current Executives				
David Dixon*	**2020**	**22,382,539**	**(12,865,197)**	**9,517,342**
	2019	22,382,539	-	22,382,539
John Carter *	**2020**	**22,382,539**	**(12,946,074)**	**9,436,465**
	2019	22,382,539	-	22,382,539
Non-executive directors				
Clive Appleton	**2020**	**98,613**	**167,000**	**265,613**
	2019	79,862	18,751	98,613
Guy Farrands	**2020**	**150,475**	**20,000**	**170,475**
	2019	150,475	-	150,475

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

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

Principal activities

The principal activities of Aspen during the 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.

Distributions

Distributions paid to unitholders during the year were as follows:

	2020 $'000
Final distribution for the year ended 30 June 2019 of 2.7 cents per security paid on 30 August 2019	2,601
Half year distribution for the period ended 31 December 2019 of 2.75 cents per security paid on 28 February 2020	2,649
	5,250

On 22 June 2020, Aspen announced the payment of a final distribution for the year ended 30 June 2020 of 3.25 cents per security ($3.781 million in total) to be paid on 28 August 2020.

Shares under option or issued on exercise of options

There were no shares under options as at 30 June 2020 (2019: nil)

Events subsequent to reporting date

Subsequent to year end, Aspen settled the acquisition of a Co-living community at Cooks Hill, Newcastle in July 2020 for $3.75 million (before costs).

Subsequent to the end of the year, there continues to be evolving restrictions implemented by state and federal governments in response to the COVID-19 pandemic. On 24 July 2020 the Australian government confirmed its response is to continue suppression of COVID-19 until a point in time a vaccine or effective treatments are available, with the goal of no local community transmission.

The impacts of COVID-19 have continued into 1Q FY21 and the Group's operating conditions and settings are largely unchanged from Q4 FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. The Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control on costs. The directors believe Aspen can continue to perform relatively well in this environment as domestic tenants and tourists seek lower cost accommodation in attractive locations. Nonetheless, continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen's business. This may in turn negatively affect the Group's operating performance and the valuation of its properties, as well as potentially the recoverability of certain financial assets such as trade debtors.

The Group has total undrawn facilities of $28.259 million as at 30 June 2020 and $8.161m in cash and cash equivalents and the directors do not consider the impact of COVID-19 to likely compromise the ability of the Group to continue operating profitably for the foreseeable future.

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

Indemnification and insurance of officers and auditors

During the financial year Aspen paid premiums in respect of directors' and officers' liability and legal expense insurance contracts for the year ended 30 June 2020 and, since year end Aspen has paid premiums in respect of such insurance contracts up to the annual insurance renewal date of 30 June 2021. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of Aspen.

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

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

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

Non-audit services

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

Corporate governance statement

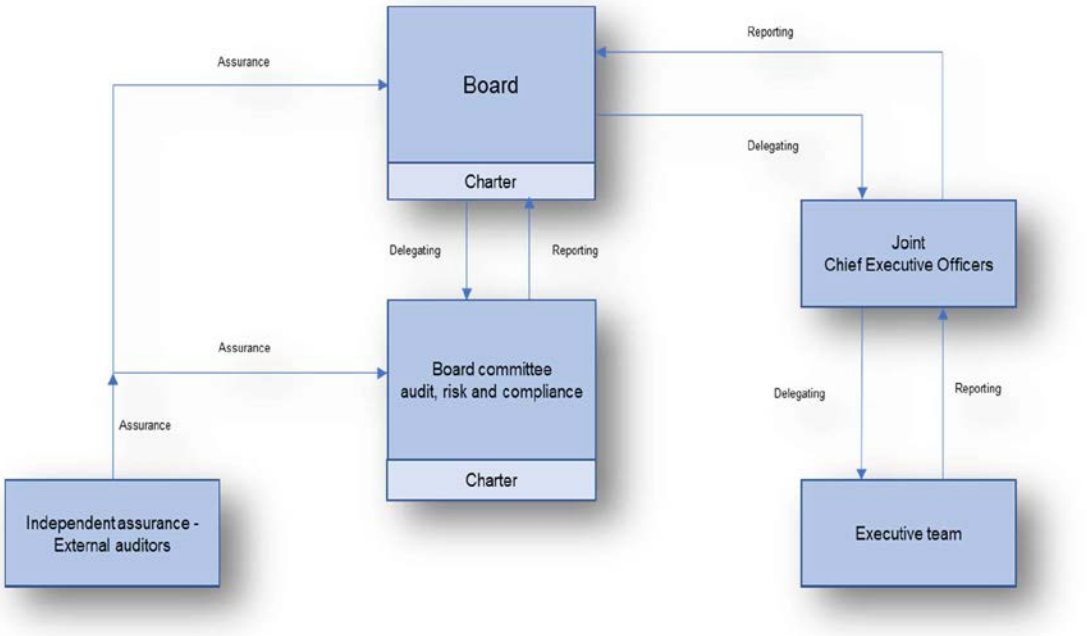
The Board is responsible for the establishment of a corporate governance framework that provides a level of accountability and processes and systems which support the day to day operations of Aspen. Aspen's governance framework has been prepared with regard to the ASX Corporate Governance Council's published 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 Committees and the CEO position.

External Governance Framework



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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27 and forms part of the Directors' Report.

Rounding off

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

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

On behalf of the directors of Aspen Group Limited

Clive Appleton

Chairman

SYDNEY, 21 August 2020

Deloitte.

Deloitte Touche Tohmatsu
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21 August 2020

The Board of Directors of Aspen Group Limited and the
Responsibility Entity of Aspen Property Trust
21 Oxford Street
Bondi Junction NSW 2020

Dear Directors

Aspen Group Limited and the
Responsibility Entity of Aspen Property Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aspen Group Limited and the directors of the Responsibility Entity of Aspen Property Trust.

As lead audit partner for the audit of the financial report of Aspen Group Limited and Aspen Property Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aspen Group Limited (the "Company"), Aspen Property Trust (the "Trust") and their controlled entities (together referred to as the "Group") which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of the Company and the directors of Evolution Trustees Limited (the "Responsible Entity") would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Classification of accommodation property assets As set out in 'About this Report', management has reassessed the classification of its accommodation property assets that were previously classified as used in the production of goods or services pursuant to AASB 116 *Property Plant and Equipment.* Based on this reassessment, management has concluded that all but one of its historical accommodation property acquisitions satisfy the classification criteria of investment properties pursuant to AASB 140 *Investment Property.* Management has also concluded that all the accommodation assets acquired before 1 July 2019 are more appropriately classified as asset acquisitions rather than business combinations pursuant to AASB 3 *Business Combinations,* with no resultant goodwill balance recognised. The directors have therefore reclassified all of its accommodation property assets (except for Darwin FreeSpirit Resort) as investment property assets and have reflected this change on a historical basis through a restatement of its financial statements. Significant judgement is applied in assessing the appropriate classification of accommodation property assets, including consideration of the purpose and characteristics of the asset and other criteria set out within the accounting standards.	Our procedures in relation to the reclassification of accommodation property assets to investment properties and the associated restatement of historical financial information included but were not limited to: • Obtaining and reviewing management's position papers presented to the board of directors and approved, • Challenging management with respect to the factors considered in their determination that all accommodation property assets, other than the Darwin FreeSpirit Resort, represent investment property asset acquisitions which satisfy the classification criteria of the relevant accounting standard and do not represent a business combination, • Assessing the appropriateness of the Group's disclosures in the Notes to the financial statements.
Fair value assessment of property assets The Group accounts for its property assets valued at $166.985 million (2019 re-stated: $128.040 million) comprising property, plant and equipment (PP&E) and Investment Property by adopting the fair value model measurement approach in accordance with AASB 13 *Fair Value Measurement*, as disclosed in Note 7 and 8. The Group determines the fair value of its PP&E and investment properties on the basis of external valuations conducted on a 3-year rotation basis and director valuations in interval years. The valuations are judgemental and determined by factors such as prevailing market conditions, the individual nature, condition and location of each asset, as well as net operating income (NOI) and capitalisation rate valuation inputs and other relevant factors such as the impact of COVID-19.	Our procedures included, but were not limited to: • Obtaining an understanding of and evaluating management's key processes and controls in so far as they apply to the fair value determination of property assets. • Agreeing fair values of those property assets externally valued in the current year to external valuations and assessing the competency, objectivity and independence of the external valuers. • For all the property assets, comparing the NOI adopted in the valuations to the FY2020 actual performance, with specific consideration of the impact of COVID-19 and other market or asset specific factors impacting current year and forecast performance. • For a sample of valuations comparing the capitalisation rates adopted in current and previous year valuations and validating the rationale supporting the rate adopted by the external valuers and/or management. • Assessing the appropriateness of the Group's disclosures including key judgements and assumptions underlying the valuations in the Notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Deloitte.

