

ASPEN GROUP

ASPEN GROUP LIMITED

ABN 50 004 160 927

ASPEN PROPERTY TRUST

ARSN 104 807 767

Responsible Entity: Aspen Funds Management Ltd

ABN 48 104 322 278

Appendix 4E
Preliminary Final Report
And
Financial Report
For the Period from 29 July 2003
to 30 June 2004

Results for announcement to the market

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount \$'000
Revenue from ordinary activities (i)	up	187	to 13,015
Profit/(loss) from ordinary activities after tax attributable to securityholders of Aspen Group (i)	Up	455	to 4,038
Net profit/(loss) attributable to securityholders of Aspen Group (i)	Up	455	to 4,038

(i) Compared to 2003 results for Aspen Group Limited.

Dividends (Distributions)

Aspen Group Limited			
Period	Cents per Stapled Security	Total \$ '000	Tax rate for franking credit %
Jul 03	0.093 0	120	30.00
Aug – Sep 03	0.0580	148	21.39
Oct – Dec 03	0.0869	222	21.39
Jan – Mar 04	0.0869	222	21.39
Apr – Jun 04	0.0674	173	0
	<u>0.3922</u>	<u>885</u>	

Aspen Property Trust			
Period	Cents per Stapled Security	Total \$ '000	Tax Deferred %
Jul 03	-	-	
Aug – Sep 03	0.1890	483	47.51
Oct – Dec 03	0.2831	723	47.51
Jan – Mar 04	0.2831	723	47.51
Apr – Jun 04	0.3026	777	100.00
	<u>1.0578</u>	<u>2,706</u>	

Combined		
Period	Cents per Stapled Security	Total \$ '000
	<u>1.45</u>	<u>3,591</u>

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

final dividend (June Qtr)	9 July 2004
interim dividend (March Qtr)	8 April 2004
interim dividend (Dec Qtr)	31 December 2003
interim dividend (Sept Qtr)	10 October 2003
interim dividend (July 03)	22 August 2003

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Key factors contributing to the significant increase in revenues and profits were:

Refer to attached commentary.

Key Highlights

2004 Financial Year

- ▲ Assets under management increased from \$53m to \$99m (i)
- ▲ Creation of Stapled Security structure
- ▲ Net Profit after tax increased by 455%
- ▲ Earnings per security increase of 127% to 1.68 cents per security (i)
- ▲ Distributions per security increase of 95% to 1.45 cents per security (i)
- ▲ Launch of Aspen Parks Property Fund
- ▲ Creation of Aspen Financial Resources Debt Fund
- ▲ Further institutional investor support

2005 Financial Year so far...

- ▲ \$30 million capital raising via placement to institutional investors
- ▲ Increase in 2005 forecast distribution of 15.2% to 1.67 cents per security
- ▲ Agreement to purchase two industrial properties valued at \$30.2million
- ▲ Forecast reduction in Group gearing to 50.6%
- ▲ Planned investment in Aspen Parks Property Fund of \$3 million

(i) Compared to 2003 results for Aspen Group Limited

Managing Directors Report

I am pleased to present to you the Managing Director's report for the 2004 financial year. This period has seen us take substantial steps in growing Aspen Group as a diversified property investment and management group.

Our business strategy remains focused on the following key elements:

- To acquire high yielding properties supported by quality tenants;
- To actively manage property assets to achieve highest possible returns;
- To develop and grow multiple property related income streams;
- To deliver consistently high securityholder returns.

Financial Performance

We are very pleased to report that Aspen Group has achieved its financial forecasts for the period.

The Group's net profit after tax of \$4.038 million represented an increase of 455% from the \$0.728m reported in 2003. This was largely attributable to the two properties acquired at the start of this financial period.

Distributions of 1.45 cents per stapled security were paid during the period, in line with forecast and representing an increase from the prior year of 95%.

As a result of continuing stable property income and our funds management initiatives, the distribution forecast for the 2005 financial year has been increased by 15.2% to 1.67 cents per security holder. Based on the most recent security price of 17.5 cents this represents a yield to the investor of 9.5%.

Continued prudent management of operating costs has ensured that operating costs have been well controlled. Cost of debt funds remains the largest component of expenditure for the group. Over 50% of the Group debt facilities are fixed for a period exceeding 4 years. Aspen looks forward to reducing its marginal cost of funding to reflect the growth in both size and quality of the property portfolio, as well as increased servicing ability of the Group through funds management income.

The past year has proved very successful with the following significant achievements:

- ^ Completed capital raising of \$20 million in July 2003 to fund property acquisitions;
- ^ Creation of the stapled security structure;
- ^ Completed acquisition of Alcoa Head office complex and Elders Woolstores site in August 2003;
- ^ Launch of Aspen Parks Property Fund;
- ^ Introduction of new institutional securityholders;
- ^ Achievement of financial forecasts;
- ^ Strengthening of senior management team;
- ^ Relocation to new premises at Septimus Roe Square;
- ^ Establishment of the Dividend Re-investment Plan;
- ^ Launching the Aspen Group newsletter –Aspire.

The financial year 2005 is already shaping as another year of growth, with the following achievements announced prior to the release of this report.

- ▲ Initial capital raising for Aspen Parks Property Fund completed and initial tourist parks properties settled;
- ▲ Increase in 2005 forecast distribution of 15.2% to 1.67 cents per security;
- ▲ \$30 million stapled security placement to institutional investors oversubscribed;
- ▲ Purchase contracts entered into for the acquisition of two industrial properties valued at \$30.2 million.

