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MARKET RELEASE

ASX ANNOUNCEMENT
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SEPTEMBER 2015 QUARTERLY BUSINESS UPDATE

KEY POINTS

- Operating performance of the directly owned accommodation properties in line with budget expectations
- Aspen Parks Property Fund (APPF), 42% owned by Aspen Group, like-for-like net property income was down 15% on the September 2014 quarter
  - Net property income for the short-stay/residential portfolio continued to be positive, up 3% year-on-year
  - Continued weakness in the resource sector was reflected in performance from resources properties, down 42% year-on-year. However, this performance was materially in line with budget expectations
- Development approval granted for an additional 109 sites at the Perth Vineyards property
- Dubbo Parklands expansion completed
- $19.8m of asset acquisitions during the quarter
- Settlement of the sale of $71.9m of non-core assets during the quarter
- Announcement of proposed merger between Aspen Group and APPF

Aspen Group (ASX: APZ) is pleased to provide securityholders with a quarterly update on business activities for the period ended September 2015.

Operating performance

On a like-for-like basis, unaudited net property income in APPF was down 15% for the September 2015 quarter, compared with the September 2014 quarter, due principally to weakness in the resources sector. The weakness in the resources sector was materially in line with budget expectations, and reflects the well documented continued declining trading conditions in the resources sector generally.

Despite a relatively subdued domestic economy, in particular in Western Australia, the main short-stay/residential portfolio continued to show positive like for like net income growth, up 3%.

As a result of the weakness in the resources sector, overall operating margins declined, down 4% on a year-on-year basis; in the main short stay / residential portfolio, operating margins rose 1%.

Aspen Group summary of operating performance, September 2015 quarter vs September 2014 quarter

Property NOI ($m)	**Sep-14**	**Sep-15**	**variance**
Revenue			
Short stay / residential	7.2	7.2	1%
Resources	3.4	2.6	-24%
Total	**10.6**	**9.8**	**-7%**
Costs			
Short stay / residential	4.1	4.1	0%
Resources	1.4	1.4	-1%
Total	**5.6**	**5.5**	**0%**
Net income			
Short stay / residential	3.0	3.1	3%
Resources	2.0	1.1	-42%
Total	**5.0**	**4.3**	**-15%**
Margins			
Short stay / residential	42%	43%	1%
Resources	58%	44%	-13%
Total	**47%**	**43%**	**-4%**

Like for like basis

Development

Permanent residential sales

During the quarter, Aspen Group achieved 1 settlement and 1 conditional sale of residential cabins (nil settlements during September 2014 quarter).

Aspen Group continues to progress its pipeline of residential cabins, with completed stock on hand increasing to 8 cabins (June 2015: 6 cabins), and a further 14 cabin sites (June 2015: 7 cabin sites) having been purchased or being in construction, as at 30 September 2015.

Capacity enhancing development

During the quarter, Aspen Group has progressed the following initiatives:

- Development approval (DA) was obtained at Perth Vineyards for an additional 109 sites, which represents an increase of 55% on the existing 198 sites. Of these 109 sites, 66 sites (60%) are available for permanent residential use. With this DA obtained, there will be the continuation of the relocation of bungalow cabins (4 transferred to date) from the Pilbara property in north-west WA to Perth Vineyards to be sold as permanent residential;
- Construction was completed at Dubbo Parklands on 4 short stay cabins, and a water park; and
- DAs continued to progress on Shady River (~70 permanent residential sites) and Ashley Gardens (14 short stay sites). Subsequent to quarter end, the DA for Ashley Gardens was obtained.

A summary of master-planning currently in progress across Aspen Group's properties, with potential site expansion opportunities, is outlined in Annexure A.

Acquisitions

During the quarter, Aspen Group completed due diligence on two property acquisitions. One of these acquisitions for $10.5m was settled during the quarter, with the remaining $9.3m acquisition settling in October 2015. Both acquisitions were purchased by Aspen Group on balance sheet.

Aspen Group acquired the Tomago Van Village (Tomago) in Newcastle, New South Wales during the September quarter. The purchase price of $10.5m, excluding acquisition costs, represents a yield of 9.3%.

Tomago is located in metropolitan Newcastle, approximately 18 kilometres from the Newcastle CBD. It is adjacent to the Tomago industrial area, a substantial source of demand for accommodation at the property. The property has 160 sites, 136 of which are licenced for long-term utilisation, with the balance being short-stay sites. There is an existing development consent for a further 24 long term sites.

Adelaide Caravan Park, close to the Adelaide CBD, was acquired in October 2015. The total purchase price of $9.25 million reflects an initial yield of 9.4%, excluding acquisition costs. A portion of the property is subject to a $0.9 million deferred settlement, for up to two years.