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 22 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Aspen Group Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 21 August 2020

Consolidated Financial Statements Contents

Consolidated statement of profit and loss

Aspen Group Limited
For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $'000	Restated 2019* $'000
Continuing operations			
Rental income		**26,923**	25,841
Home sales		**2,247**	1,691
Food and Beverage sales		**1,203**	1,696
Other revenue		**397**	-
Total revenue	1	**30,770**	29,228
Expenses			
Operational expenses	2	**(6,184)**	(5,614)
Property expenses	2	**(5,699)**	(5,621)
Cost of Homes sold		**(1,571)**	(1,106)
Employee expenses	2	**(7,709)**	(7,980)
Administration expenses	2	**(2,039)**	(3,526)
Depreciation and amortisation expenses		**(523)**	(653)
Other expenses		**(1)**	(20)
Total expenses		**(23,726)**	(24,520)
Net Fair value gain/(loss) on Investment properties	8	**3,401**	(4,523)
Earnings/(loss) before interest and income tax expense (EBIT)		**10,445**	185
Finance income	2	**170**	207
Finance costs	2	**(1,868)**	(1,284)
Profit/(Loss) before income tax		**8,747**	(892)
Income tax expense	3	**3,125**	-
Profit/(Loss) from continuing operations		**11,872**	(892)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	19	**(1)**	(67)
Profit/(Loss) for the year		**11,871**	(959)
Profit/(Loss) attributable to ordinary equity holders of the parent entity		**11,871**	(848)
Profit/(Loss) attributable to non-controlling interest	20	**-**	(111)
Profit/(Loss) for the year		**11,871**	(959)
Earnings per security (EPS) attributable to ordinary equity holders of the parent entity from continuing operations		Cents	Cents
Basic earnings per security	13	**12.17**	(0.93)
Diluted earnings per security	13	**12.17**	(0.93)
Earnings per security attributable to ordinary equity holders of the parent entity			
Basic earnings per security	13	**12.17**	(0.88)
Diluted earnings per security	13	**12.17**	(0.88)

*Refer to "About this report" section for detailed information on restatement of comparatives.

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

Consolidated statement of comprehensive income

Aspen Group Limited
For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $'000	Restated 2019* $'000
(Loss)/profit for the year		**11,871**	(959)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		-	-
Other comprehensive income for the year, net of tax		**11,871**	(959)
Total comprehensive income for the year from:			
Continuing operations		**11,871**	(892)
Discontinued operations		-	(67)
		11,871	(959)
Total comprehensive income for the year attributable to:			
Securityholders of Aspen		**11,871**	(848)
Non-controlling interests		-	(111)
		11,871	(959)

*Refer to "About this report" section for detailed information on restatement of comparatives.

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

Consolidated balance sheet

Aspen Group Limited
As at 30 June 2020

	Note	30 June 2020 $'000	CONSOLIDATED Restated 30 June 2019* $'000	Restated 1 July 2018* $'000
Assets				
Current assets				
Cash and cash equivalents	4	**8,161**	6,466	13,370
Trade and other receivables	5	**6,910**	3,913	1,950
Assets classified as held for sale		**-**	-	4,157
Inventories		**1,958**	2,760	1,566
Net investment in sublease	22	**1,108**	-	-
Total current assets		**18,137**	**13,139**	**21,043**
Non-current assets				
Investment properties	8	**150,085**	110,540	86,516
Property, plant and equipment	7	**16,919**	17,500	19,451
Intangible assets		**82**	106	279
Right of use assets	21	**538**	-	-
Deferred tax assets	3	**3,125**	-	-
Net investment in sublease	22	**1,384**	-	-
Other		**444**	450	373
Total non-current assets		**172,577**	**128,596**	**106,619**
Total assets		**190,714**	**141,735**	**127,662**
Liabilities				
Current liabilities				
Trade and other payables	6	**9,046**	6,485	5,841
Liabilities classified as held for sale		**-**	-	43
Provisions	9	**1,213**	1,984	2,402
Lease liability	23	**1,291**	-	-
Total current liabilities		**11,550**	**8,469**	**8,286**
Non-current liabilities				
Interest bearing loans and borrowings	14	**42,498**	24,500	4,700
Lease liability	23	**2,255**	-	-
Derivative liability	15	**381**	-	-
Total non-current liabilities		**45,134**	24,500	4,700
Total liabilities		**56,684**	**32,969**	**12,986**
Net assets		**134,030**	**108,766**	**114,676**
Equity				
Equity attributable to equity holders of the parent				
Issued capital	12	**509,715**	490,348	490,361
Reserves	12	**201**	-	-
Accumulated losses		**(372,049)**	(361,439)	(355,653)
Total equity attributable to equity holders		**137,867**	128,909	134,708
Non-controlling interest	20	**(3,837)**	(20,143)	(20,032)
Total equity		**134,030**	**108,766**	**114,676**

*Refer to "About this report" section for detailed information on restatement of comparatives.

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

Consolidated cash flow statement

Aspen Group Limited
For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**30,836**	30,098
Payments to suppliers and employees (inclusive of GST)		**(19,591)**	(26,249)
Net cash flows from operating activities	4	**11,245**	3,849
Cash flows (used in)/from investing activities			
Proceeds from sale of assets held for sale, net of selling costs		**-**	2,542
Deposit paid for investment property acquisition		**(4,123)**	(865)
Acquisition of investment properties		**(36,025)**	(27,047)
Interest received		**170**	225
Net cash flows used in investing activities		**(39,978)**	(25,145)
Cash flows (used in)/from financing activities			
Proceeds from borrowings		**29,998**	28,800
Repayment of borrowings		**(12,000)**	(9,000)
Proceeds from net investment in sublease		**942**	-
Distributions paid		**(5,253)**	(4,232)
Payment of borrowing costs		**(1,528)**	(1,176)
Payment of lease liability		**(1,098)**	-
Issuance of stapled securities (net of costs)		**19,367**	-
Net cash flows used in financing activities		**30,428**	14,392
Net decrease in cash and cash equivalents		**1,695**	(6,904)
Cash and cash equivalents at beginning of year (including cash assets classified as held for sale)		**6,466**	13,370
Cash and cash equivalents at end of year	4	**8,161**	6,466

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

Consolidated statement of changes in equity

Aspen Group Limited
For the year ended 30 June 2020

CONSOLIDATED	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		490,361	7,129	(362,782)	(20,032)	114,676
Retrospective adjustment *		-	(7,129)	7,129	-	-
Adjusted balance at 1 July 2018		490,361	-	(355,653)	(20,032)	114,676
Net loss for the year		-	-	(848)	(111)	(959)
Revaluation of property, plant & equipment		-	-	-	-	-
Total comprehensive income for the year		-	-	(848)	(111)	(959)
Securities cancelled	12	(13)	-	-	-	(13)
Security based compensation	12	-	-	(122)	-	(122)
Distributions payable or paid to securityholders		-	-	(4,816)	-	(4,816)
Balance at 30 June 2019 and 1 July 2019		490,348	-	(361,439)	(20,143)	108,766
Retrospective adjustment - AASB 16	27	**-**	**-**	**255**	**-**	**255**
Adjusted balance at 1 July 2019		**490,348**	**-**	**(361,184)**	**(20,143)**	**109,021**
Net profit for the year		**-**	**-**	**11,871**	**-**	**11,871**
Revaluation of property, plant & equipment		**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year		**-**	**-**	**11,871**	**-**	**11,871**
Issue of stapled securities	12	**19,367**	**-**	**-**	**-**	**19,367**
Deregistration of non-controlling interest	20	**-**	**-**	**(16,306)**	**16,306**	**-**
Security based compensation	12	**-**	**201**	**-**	**-**	**201**
Distributions payable or paid to securityholders		**-**	**-**	**(6,430)**	**-**	**(6,430)**
Balance at 30 June 2020		**509,715**	**201**	**(372,049)**	**(3,837)**	**134,030**

*Refer to "About this report" section for detailed information on restatement of comparatives.

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

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

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

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

The consolidated financial statements of Aspen as at and for the year ended 30 June 2020 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 and operation of affordable accommodation assets.

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

The consolidated financial statements 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, investment property, 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;
- discloses 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 2018. Refer to notes 28 and 29 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 judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Information about judgements, estimates and assumptions that have a significant effect on the consolidated financial statements are found in the following notes:

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 18.

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:

Other accounting policies

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

The notes to the financial statements

The notes are organised into the following sections:

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

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

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

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

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

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

Financial position

During the year ended 30 June 2020 Aspen recorded a profit after tax of $11.871 million (restated 2019: loss after tax of $0.959 million). At 30 June 2020 Aspen had net assets of $134.030 million (30 June 2019: $108.766 million), cash reserves of $8.161 million (30 June 2019: $6.466 million) and current assets exceeded current liabilities by $6.587 million (30 June 2019: $4.670 million).

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

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

Significant changes in the current reporting period

Reclassification of accommodation assets previously recognised as Property Plant and Equipment as Investment Properties

During the financial year, management reassessed the historical classification of the Group's accommodation property asset portfolio. Historically these assets were classified on the basis of being business assets used in the production of goods and services pursuant to AASB 16 *Property Plant and Equipment,* with the resultant recognition of Property, Plant and Equipment (PP&E) and residual Goodwill balances.

The reassessment included consideration of the classification guidance included in AASB 140 *Investment Property* relating to the principal purpose of the assets as well as consideration of other factors, including the workforce and skillset associated with the assets, the historical level of ancillary services offered at the assets and the classification adopted by the Group's listed peers for similar assets. Based on this reassessment, management concluded that all but one of Aspen's accommodation property assets more appropriately historically and to-date satisfied the classification criteria of Investment Property assets pursuant to AASB 140, with a principal purpose of earning rental income and capital appreciation. The noted exception relates to the Darwin FreeSpirit Resort which has since its acquisition operated as a full facility resort offering significant ancillary services to its rental accommodation, including food & beverage, and more recently gaming.

As a result of the reassessment, for the relevant assets, excluding Darwin FreeSpirit Resort, balances in the Group's Balance Sheet previously disclosed as Property Plant and Equipment and Goodwill have been reclassified as Investment Property. Furthermore, movements in Reserves relating to revaluation of property, plant and equipment will be replaced with recognition of fair value movements in the Consolidated Statement of Profit and Loss, and depreciation expense previously recognised in respect of these assets has been removed. The Darwin Freespirit Resort asset has retained its historical classification as Property Plant and Equipment. Notably, the above changes have had no impact on the Group's historical reported consolidated Net Assets / Equity position, nor on the Group's historical consolidated Cash Flow Statement.