The property is a 100% tourist park consisting of 76 total sites, 45 of which are tourist cabins, with the balance being caravan/tent sites, situated on approximately 1.5 hectares. The property backs onto the River Torrens and is located approximately 3km from the centre of Adelaide CBD and within walking distance to the Adelaide Oval and Adelaide Zoo. It has a medium density residential zoning in place, which provides optionality on long-term alternate land use.

Disposals

During the quarter, Aspen Group completed the settlement of the following non-core assets, which had been conditionally sold during FY15:

- Spearwood North, in Perth, Western Australia for $35.0m;
- Three properties held by APPF in North West Western Australia – Monkey Mia Dolphin Resort, Ningaloo Reef Resort and Exmouth Cape Holiday Park – for a price of $33.7m; and
- The balance of property assets held within Aspen Development Fund No. 1 Pty Ltd. This comprised two rural residential lots, and one transport depot lot, in north east Perth, Western Australia. Aspen Group will now commence the wind up of this development syndicate.

At 30 September 2015, Aspen Group has only three property assets held for sale, being:

- Spearwood South industrial property in Perth Western Australia at a net carrying value of $28.7m.
- Whitsunday Shores residential subdivision in Bowen, Queensland at a net carrying value of $3.0m; and
- A vacant lot in Perth, Western Australia at a net carrying value of $2.5m (conditionally sold).

Pro-forma balance sheet

A pro-forma balance sheet for Aspen Group, which reflects the acquisitions and disposals outlined above, is set out below. This balance sheet has been prepared on the basis of Aspen Group equity accounting APPF.

	APZ 30 Jun 15	Spearwood North settlement	Tomago acquisition	Adelaide acquisition	ADF property settlements	Pro-forma 30 Sep 15
Assets						
Cash	21.5		(11.1)	(4.4)		6.0
Spearwood	63.3	(34.6)				28.7
Aspen Karratha Village	22.0					22.0
MHE / holiday parks	18.7		11.1	9.3		39.1
Property assets	**104.0**	**(34.6)**	**11.1**	**9.3**	**0.0**	**89.9**
APPF Equity [1]	45.1					45.1
Other assets	17.7				(3.2)	14.5
Total assets	**188.3**	**(34.6)**	**0.0**	**4.9**	**(3.2)**	**155.5**
Liabilities						
Debt	44.5	(34.6)		4.5	(3.2)	11.3
Other	1.3			0.9		2.2
	45.8	**(34.6)**		**5.4**	**(3.2)**	**13.5**
Net assets	**142.5**	**0.0**	**0.0**	**(0.5)**	**0.0**	**142.0**

[1] *Total APPF securities at 30 June of 232,636,714, of which 97,610,256 are owned by Aspen Group (valued at $0.4622 NAV per security as at 30 June 2015).*

The above balance sheet does not include any value attributed to tax losses that exist within Aspen Group. A summary of the total tax losses available to Aspen Group in the future is outlined in Annexure B.

Analyst coverage

Two analysts now produce research reports on Aspen Group. Contact details of these analysts are as follows:

Company	Analyst	Email
Property Investment Research	Dinesh Pillutla	dinesh.pillutla@pir.com.au
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Annexure A
Masterplanning pipeline

Included below is a list of parks where masterplanning activities are being conducted. These masterplanning activities are focussed on either site expansions, or conversion of sites from short stay to permanent residential.

Park	Potential sites	Permanent sites	Short stay sites
Brownfields – not approved			
Shady River	~70	~70	
Four Lanterns	~25	~25	
Tomago Van Village	~20	~20	
Dubbo	16	Either	Either
Brownfields – approved			
Ashley Gardens	14		14
Balmoral	~200	~200	
Tomago Van Village	24	24	
Perth Vineyards	109	66	43
Conversion opportunity under assessment			
Maidens Inn			
Twofold Bay			

Annexure B
Potential tax losses available to Aspen Group

Tax assets ($m)

	Realised *	Unrealised *	Total tax assets
Revenue	18.0	1.2	19.2
Capital	15.0	58.9	73.9
Total	**33.0**	**60.1**	**93.1**

** Realised tax losses are losses or deductions claimed within historic tax returns, and are carried forward to future years.*

*** Unrealised losses pertain to losses which have not yet been claimed in tax returns, and which will be eligible for deduction in future financial years.*

Tax assets are as at 30 June 2015, see note 3 of the 2015 financial statements for further details.

Realised tax losses can be carried forward indefinitely, and be used when Aspen chooses, provided that the following tests are met:

1. Continuity of ownership test. Under this test, Aspen cannot have a change in shareholders of more than 50% from when tax losses are realised. As Aspen is a listed company, only shareholdings of 10% or more are required to be traced.
2. Same business test. If the continuity of ownership test is not passed, then Aspen would need to pass this test. Under this test, Aspen must carry on the same business from the date that the continuity of ownership test is not passed.

(This summary of the taxation position is general in nature only. Accordingly, all persons should seek their own independent taxation advice.)