Presentation of certain historical revenue and expense items have also been reclassified to conform with current year presentation.

Significant changes in the current reporting period (continued)

Reclassification of accommodation assets previously recognised as Property Plant and Equipment as Investment Properties (continued)

The restatement has been recognised in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as follows:

Restated FY2019 Balance Sheet

	Previously reported $'000	Restatement adjustment $'000	2019 Restated $'000
Current assets			
Cash and cash equivalents	6,466	-	6,466
Trade and other receivables	3,913	-	3,913
Inventories	2,760	-	2,760
Total current assets	13,139	-	13,139
Non-current assets			
Investment properties	-	110,540	110,540
Property, plant and equipment	112,934	(95,434)	17,500
Intangible asset	15,212	(15,106)	106
Other	450	-	450
Total non-current assets	128,596	-	128,596
Total assets	141,735	-	141,735
Current liabilities			
Trade and other payables	6,485	-	6,485
Liabilities classified as held for sale	-	-	-
Provisions	1,984	-	1,984
Total current liabilities	8,469	-	8,469
Non-current liabilities			
Interest bearing loans and borrowings	24,500	-	24,500
Derivative financial liability	-	-	-
Total non-current liabilities	24,500	-	24,500
Total liabilities	32,969	-	32,969
Net assets	**108,766**	**-**	**108,766**
Equity			
Issued capital	490,348	-	490,348
Reserves	14,092	(14,092)	-
Accumulated losses	(375,531)	14,092	(361,439)
Non-controlling interest	(20,143)	-	(20,143)
Total equity	**108,766**	**-**	**108,766**

Significant changes in the current reporting period (continued)

Reclassification of accommodation assets previously recognised as Property Plant and Equipment as Investment Properties (continued)

Restated and Reclassification of FY2019 Statement of Profit and Loss

	Previously reported $'000	Reclassification adjustment $'000	Restatement adjustment $'000	2019 Restated $'000
Continuing Operations				
Revenue	29,228	(29,228)	-	-
Rental income	-	25,841	-	25,841
Home sales	-	1,691	-	1,691
Food and beverage (F&B) sales	-	1,696	-	1,696
Total revenue	**29,228**	**-**	**-**	**29,228**
Expenses				
Cost of sales	(17,449)	17,449	-	-
Operational expenses	-	(5,614)	-	(5,614)
Property expenses	-	(5,621)	-	(5,621)
Cost of homes sold	-	(1,106)	-	(1,106)
Employee expenses	-	(7,980)	-	(7,980)
Administration expenses	(5,821)	2,295	-	(3,526)
Depreciation and amortisation expenses	-	(653)	-	(653)
Property depreciation, fair value adjustments and other	(12,736)	5,773	6,963	-
Other expenses	-	(20)		(20)
Total Expenses	**(36,006)**	**4,523**	**6,963**	**(24,520)**
Net Fair value gain/(loss) on investment properties	**-**	**(4,523)**	**-**	**(4,523)**
Earnings before interest and income tax expense (EBIT)	**(6,778)**	**-**	**6,963**	**185**
Finance income	207	-	-	207
Finance expense	(1,284)	-	-	(1,284)
Loss before income tax	**(7,855)**	**-**	**6,963**	**(892)**
Income tax expense	-	-	-	-
Loss from continuing operations	**(7,855)**	**-**	**6,963**	**(892)**
Discontinuing Operations				
Loss for the year from discontinued operations	(67)	-	-	(67)
Loss for the year	**(7,922)**	**-**	**6,963**	**(959)**
Loss attributable to ordinary equity holders of the parent entity	(7,811)	-	6,963	(848)
Loss attributable to non-controlling interest	(111)	-		(111)
Loss for the year	**(7,922)**	**-**	**6,963**	**(959)**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation of property, plant and equipment	6,963	-	(6,963)	-
Other comprehensive income for the year, net of tax	**(959)**	**-**	**-**	**(959)**
Total comprehensive income for the year from:				
Continuing operations	(892)	-	-	(892)
Discontinued operations	(67)	-	-	(67)
	(959)	**-**	**-**	**(959)**
Total comprehensive income for the year attributable to:				
Securityholders of Aspen	(848)	-	-	(848)
Non-controlling interests	(111)	-	-	(111)
	(959)	**-**	**-**	**(959)**

Operating segments

Aspen has four 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.

The identification of Aspen's operating segments has changed during the current year based on expansion in the Group's asset portfolio and resultant changes in the internal reporting to the chief operating decision makers to assess performance and determine the allocation of resources. Reporting of FY2019 segment information has been changed to reflect the new identified segments in the current year.

The following details the four operating and reporting segments, namely residential, retirement, tourism, and corporate, in addition to the other segment:

- Residential – this segment consists of the two Lindfield apartment buildings and the Perth Residential portfolio
- Retirement – this segment consists of three land lease communities, Four Lanterns, Sweetwater Grove and Mandurah Gardens
- Tourism and Mixed-Use – this segment consists of six parks that cater to a broad range of customers on varying lease terms
- Corporate – this segment includes Aspen's sole corporate accommodation park, Aspen Karratha Village. This property primarily caters to one corporate client and the day-to-day operation of the property is outsourced
- Other – this segment includes items that are not allocated to an operating segment. This includes corporate overheads and income, interest income and interest expense.

Recognition and measurement

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

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

Major customers

Revenue from one customer of Aspen's property portfolio represents approximately $9.427 million of Aspen's total revenues within the corporate segment (2019: $8.203 million).

Segment information

	Retirement		Tourism		Residential		Corporate		Other		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Rental income	**3,465**	3,413	**12,909**	13,934	**1,122**	-	**9,427**	8,494	**-**	-	**26,923**	25,841
Home sales	**2,247**	1,691	**-**	-	**-**	-	**-**	-	**-**	-	**2,247**	1,691
F&B sales	**-**	-	**1,203**	1,696	**-**	-	**-**	-	**-**	-	**1,203**	1,696
Other revenue	**-**	-	**-**	-	**-**	-	**-**	-	**397**	-	**397**	-
Total segment revenue [1]	**5,712**	5,104	**14,112**	15,630	**1,122**		**9,427**	8,494	**397**	-	**30,770**	29,228
Operating EBITDA [2]	**3,020**	2,650	**5,187**	5,614	**504**	-	**3,748**	3,550	**(4,434)**	(5,920)	**8,025**	5,894
Finance income	**-**	-	**-**	-	**-**	-	**-**	-	**27**	207	**27**	207
Finance costs	**-**	-	**-**	-	**-**	-	**-**	-	**(1,413)**	(1,140)	**(1,413)**	(1,140)
Operating profit / (loss) before depreciation and income tax	**3,020**	2,650	**5,187**	5,614	**504**	-	**3,748**	3,550	**(5,820)**	(6,853)	**6,639**	4,961
Depreciation and amortisation	**-**	-	**(474)**	(613)	**-**	-	**-**	-	**(49)**	(40)	**(523)**	(653)
Net Fair value gain/(loss) on Investment properties	**1,422**	1,877	**804**	2,576	**1,207**	-	**(32)**	70	**-**	-	**3,401**	4,523
Other expenses[3]	**-**	(3,793)	**(32)**	(5,333)	**-**	-	**-**	(139)	**(739)**	(525)	**(771)**	(9,790)
Income tax benefit/(expense)	**-**	-	**-**	-	**-**	-	**-**	-	**3,125**	-	**3,125**	-
Profit / (loss) after tax attributable to parent entity	**4,442**	734	**5,485**	2,244	**1,711**	-	**3,716**	3,481	**(3,483)**	(7,418)	**11,871**	(959)
Segment assets and liabilities reviewed by CODM can be analysed as follows												
Segment assets	**38,745**	34,990	**84,470**	82,050	**32,756**	-	**11,014**	11,000	**23,729**	13,695	**190,714**	141,735
Segment liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**56,684**	32,969	56,684	32,969

[1] *All segment revenues are derived from external customers.*

[2] *Operating EBITDA represents earnings before interest, tax, depreciation and amortisation and excluding non-underlying items.*

[3] *Other expenses are expenses which are excluded from CODM's review of operating profits. This includes expenses such as share-based payments and fair value adjustment on interest rate swaps.*

1: Revenue

(a) Other revenue

	2020	2019
	$'000	$'000
Management fees	347	-
Miscellaneous income	50	-
Total other revenue	397	-

Recognition and measurement

Revenue

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

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

Revenue from the sale of homes is recognised at the point in time when control of the home is transferred to the customer, on settlement of the home.

Food and beverage revenue is recognised when the provision of the service is provided to the customer.

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

Interest income is recognised as the interest accrues, using the effective interest rate method.

2: Expenses and other items

(a) Operational expenses

	2020	2019
	$'000	$'000
Contractors	3,339	2,898
Consumables	565	695
Services and supplies	852	801
Marketing expenses	376	364
Other operational costs	1,052	856
Total operational expenses	6,184	5,614

(b) Property expenses

	2020	2019
	$'000	$'000
Repairs and maintenance	776	1,037
Motor vehicle expenses	116	88
Utilities	2,801	2,848
Insurance	1,070	691
Rates and taxes	890	886
Other property expenses	46	71
Total property expenses	5,699	5,621

(c) Employee expenses

	2020	2019
	$'000	$'000
Salary and wages	6,766	7,530
Superannuation	556	574
Security-based payments / (reversal)	201	(135)
Other employee costs	186	11
Total employee expenses	7,709	7,980

(d) Administrative expenses

	2020	2019
	$'000	$'000
Corporate administration costs	1,829	3,277
Occupancy costs	114	235
Other expenses	96	14
Total administrative expenses	2,039	3,526

2: Expenses and other items *(continued)*

Recognition and measurement

Security-based payments expense

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

Employee benefits expense

Aspen's accounting policy for liabilities associated with employee benefits is set out in note 9.

Government incentives received in the form of JobKeeper payments totalling $0.6 million have been netted against salary and wages expense. Government incentives are recognised when there is reasonable assurance that the related eligibility conditions have been satisfied and the incentive will be received.

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

Depreciation expense

Refer to note 7 on depreciation expense.

Occupancy costs

Refer to note 27 on implementation of AASB 16 *Leases.* Occupancy costs represent charges pursuant to operating leases which are for short term duration of under 12 months and in respect of low value items.

Amortization

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

Goods and services tax

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

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

Finance income and costs

	Consolidated	
	2020	2019
	$'000	$'000
Interest – bank deposits	**27**	207
Interest - Investment in Sublease	**143**	-
Finance income	**170**	207
Interest – loan and borrowings	**1,345**	1,222
Interest – Rights of use assets	**142**	-
Interest – Swaps (mark to market)	**381**	-
Unwinding of discount on provisions	**-**	62
Finance costs	**1,868**	1,284

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	
	2020	2019
	$'000	$'000
Income statement (continuing operations)		
Current income tax expense		
Current year	-	-
Deferred income tax expense		
Temporary differences	**3,125**	-
Deferred tax assets derecognised	-	-
Income tax reported in the income statement	**3,125**	-
Tax reconciliation		
Profit/(loss) before tax	**8,747**	(959)
Income tax at the statutory tax rate of 27.5%? (2019:30%)	**(2,405)**	(288)
Prima facie income tax on profit from trusts	**1,545**	62
Non-deductible items	**(64)**	(37)
Unrecognised temporary difference, including utilisation of unrecognised tax losses	-	263
Recognition of previously unrecognised temporary differences	**501**	-
Recognition of previously unrecognised tax losses	**3,548**	
Income tax on profit before tax	**3,125**	-
Recognised net deferred tax assets*	**3,125**	-
Deferred tax not recognised on the balance sheet relates to the following:		
Deferred tax assets	**50,153**	53,143
Deferred tax liabilities (set off against deferred tax assets)	**(150)**	(371)
Net deferred tax assets not recognised	**50,003**	52,772

Deferred tax assets

The recognised deferred tax assets consist of the following:

	Consolidated	
	2020	2019
	$'000	$'000
Trade and other payables	**345**	-
Lease arrangement	**132**	
Provisions	**280**	-
Employee benefits	**332**	-
Other liabilities	**95**	-
Blackhole expenditure	**65**	-
Tax losses	**2,624**	-
Deferred tax assets	**3,873**	-
Set off against deferred tax liabilities		
Property, plant and equipment	**(33)**	-
Investment properties	**(715)**	
Deferred tax liabilities	**(748)**	-
Net deferred tax assets	**3,125**	-

At 30 June 2020, the Group has recognised net deferred tax assets in respect of previously unrecognised temporary differences totalling $0.5 million and tax losses totalling $2.6 million, based on an assessment of probable future tax profits that will be generated within a reasonable forecast period that will allow the deferred tax assets to be utilised.

At 30 June 2020, the Group has approximately gross $99.3 million (2019: $110.4 million) of unrecognised tax losses including approximately $39.5 million (2019: $39.5 million) of unrecognised capital losses, calculated on a provisional basis.

Recognition and measurement

Current taxes

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

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

Deferred taxes

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

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

3: Tax expense *(continued)*

Deferred taxes *(continued)*

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

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

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

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

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

Current tax and deferred tax for the year

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

Tax consolidation

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

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

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

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

The Trust

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

Key judgement

At 30 June 2020 a deferred tax asset of $3.125 million has been recognised in respect of previously unrecognised temporary differences totalling $0.5 million and tax losses totalling $2.6 million, based on an assessment of probable future tax profits that will be generated within a reasonable forecast period that will enable the deferred tax assets to be utilised

A deferred tax asset of $24.8 million (2019: $33.2 million) for unused tax losses has not been recognised based on the assessment that there is insufficient certainty as to the reasonable probability of generating future tax profits or being able to utilise the tax losses beyond the period in respect of which the recognised deferred tax asset has been recognised as at 30 June 2020.

4: Cash and cash equivalents

	Consolidated	
	2020	2019
	$'000	$'000
Cash at bank and in hand	**8,011**	6,316
Term deposits	**150**	150
	8,161	6,466

Australian Financial Services Licence ("AFSL") regulations require Aspen Group's subsidiary, Aspen Funds Management Limited ("AFM"), to maintain a minimum $0.075 million of cash and Net Tangible Assets ("NTA"), as defined by the regulations, of $0.150 million. At 30 June 2020 cash and cash equivalents of $0.150 million contributed to AFM maintaining the minimum cash and NTA requirement.

Reconciliation of net profit/ (loss) after tax to net cash flows from operations	**2020**	2019
	$'000	$'000
Net profit/ (loss) for the year	**11,871**	(959)
Adjustments for:		
Depreciation and amortization	**523**	265
Change in fair value of investment properties	**(3,401)**	4,911
Finance income	**(169)**	(207)
Change in fair value of equity investment	**(11)**	(93)
Loss/(Gain) from sale of assets held for sale	**-**	(45)
Share based payments expense	**201**	(135)
Finance and borrowing costs	**1,712**	1,177
Investment property acquisition costs	**12**	234
Deferred tax benefit	**(3,125)**	-
Other income / (expense)	**338**	(280)
Adjusted profit before movements in working capital and provisions	**7,951**	4,868
Decrease/(increase) in assets		
Trade and other receivables	**178**	532
Other assets	**773**	(1,482)
Increase in liabilities		
Trade and other payables	**2,343**	(69)
Net cash inflows from operating activities	**11,245**	3,849

Recognition and measurement

Cash and cash equivalents

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

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

5: Trade and other receivables

	Consolidated	
	2020	2019
	$'000	$'000
Trade receivables	**1,913**	2,427
Other debtors	**332**	244
Prepayments and other	**542**	377
Deposit for acquisition of properties [1]	**4,123**	865
	6,910	3,913
Trade receivables past due		
Under 90 days	**288**	52
Over 90 days	**469**	417
Trade receivables past due	**757**	469
Recognised expected credit losses	**(270)**	(181)
Trade receivables past due after provision for expected credit losses	**487**	288

[1] Includes the deposit paid for the Co-Living Community at Cooks Hill, Newcastle, NSW and Build-to-Rent Community at Burleigh Heads, QLD (2019: deposit paid for Lindfield Apartments, NSW)

Recognition and measurement

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

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

6: Trade and other payables

	Consolidated	
	2020	2019
	$'000	$'000
Trade payables	**4,307**	2,679
Distributions payable	**3,880**	2,703
Contract liabilities	**859**	1,103
	9,046	6,485

Recognition and measurement

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

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

A liability is recognised for the amount of any distribution (see Note 11) declared by the Group on or before the end of the reporting period but not distributed at Balance Sheet date

7: Property, plant and equipment

	Consolidated				
	Land (fair value) $'000	Buildings (fair value) $'000	Plant and equipment (fair value) $'000	Corporate assets (cost) $'000	Total $'000
Year ended 30 June 2020					
Cost or valuation	8,639	5,650	3,715	23	**18,027**
Accumulated depreciation and impairment	-	(454)	(650)	(4)	**(1,108)**
Net carrying amount	**8,639**	**5,196**	**3,065**	**19**	**16,919**
Movement					
Net carrying amount at the beginning of the year - restated	9,596	5,375	2,529	-	**17,500**
Additions	-	-	831	23	**854**
Depreciation	-	(179)	(295)	(4)	**(478)**
Revaluation gains / (losses)	(957)	-	-	-	**(957)**
Net carrying amount at the end of the year	**8,639**	**5,196**	**3,065**	**19**	**16,919**
Year ended 30 June 2019					
Cost or valuation – restated	9,596	5,650	2,884	-	18,131
Accumulated depreciation and impairment – restated	-	(275)	(355)	-	(631)
Net carrying amount - adjusted	9,596	5,375	2,529	-	17,500
Movement					
Net carrying amount at the beginning of the year – restated	11,515	5,375	2,474	87	19,451
Additions	-	-	119	9	128
Disposals and write-offs	-	-	-	(14)	(14)
Depreciation	-	(179)	(209)	(25)	(413)
Revaluation gains / (losses)	(1,919)	179	209	-	(1,531)
Reclassification and transfers	-	-	(64)	(57)	(121)
Net carrying amount at the end of the year - adjusted	9,596	5,375	2,529	-	17,500

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

Recognition and measurement

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

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

The fair value of PPE can be measured via either the capitalisation method, the discounted cash flow approach, or by comparison to comparable sales. Aspen may consider all three techniques and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. A revaluation decrease is recognised in profit or loss.

Refer further details regarding fair value assessment in note 8.

7: Property, plant and equipment *(continued)*

Depreciation

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

De-recognition

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

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

Level 3 fair value

The fair value measurement of PPE of $16.900 million (30 June 2019 adjusted: $17.500 million) has been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used. The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values. Details of the valuation is included in Note 8.

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

Property	Land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Year ended 30 June 2020				
Cost	10,333	5,375	3,592	19,300
Accumulated depreciation and impairment	(1,296)	(454)	(650)	(2,400)
Net carrying amount	9,037	4,921	2,942	**16,900**

Key judgment

Judgement is required in assessing classification of accommodation property assets as either PPE or Investment Properties.

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

8: Investment properties

Investment properties	30 June 2020 $'000	Re-stated 30 June 2019 $'000
Opening balance – adjusted	**110,540**	**86,516**
Investment properties acquired including acquisition costs	**36,144**	**28,935**
Net change in fair value	**3,401**	**(4,911)**
Closing balance - adjusted	**150,085**	**110,540**

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

During the year, Aspen acquired two apartment complexes registered under the *NSW Retirement Villages Act* in Lindfield (NSW) and a portfolio of 84 residential dwellings in Perth (WA). The acquisitions were acquired principally for the purposes of earning rental income 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.

Recognition and measurement

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

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

Fair value

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

	30 June 2020 $'000	30 June 2019 '000	1 July 2018 '000
Classified as:			
Property plant and equipment	**16,900**	17,500	19,451
Investment properties	**150,085**	110,540	86,516
	166,985	128,040	105,967

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

Segment	Percentage of portfolio independently revalued in current year	Total of latest independent valuation – current and prior years $'000	Total carrying value $'000
Retirement	33%	36,465	38,745
Tourism	50%	80,550	84,470
Residential	100%	28,650	32,756
Corporate	-	10,250	11,014
Total		155,915	**166,985**

8. Investment properties *(continued)*

The following table presents individual properties owned by the Group:

Property	Original acquisition date	Original acquisition costs $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 30 June 2020[2] $ '000	Book value at 30 June 2019 – restated $ '000	Book value at 1 July 2018 – restated $ '000
Retirement Properties							
Four Lanterns NSW	Jan 2015	7,420	May 2019	12,240	12,430	12,240	10,381
Mandurah WA	Jun 2015	10,200	Jun 2020	13,725	13,725	12,250	11,250
Sweetwater Grove NSW [1]	Aug 2015	10,500	May 2019	10,500	12,590	10,500	12,750
Tourism Properties							
Adelaide SA	Oct 2015	9,250	May 2020	11,900	11,900	11,000	10,750
Tween Waters	Dec 2016	6,880	Jun 2020	8,100	8,100	7,300	7,000
Barlings Beach	Jan 2017	13,250	May 2019	13,500	14,700	13,500	13,186
Koala Shores NSW	Sep 2017	10,200	May 2019	9,750	8,430	9,750	10,199
Darwin FreeSpirit NT[2]	Dec 2017	19,300	May 2020	16,900	16,900	17,500	19,451
Highway 1 SA	Oct 2018	23,060	Oct 2018	23,000	24,440	23,000	-
Residential Properties							
Pacific Highway (Kalinda) NSW	Aug 2019	4,929	Jun 2019	4,530	4,928	-	-
Treatts (Kiah) NSW	Aug 2019	5,443	Jun 2019	4,120	6,650	-	-
Perth portfolio WA	Nov 2019	21,178	Nov 2019	20,000	21,178	-	-
Corporate							
Aspen Karratha Village WA	Jun 2005	29,378	Nov 2017	10,250	11,014	11,000	11,000
At 30 June 2020/2019					166,985	128,040	105,967

[1] Formerly Tomago Van Village

[2] Directors and external valuations

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability, or the most advantageous market in its absence. In determining the fair value of certain assets, recent market offers have been taken into consideration.

It is the Group's policy to have all properties independently valued at intervals of no longer than three years. It is the policy of the Group to review the fair value of each property every six months reporting period and revalue properties to fair value when their carrying value materially differs to their fair values. In determining fair values, the Group considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data such as recent comparable transactions. The assessment of fair value of properties does not take into account potential capital gains tax assessable.

The fair value measurement of the investment property assets totalling $150,085 million (30 June 2019 adjusted: $110.540 million) and PPE assets totalling $16.900 million (30 June 2019 adjusted: $17.500 million) have been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used. The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values for investment property and PPE assets.

The Board has reviewed the carrying value of all properties as at 30 June 2020 and adopted directors' and independent valuations for all properties as at this date, taking into account historical, current and forecast trading performance, the most recent valuations, and market evidence. Specific consideration has been given to the impact of COVID-19 in respect of consideration of historical and forecast performance. Independent valuations were commissioned for five properties/portfolios during the financial year including the Perth and Lindfield property acquisitions noted above, with director valuations being undertaken for the remaining balance of properties.

As a result of the independent valuations received, as well as the use of directors' valuations as at 30 June 2020, there was a net upwards movement of $3.401 million (adjusted for capital expenditure since the previous valuation) in the portfolio carrying value during the year ended 30 June 2020.

The external valuers have indicated on their reports that the events of COVID-19 present unprecedented set of circumstances on which to base a judgement regarding property values. As a result, they have indicated that their valuations are reported on the basis of 'material valuation uncertainty' as per Valuation Reports (VPS 3) and matters that may give rise to material valuation uncertainty (VPGA 10) of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case.

8. Investment properties *(continued)*

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

The impacts of COVID-19 have continued into 1Q FY21 and the Group's operating conditions and settings are largely unchanged from Q4 FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. The Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control on costs. The directors believe Aspen can continue to perform relatively well in this environment as domestic household tenants and tourists seek lower cost accommodation in attractive locations. Nonetheless continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen's business. This may in turn negatively affect the Group's operating performance and the valuation of its properties.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of PPE and investment property assets as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**

Capitalisation method and discounted cashflow approach: The Group considers either of the techniques or when deemed appropriate, both of the techniques. Where both techniques are considered, the Group reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. In the current year the capitalisation method was the primary valuation technique adopted.
 	
The capitalisation method estimates the sustainable net income (where applicable) of the property, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of the asset. One off capital adjustments were made in the current year, where appropriate, to reflect the anticipated impact of COVID-19 to the underlying derived valuation. These adjustments were made primarily to the Group's tourist park assets which are most exposed to short-stay accommodation.
 	
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.
	For the financial year ended 30 June 2020, the properties were primarily valued using the capitalisation method.
	
	Residential
	Valuation inputs include:
	• Net sustainable operating income ranges from $0.18 million to $0.88 million
	• Capitalisation rate ranged from 3.74% to 4.25%
	
	Retirement
	Valuation inputs include:
	• Net sustainable operating income ranges from $0.69 million to $0.97 million
	• Capitalisation rate ranged from 6.50% to 8.50%
	
	Tourism
	Valuation inputs include:
	• Net sustainable operating income ranges from $0.75 million to $2.31 million
	• Capitalisation rate ranged from 8.25% to 9.25%
	
	Corporate
	Valuation inputs include:
	• Average nightly rate of $173 including meals
	• Occupancy rate of 55%
	• Net operating income margin of 28%
	• Capitalisation rate of 15%
		The estimated fair value would increase (decrease) if:
		• Net sustainable income increases (decreases)
		• Capitalisation rates and or discount rates decrease (increase) which could result from:
		  ○ Interest rates decreasing (increasing)
		  ○ Expected growth in sustainable net income increasing (decreasing)
		  ○ The required risk premium decreasing (increasing)

8. Investment properties *(continued)*

Sensitivity analysis

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

	Key assumptions			
	0.5% increase in cap rate	0.5% decrease in cap rate	5% decrease in NOI	5% increase in NOI
(Decrease) / Increase in total value ($'000)	(10,186)	11,707	(7,869)	8,217
Change in value (%)	(6%)	7%	(5%)	5%

9: Provisions

	Consolidated	
	2020	2019
	$'000	$'000
Current		
Employee benefits	**1,153**	688
Onerous lease	**-**	912
Other	**60**	384
	1,213	1,984

Movements in provisions during the financial year

	Consolidated	
	2020	2019
	$'000	$'000
Carrying amount at beginning of the year	**1,984**	2,402
Provision reclassified per AASB 16 [1]	**(912)**	-
Additional provisions recognised	**1,012**	104
Provisions used	**(871)**	(522)
Carrying amount at end of the year	**1,213**	1,984

[1] At the date of initial application of AASB 16, the provision for onerous lease is included in the initial calculation of the investment in sublease.

9: Provisions *(continued)*

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 employee benefits

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

A provision is recognised for the amount expected to be paid under short-term 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 employee benefits

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

Key estimates:

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

– future increases in salaries and wages;

– future on-cost rates; and

– experience of employee departures and period of service.

The total long service leave liability is $0.14 million (2019: $0.08 million)

10: 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 monitors and determines the level of distributions paid to securityholders.

	Consolidated	
	2020	Restated 2019
	$'000	$'000
Equity and reserves		
Issued capital	**509,715**	490,348
Reserves	**201**	-
Accumulated losses	**(372,049)**	(361,439)
Non-controlling interests	**(3,837)**	(20,143)
Net capital	**134,030**	108,766
Net financial debt		
Net interest-bearing debt less cash*	**(34,337)**	(18,034)

**Aspen has outstanding debt of $42.498 million (2019: $24.500 million)*

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

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

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

The Group holds finance facilities totalling $71.000 million. The facility comprises a $65.000 million revolver, $5.000 million overdraft facility and a $1.000 million guarantee facility, has a 29 month tenure ending November 2022 and is aligned to support the broader strategic objectives of the group. The facility has been established on commercial terms consistent with the scale and operations of the group. At 30 June 2020, Aspen had a debt of $42.498 million from the drawdown of these finance facilities.

Net debt reconciliation[1]

At 30 June 2020, Aspen had net debt of $34.337 million (2019: net debt of $18.034 million).

	Consolidated	
	2020	2019
	$'000	$'000
Cash and cash equivalents	**8,161**	6,466
Borrowings – repayable after one year (at variable interest rates);	**(42,498)**	(24,500)
Net (debt) / cash	**(34,337)**	(18,034)

	Cash and cash equivalents	**Borrowing – due after one year**	**Total**
	$'000	**$'000**	**$'000**
As at 1 July 2018	13,370	(4,700)	8,670
Cashflows/borrowings	(6,904)	(19,800)	(26,704)
As at 30 June 2019 and at 1 July 2019	**6,466**	**(24,500)**	**(18,034)**
Cashflows/borrowings	1,695	(17,998)	(16,303)
As at 30 June 2020	**8,161**	**(42,498)**	**(34,337)**

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

[1] for the purposes of the capital management, net debt excludes the lease liabilities totalling $3.546 million arising from AASB 16

11: Distributions

	Aspen securityholders			
	Cents per security		Total amount	
	2020	2019	**2020**	2019
	Cents	Cents	**$'000**	$'000
Paid during the year				
Final distribution for the previous year	**2.70**	2.10	**2,601**	2,022
Interim distribution for the year	**2.75**	2.30	**2,649**	2,215
	5.45	4.40	**5,250**	4,237
Proposed and unpaid at the end of the year				
Final distribution for the year	**3.25**	2.70	**3,781**	2,601
	3.25	2.70	**3,781**	2,601

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

Dividend franking accounts	**2020** **$'000**	2019 $'000
Franking credits - calculated at current tax rate of 27.5% (2017: 30%) available to securityholders of Aspen for subsequent financial years	2,001	2,183

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

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

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

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

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

12: Equity and reserves

	Securities	
Movement in stapled securities	'000 units	$'000
At 1 July 2018	96,333	490,361
Issue of stapled securities	-	-
Capital return	-	-
Security cancellation	(11)	(13)
At 30 June 2019 and 1 July 2019	96,322	490,348
Issue of stapled securities	**20,019**	**19,367**
Capital return	**-**	**-**
Security cancellation	**-**	**-**
At 30 June 2020	**116,341**	**509,715**

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.

The nature of Aspen's contributed equity

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

Issued capital

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

Security-based payment reserve

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

	Security-based payment reserve	Total Reserves
Reserves	$'000	$'000
At 30 June 2019 / 1 July 2019 – restated	-	-
Security-based payment	**201**	**201**
At 30 June 2020	**201**	**201**

During the year, Aspen issued 695,404 performance rights to the senior management team. The performance rights are issued at nil consideration for a total fair value of $603,263. This is in line with the LTI plan and are granted in accordance with performance guidelines established by the Board. The performance rights are issued upon the satisfaction of the TSR and NAV hurdles below:

TSR hurdle

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

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

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

12: Equity and reserves (continued)

Security-based payment reserve (continued)

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

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

NAV hurdle

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

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

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

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

30 June 2020

Grant date	Expiry date	Balance at the start of the year	Granted	Vested / Converted to shares	Expired/ forfeited/ other	Balance at the end of the year
19/12/2019	30/06/2022	-	695,404	-	-	695,404

None of the performance rights converted to shares during the year.

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

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/12/2019	30/06/2022	$1.20	22.00%	5.26%	0.82%	$0.8675

13: Earnings per stapled security

	Consolidated	
	2020	2019
(Loss)/Profit for the year attributable to ordinary equity holders of the parent entity ($ '000)	**11,871**	(848)
Basic weighted average number of stapled securities (No. '000)	**97,541**	96,322
Diluted weighted average number of stapled securities (No. '000)	**97,541**	96,322
EPS from total operations:		
Basic earnings per stapled security (cents per security)	**12.170**	(0.880)
Diluted earnings per stapled security (cents per security)	**12.170**	(0.880)
EPS from continuing operations:		
Basic earnings per stapled security (cents per security)	**12.170**	(0.926)
Diluted earnings per stapled security (cents per security) *	**12.170**	(0.926)
EPS from discontinuing operations:		
Basic earnings per stapled security (cents per security)	**-**	0.046
Diluted earnings per stapled security (cents per security)	**-**	0.046

**Potential ordinary securities are only considered dilutive if loss per security increases on conversion to ordinary securities. Contingently issuable ordinary securities are included in diluted weighted average number of securities only if the conditions of the issue (i.e. events have occurred) are satisfied at the end of the reporting period assuming the end of the reporting period is the end of the vesting period.*

Calculation of earnings per stapled security

Basic earnings per stapled security

Basic earnings per stapled security is calculated by dividing the profit/(loss) attributable to securityholders of Aspen by the weighted average number of ordinary stapled securities outstanding during the year.

Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by dividing the profit/(loss) attributable to securityholders of Aspen by the weighted average number of ordinary stapled securities outstanding during the year after adjusting for the effective dilutive securities granted under security plans accounted for as options and rights granted under employee security plans.

14: Interest bearing loans and borrowings

	Consolidated	
	2020	2019
	$'000	$'000
Current		
Secured debt facilities	**-**	-
Non-current		
Secured debt facilities	**42,498**	24,500
Total interest-bearing loans and borrowings	**42,498**	24,500

Recognition and measurement

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

Funding activities

Aspen holds a finance facility with a total limit of $71.00 million (inclusive of a $65.00 million revolver, $5.00 million overdraft facility and a $1.00 million guarantee facility). This facility is secured with first ranking registered real property mortgages over Aspen Group's directly owned properties, and a fixed and floating charge over Aspen Group Ltd, Aspen Property Trust, Aspen Living Villages Pty Ltd, Aspen Property Developments Pty Ltd, Realise Residential WA Pty Ltd, Realise Residential WA 2 Pty Ltd, Realise Residential WA 3 Pty Ltd and Realise Residential WA 4 Pty Ltd.

Terms and debt repayment schedule

		Consolidated		Consolidated	
		Face value	**Carrying value**	Face value	Carrying value
		2020	**2020**	2019	2019
		$'000	**$'000**	$'000	$'000
	Maturity				
Secured debt	Nov 2022	**42,498**	**42,498**	24,500	24,500

15: Derivative liability

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

	2020	2019
	$'000	$'000
Interest rate swaps (notional value: $25.00 million)	**381**	-
Closing balance	**381**	**-**

The term of the interest rate swap is at fixed interest rate of 0.81% over a period to January 2023.

Recognition and measurement

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately as hedge accounting is not applied.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and an intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

16: Financial risk management

Aspen may hold financial instruments for the following purposes:

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

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

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

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

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

These risks affect the fair value measurements applied by Aspen.

Credit risk

Nature of the risk

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

Credit risk management

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

Other than as disclosed as major customers on page 45, Aspen has a diverse range of customers and tenants, and therefore there are no significant concentrations of credit risk either by nature of industry or geographically.

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

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

	Consolidated	
	2020	2019
	$'000	$'000
Trade receivables (net of provisions)	**1,913**	2,477
Other receivables	**332**	243
	2,245	2,720

Liquidity risk

Nature of the risk

Liquidity risk is the risk that Aspen will not be able to meet its financial obligations as they fall due. Aspen is exposed to liquidity risk primarily due to its capital management policies, which has debt as a component of Aspen's capital structure (see note 10).

Liquidity risk management

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

	Consolidated	
	2020	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	**42,498**	24,500
Guarantees	**243**	298
	42,741	24,798
Facilities unused at balance date		
Revolver	**22,502**	20,500
Overdraft	**5,000**	5,000
Guarantees	**757**	4,702
	28,259	30,202

16: Financial risk management *(continued)*

Assets pledged as security

At 30 June 2020, Aspen's property assets, comprising investment properties and property, plant and equipment, have been pledged as security against debt facilities. Refer to note 14 regarding the secured debt facilities.

Maturity of financial liabilities

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

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

Year ended 30 June 2019	< 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Trade and other payables	6,485	-	-	-	-	-	6,485
Interest bearing loans and borrowings	304	304	24,601	-	-	-	25,209
Total non-derivatives	6,789	304	24,601	-	-	-	31,694
Derivatives	-	-	-	-	-	-	-
Year ended 30 June 2020							
Non-derivatives							
Trade and other payables	**9,046**	**-**	**-**	**-**	**-**	**-**	**9,046**
Lease liability	**695**	**718**	**1,490**	**220**	**-**	**-**	**3,123**
Interest bearing loans and borrowings	**259**	**259**	**518**	**43,714**	**-**	**-**	**44,750**
Total non-derivatives	**10,000**	**977**	**2,008**	**43,934**	**-**	**-**	**56,919**
Derivatives	**74**	**74**	**147**	**86**	**-**	**-**	**381**

Market risk

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

Interest risk management

For most of the past two financial years, Aspen has moved from a net cash to net debt position. Historically while debt levels were low Aspen maintained floating interest rates on its debt. Now that gross debt has increased, Aspen had fixed a proportion of its interest rates on borrowings by entering into interest rate swaps to minimise potential adverse interest rate movements. In January 2020, Aspen fixed $25 million of its floating interest rate exposure at a BBSW rate of 0.81% to January 2023.

Exposure

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

16: Financial risk management *(continued)*

	2020 Balance $'000	2020 Weighted average interest rate %	2019 Balance $'000	2019 Weighted average interest rate %
Fixed rate instruments				
Term deposits	**150**	**0.95%**	150	2.31%
Interest rate swaps	**(381)**	**0.81%**	-	-%
Variable rate instruments				
Cash and cash equivalents	**8,011**	**1.13%**	6,316	1.02%
Interest bearing loans and borrowings [1]	**(42,498)**	**1.94%**	(24,500)	3.20%
	(34,487)		(18,184)	
Total fixed and variable rate instruments	**(34,718)**		(18,034)	

[1] includes facility fees of 0.72% (2019: 0.72%)

Aspen's sensitivity to interest rate movements

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data. A 100 bps increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Impact on profit $'000	Impact on equity $'000
2019		
Australian variable interest rate +100bps	(224)	(224)
Australian variable interest rate -100bps	224	224
2020		
Australian variable interest rate +100bps	**219**	**219**
Australian variable interest rate -100bps	**(219)**	**(219)**

Equity price risk

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

Fair values

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

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

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

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

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

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

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

16: Financial risk management *(continued)*

Valuation of financial instruments

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (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 whom report directly to the Joint Chief Executive Officers.

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

Aspen's financial instruments are valued using market observable inputs (Level 2) with the exception of other financial assets at fair value (level 3) which were valued at $0.408 million (30 June 2019: $0.396 million).

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

Fair value measurement, valuation techniques and inputs

Class of assets / liabilities	Equity investment in unlisted company
Fair value hierarchy	Level 3
Valuation technique	Based on latest share buy-back price
Inputs used to measure fair value	Latest share buy-back price at 30 June 2020
Unobservable inputs as at 30 June 2020	Notice of meeting announcing the share buy-back on 29 June 2020.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2020 (2019: $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 2020 and 30 June 2019:

	2020	2019
	$'000	$'000
Opening Balance	**396**	304
Total gain or losses In profit or loss	**12**	92
Closing Balance	**408**	396

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.

17: Impairment of non-financial assets

Non-financial assets

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

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

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

Reversal of impairment

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

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

18: Subsidiaries

Parent entity	Ownership interest 2020 %	Ownership interest 2019 %
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 [1]	-	100
Aspen Property Developments Pty Limited	100	100
Aspen Communities Property Fund [2]	-	100
Aspen Equity Investments Pty Limited	100	100
Midland Property Trust	100	100
Caversham Property Development Pty Ltd	100	100
Realise Residential WA Pty Ltd	100	-
Realise Residential WA 2 Pty Ltd	100	-
Realise Residential WA 3 Pty Ltd	100	-
Realise Residential WA 4 Pty Ltd	100	-
Nest QLD Pty Ltd	100	-
Aspen Whitsunday Shores Pty Limited	54	54
Aspen Development Fund No1 Pty Limited [3]	-	75
Aspen Dunsborough Lakes Pty Ltd [1]	-	43
Aspen Dunsborough Lakes Resort Pty Ltd [1]	-	43
Fern Bay Seaside Village Pty Ltd [1]	-	45

[1] The Company was deregistered during the year

[2] Aspen Communities Property Fund comprised Aspen Communities Nominees Pty Limited, Aspen Communities Management Pty Limited and Aspen Communities Construction Pty Limited. Liquidation of all companies completed by 30 June 2020

[3] Aspen Development Fund No1 Pty Limited comprised Aspen Development Fund No1 Pty Limited, Caversham Property Pty Limited and Bradwell Pty Limited. Liquidation of all companies completed by 30 June 2020

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.

19: Discontinued operations

	Disposal groups held for sale		Non-core operations held for sale		Total discontinued operations	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Results of discontinued operations						
Revenue	-	-	-	-	-	-
Expenses	**(1)**	(8)	-	(13)	**(1)**	(21)
Profit/(loss) before income tax	**(1)**	(8)	-	(13)	**(1)**	(21)
Finance income	-	-	-	1	-	1
Gain/ (Loss) on disposal after income tax	-	(113)	-	66	-	(47)
Net change in fair value	-	-	-	-	-	-
Profit/(loss) after tax from discontinued operations	**(1)**	(121)	-	54	**(1)**	(67)
Assets and liabilities of discontinued operations						
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Properties held for sale	-	-	-	-	-	-
Prepayments and other assets	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Trade and other payables	-	-	-	-	-	-
Provisions and other liabilities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Net assets	-	-	-	-	-	-
Cash flows of discontinued operations						
Net cash from / (used in) operating activities	**(1)**	(159)	-	54	**(1)**	(105)
Net cash from investing activities	-	-	-	2,525	-	2,525
Net cash from/ (used in) financing activities	-	(1,468)	-	(2,579)	-	(4,047)
Net cash flows for the year	**(1)**	(1,627)	-	-	**(1)**	(1,627)

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 one development subsidiary classified as a disposal group held for sale.

Non-core operations held for sale

This comprises commercial and industrial properties that have been disposed

20: Non-controlling interests

	ADF	AWSS	FBSV	ADLL	Total
NCI percentage as at 30 June 2020	**-**	**45.9%**	**-**	**-**	
	$'000	**$'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	**15,060**	**-**	**(821)**	**2,067**	**16,306**
Closing balance at 30 June 2020	**-**	**(3,837)**	**-**	**-**	**(3,837)**

Recognition and measurement

Acquisition of non-controlling interests

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

Negative non-controlling interests

Aspen has recognised non-controlling interest for AWSS as at 30 June 2020 even though this NCI is negative. AWSS is a limited company, and there is no ability for Aspen to recoup the negative equity attributed to non-controlling interest.

21: Rights of use assets

	Consolidated	
	2020	2019
	$'000	$'000
Land	**559**	-
Less accumulated depreciation	**(21)**	-
	538	-

Refer to Note 27(a) for the accounting policy applied effective 1 July 2019.

22: Net investment in sublease

	Consolidated	
	2020	2019
	$'000	$'000
Current net investment in sublease	**1,108**	-
Non-current net investment in sublease	**1,384**	-
Total net investment in sublease	**2,492**	-

Refer to Note 27(a) for the accounting policy applied effective 1 July 2019.

23: Lease liability

	Consolidated	
	2020	2019
	$'000	$'000
Current lease liability	**1,291**	
Non-current lease liability	**2,255**	-
Total lease liability	**3,546**	-

Refer to Note 27(a) for the accounting policy applied effective 1 July 2019.

24: Parent entity disclosures

	Parent	
	2020	2019
	$'000	$'000
Assets		
Current assets	**44,087**	30,965
Non-current assets	**29,147**	4,411
Total assets	**73,234**	35,376
Liabilities		
Current liabilities	**46,524**	42,557
Non-current liabilities	**41,345**	41,416
Total liabilities	**87,869**	83,973
Net liabilities	**(14,635)**	(48,597)
Equity		
Issued capital	**158,722**	123,188
Accumulated losses	**(173,357)**	(171,785)
Total Equity	**(14,635)**	(48,597)
Profit/(loss) attributable to members of the parent	**(1,774)**	(5,967)
Total comprehensive profit/(loss) for the year, net of tax, attributable to members of the parent	**(1,774)**	(5,967)
Guarantees		
Guarantees to external parties		
Insurance bond guarantees	**-**	2,500
Total guarantees to external parties	**-**	2,500
Guarantees to subsidiaries		
ADF	**-**	2,500
Total guarantees to subsidiaries	**-**	2,500

The directors have not identified any material contingencies for the Parent as at 30 June 2020 (30 June 2019: $Nil).

Parent entity financial information

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

Investments in subsidiaries and associates

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

24: Parent entity disclosures (continued)

Guarantees

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

The Parent and its subsidiaries as per note 18 provide an unlimited guarantee and indemnity in favour of the Trust's banking facilities. The Parent and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen's subsidiaries.

Under the terms of the agreements, the Parent and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due. The parent does not expect to incur any loss material allowance in respect of such guarantees.

Parent entity financial information

As at 30 June 2020 the parent had a loan payable to the Trust of $20.757 million (2019: $41.416 million). The loan arrangements have a term ending 1 July 2021.

Going concern

The Parent has a negative asset position of $14.635 million. The negative asset position is primarily due to intergroup loans. Excluding all intergroup loans and investments, the Parent's net asset position would be negative $4.869 million net asset position.

One of these loans is subject to a loan agreement and the balance of the loans 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, the Board considers it appropriate for the Parent to be classified as a going concern.

25: Remuneration of auditors

	Consolidated	
	2020	2019
Fees paid or payable for services provided by the auditor of the Aspen Group:	**$**	$
Audit or review of financial statements		
Deloitte – 2020	**189,000**	-
PwC – 2019	**-**	225,000
	189,000	225,000

26: Related party transactions

Director and executive remuneration

The remuneration disclosures are provided in sections 4 to 8 of the directors' report on pages 13 to 22 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2020	2019
	$	$
Short-term benefits	**1,232,310**	1,288,359
Long-term benefits	**72,744**	84,504
Termination benefits	**-**	138,504
Equity compensation benefits	**171,074**	(121,917)
	1,476,128	1,389,450

26: Related party transactions (continued)

Other related party transactions

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	$	$
Sales of goods and services		
Project management fees earned from Mill Hill Capital Pty Ltd, an entity associated with Mr Carter and Mr Dixon (Joint CEOs)	**347,160**	-
Payment for goods and services		
Payment of office rental (GST exclusive) to Belinda Evans, partner of Mr Carter (Director / CEO)	**72,578**	21,551
Payment of responsible entity fees to Evolution Trustees Limited	**86,272**	56,237

The Company has an arrangement with Mill Hill Capital Pty Ltd (MHC), an entity associated with Mr Carter and Mr Dixon (Joint CEOs). Under that arrangement, Aspen manages MHC's Affordable Accommodation & Land Fund, and Marina Hindmarsh Island Fund. In return, Aspen earns project management fees from these funds in line with MHC's project management fee entitlement under its existing contracts.

27: Accounting standards adoption

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

The Group has adopted AASB 16 *Leases* and other new and amended standards and interpretations commencing 1 January 2019.

AASB 16 Leases

Aspen has adopted AASB 16 using the modified retrospective approach from 1 July 2019, and as permitted under the specific transitional provisions in the standard has not restated comparatives for the 2019 reporting period. 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 includes:
- 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.

27: Accounting standards adoption (continued)

AASB 16 Leases (continued)

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 arrangements, 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.

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.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. From an initial assessment made, there are no standards not yet applied which are considered to have a material impact for the Group. The Group will continue to assess the impact of new accounting standards and interpretations issued but not yet applied.

28: Commitments and contingencies

	Consolidated	
	2020	2019
	$'000	$'000
Contingent liabilities		
Defect maintenance periods *(i)*	**-**	2,500
	-	2,500
Operating lease commitments		
Group as lessee (ii)		
Within 1 year	**-**	1,452
Greater than 1 year but not more than 5 years	**-**	2,532
More than 5 years	**-**	52
	-	4,036
Group as lessor (iii)		
Within one year	**4,580**	6,643
Greater than 1 year but not more than 5 years	**1,454**	5,760
More than 5 years	**-**	-
	6,034	12,403
Capital commitments *(iv)*		
Contracted but not provided for and payable:		
Within 1 year	**5,500**	7,785
Greater than 1 year but not more than 5 years	**-**	-
	5,500	7,785
Other expenditure commitments		
Bank guarantees issued to third parties	**243**	298
Insurance bond guarantees	**-**	2,500
	243	2,500

(i) Note that this was secured against the insurance bond guarantees.
(ii) Aspen leases various offices under non-cancellable operating leases. In addition, Aspen leases properties, under non-cancellable leases, on which it operates. No amounts have been presented in the current year as the Group has adopted AASB 16 Leases.
(iii) Relates to leases of Aspen owned properties and former corporate offices sub leased.
(iv) Relates to the contracted development expenditure for development currently underway at Sweetwater Grove (formerly Tomago Van Village), and the acquisition of a Build-to-Rent Community at Burleigh Heads, QLD. (30 June 2019: Acquisition of Lindfield Apartments).

Other than the above, Aspen Group is not aware of any material contingent liabilities existing at 30 June 2020 or at the date of completion of these condensed consolidated interim financial statements.

29: Contingent asset

The Group has lodged insurance claims for two of its properties on the NSW South Coast region (Barlings Beach and Tween Waters) that were materially affected by the summer bushfires. A total claim of $0.847 was made for loss of profit ($0.683 million) and property damages ($0.164 million). The potential recovery of these amounts has not been included in the current year results as the insurance assessment remains outstanding.

30: Subsequent events

On 1 July 2020, Aspen completed its acquisition of a Co-Living community at Cooks Hill, Newcastle, NSW. The purchase price was $3.75 million, before transaction costs. This asset forms part of the Newcastle cluster with Sweetwater Grove and Koala Shores.

Subsequent to the end of the year, there continues to be evolving restrictions implemented by state and federal governments in response to the COVID-19 pandemic. On the 24 July 2020 the Australian government confirmed its response is to continue suppression of COVID-19 until a point in time a vaccine or effective treatments are available, with the goal of no local community transmission.

The impacts of COVID-19 have continued into 1Q FY21 and the Group's operating conditions are largely unchanged from 4Q FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. The Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control on costs. The directors believe Aspen can continue to perform relatively well in this environment as domestic households tenants and tourists seek lower cost accommodation in attractive locations. Nonetheless continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen's business. This may in turn negatively affect the Group's operating performance and the valuation of its properties, as well as potentially the recoverability of certain financial assets such as trade debtors.

The Group has total unused funds of $28.259 million as at 30 June 2020 and $8.161m in cash and cash equivalents and the directors do not consider the impact of COVID-19 to likely compromise the ability of the Group to continue operating profitably for the foreseeable future.

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

Directors' Declaration

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

   (a) the consolidated financial statements and notes set out on pages 33 to 73, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Aspen's Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

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

2. The directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the Joint CEOs for the financial year ended 30 June 2020.

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

Signed in accordance with a resolution of the directors.

Clive Appleton

Chairman

SYDNEY, 21 August 2020

Additional Securities Exchange Information

1. Stapled Security

Aspen Group is quoted on the Australian Securities Exchange as a stapled security (ASX code APZ).

A stapled security is created through the joining of a share (Aspen Group Ltd) and a trust unit (Aspen Property Trust) to form a single security traded on the Australian Securities Exchange.

2. Distribution Policy

Aspen Group's distribution policy is to pay distributions on a semi-annual basis.

Distributions paid for the 2019/2020 financial year totalled 6.0 cents per security.

Dividend and Distribution Re-Investment Plan ("DRP")

Aspen Group's DRP has been suspended since September 2012.

3. Capital Structure

As at 28 September 2020 Aspen Group had 116,367,996 securities on issue.

(a) Voting Rights

For all securities voting rights are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll shall have one vote.

(b) Distribution of Securities

Analysis of numbers of holders by size of holding:

Size of Holding	Number of Securityholders
1 - 1,000	483
1,001 to 5,000	424
5,001 to 10,000	149
10,001 to 100,000	285
More than 100,001	63
Total	**1,404**

The number of security investors holding less than a marketable parcel is 274 and they collectively hold 29,361 securities.

(c) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of securities as at 28 September 2020 are listed below:

	Name	No. of stapled securities	%
1	BRAHMAN PURE ALPHA PTE LTD	19,007,255	16.33%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,550,601	11.64%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,070,589	11.23%
4	SELWYN JOHN CUSHING & BEVAN DAVID CUSHING	10,337,104	8.88%
5	NATIONAL NOMINEES LIMITED	9,853,439	8.47%
6	MILL HILL CAPITAL PTY LTD	9,187,342	7.90%
7	CITICORP NOMINEES PTY LIMITED	6,299,550	5.41%
8	REDBROOK NOMINEES PTY LTD	2,825,668	2.43%
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,060,534	1.77%
10	BNP PARIBAS NOMS PTY LTD <DRP>	1,920,944	1.65%
11	BIG MORETON PTY LTD	1,130,000	0.97%
12	MRS SARAH FOLETTA	870,000	0.75%
13	DEEMCO PTY LIMITED	852,264	0.73%
14	WALLBAY PTY LTD <THE MICHAEL ABELL S/F A/C>	833,296	0.72%
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	808,101	0.69%
16	WORLDWIDE FINANCES HOLDING PTY LIMITED	791,486	0.68%
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	724,958	0.62%
18	MR RUSSELL OWEN COWLEY	649,952	0.56%
19	VINE STREET INVESTMENTS PTY LTD <VINE STREET INVESTMENT A/C>	593,855	0.51%
20	IMS INVESTMENTS PTY LTD <IMS SUPER FUND A/C>	530,000	0.46%
	TOTAL	**95,896,938**	**82.41%**
	Balance of Register	**20,471,058**	**17.59%**
	Grand TOTAL	**116,367,996**	**100.00%**

(d) Substantial Securityholders

Aspen Group has received notification of the following substantial securityholders (5% or more of the issued capital).

Date of Last Notification	Securityholder	No. of stapled securities	% of the issued capital
3 June 2020	RESOLUTION CAPITAL LIMITED	6,000,000	5.29%
5 June 2020	DAVID CUSHING ATF KD CUSHING FAMILY TRUST	10,337,104	9.12%
5 June 2020	MILL HILL CAPITAL PTY LTD	9,556,688	8.43%
5 June 2020	COOPER INVESTORS PTY LIMITED	6,825,226	6.02%
9 June 2020	BRAHMAN PURE ALPHA PTE LTD	19,007,255	16.77%
21 Sept 2020	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	6,000,000	5.16%

Disclaimer

This report has been prepared by Aspen Group Limited ("Aspen") and should not be considered in any way to be an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, and neither this document nor anything in it shall form the basis of any contract or commitment. Prospective investors should make their own independent evaluation of an investment in Aspen. Nothing in this report constitutes investment, legal, tax or other advice. The information in this report does not take into account your investment objectives, financial situation or particular needs. The information does not purport to constitute all of the information that a potential investor may require in making an investment decision.

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This report contains forward looking information. Indications of, and guidance on, future earnings, distributions and financial position and performance are forward looking statements. Forward looking statements are based on Aspen Group's current intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties and other factors which could cause actual results to differ materially. Aspen Group and its related bodies corporate and their respective directors, officers, employees, agents, and advisers do not give any assurance or guarantee that the occurrence of any forward-looking information, view or intention referred to in this report will actually occur as contemplated.

All references to dollar amounts are in Australian currency unless otherwise stated.

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Corporate Directory

Responsible Entity

Evolution Trustees Limited
ACN 611 839 519, AFSL 486217

Board of Directors

Clive Appleton *Non-Executive Chairman*
Guy Farrands *Non-Executive Director*
John Carter *Executive Director*

Executive Management

David Dixon *Joint Chief Executive Officer*
John Carter *Joint Chief Executive Officer*

21 Oxford Street, Bondi Junction, NSW 2022

Tel (02) 9151 7500
Fax (02) 9151 7599
E-mail homemail@aspengroup.com.au

Group Company Secretaries (jointly held)

Mark Licciardo, Belinda Cleminson, David Dixon

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Tel: (02) 9322 7000

Share Registry

Link Market Services
Level 12, 680 George Street, Sydney NSW 2000

Tel 1300 554 474
Fax (02) 9287 0303

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