Property Assets

Early in the year we completed a successful capital raising, to enable the acquisition of two quality properties for a total consideration of \$53 million. The Alcoa head office building is a modern complex situated only 10 kms from the Perth CBD. It is fully leased to Alcoa of Australia Ltd, one of the worlds' biggest companies. The Elders Woolstores property is situated 18 kms from Perth and only 5 kms from Port facilities at Fremantle. This substantial site has a long-term lease to Elders Ltd, a subsidiary of the listed Futuris Group. Both properties provide long term secure income for the group.

Total property assets under management are set to increase further, following the announcement on 24 August 2004 of contracts to purchase two industrial properties. The combined value of these properties, located in Victoria and Queensland, is \$30.2 million. This will boost the Group's property assets to \$130 million as well as add geographic diversification to our portfolio.

Aspen Group remains focused on acquiring attractive yielding assets with quality tenants to ensure we maintain the return for our securityholders. Our disciplined buying approach will ensure we only purchase further properties that meet our criteria.

Funds Management Division

The 2004 period has seen significant progress in the funds management division, with a significant financial contribution expected in the coming year. The highlight was the successful commencement of the Aspen Parks Property Fund, while progress was also made on other potential income generating activities.

Aspen Parks Property Fund is an unlisted direct property fund, targeting assets in the tourist park sector. The fund, launched in April 2004 proved to be extremely popular with investors. An initial capital raising of \$17.5 million was targeted to acquire six tourist parks from the ASX-listed Fleetwood Corporation. The capital raising has been well oversubscribed, and settlement of the parks was completed in mid-July as planned. Going forward the fund aims to grow to approximately \$150 million over the next five years, through acquisition of additional assets.

Significant benefits arise from such a fund to the Aspen Group. Fee income is generated from the establishment of the fund, and on the acquisition of additional properties, while annual management fees provide a regular source of income for the Group. As the fund assets are not held on the Group's balance sheet, the income produced will enhance significantly the return on capital for securityholders in Aspen Group.

Aspen Financial Resources Ltd is the second fund to be established by Aspen Group. This fund is a joint venture with Financial Resources Ltd, an established and experienced finance company based in Perth. This fund will be seeking to raise funds from investors who seek a fixed income return, with the returns secured by mortgages over property or other assets. Aspen Group will receive fees and dividends from this entity adding to the Group's overall income.

It has been an excellent first full year for the funds management division. Utilising the property and financial experience of the Group's directors and senior management has resulted in a significant new income stream for the Group, which will increase in the years ahead as these funds grow.

As the news of our funds management success spreads we envisage being presented with a number of attractive opportunities in the future. We expect this division to provide a valuable contribution to Group revenue in the year ahead, with the increase in distribution forecast largely attributable to these activities.

Corporate

Following the capital raising in July 2003, Aspen Property Trust was established to hold the Alcoa and Elders Woolstores properties. Subsequently Aspen Group Ltd and Aspen Property Trust were joined to become Aspen Group and trade on the ASX as a stapled security. Many of the property groups listed on the ASX are also using this structure, as it allows the group to internalise the asset management functions and develop funds management activities, creating greater value for securityholders and more tax-effective distributions.

Asset growth, the new stapled structure, and continued success of Aspen Group over the past financial period has not gone unnoticed by the institutional investment sector. During the period we have seen a number of new institutional investors enter the security register, including UBS Investment Bank, Babcock and Brown, and micro-cap fund manager Acorn Capital. Perth-based private client firm Entrust PrivateWealth Management also hold a significant stake on behalf of their clients. Both Mr Hawkins, our Finance Director and myself have recently lifted our ownership in the Group, reflecting our confidence in the potential of Aspen Group.

As announced to the Australian Stock Exchange on 24 August 2004, Aspen Group successfully made a placement of stapled securities to institutional investors to fund the acquisition of two industrial properties and reduce group debt. It was pleasing to see the high level of interest in this placement, which was oversubscribed. This capital raising will add further institutional investors to our security register.

Aspen Group also established a Distribution Re-investment Plan during the period. We hope all securityholders are aware of, and have taken advantage of the plan.

Key People

Without doubt one of the contributing factors to the current and continued success of Aspen Group is its people.

The Board of Directors remained unchanged during the period, a positive factor that provides the executive team with stability and clear direction to pursue the group's objectives.

Due to the growth in the Group's operations we have seen the addition of senior management personnel and support staff to ensure the company remains well managed and has the necessary resources to pursue future growth. We believe the high quality of people Aspen is attracting is a reflection of the Group's success and potential.

Our move during the period to become a tenant of Septimus Roe Square was well received by staff and visitors alike. We have created a professional and modern workplace with sufficient space to meet the growing needs of the Group.

Outlook for 2005

The 2004 financial period has proved to be another exciting period for Aspen Group. We have built on the foundations established in the previous year, by acquiring two key assets and successfully launching the Aspen Parks Property Fund, both demonstrating the Group's ability to achieve its objectives. The announcements on 24 August 2004 of the institutional investor placement and planned acquisition of two further properties is a great start to what promises to be another rewarding year. That said, there is still plenty of work ahead of us and we are just as excited by the opportunities that lie ahead, and the challenges they will no doubt bring with them.

I am pleased to be leading a strong and dedicated group of people, focused and committed to growing Aspen Group as a significant property investment company, and to providing consistent and outstanding returns for securityholders and future investors.

We look forward to continuing the good work in 2005.



Angelo Del Borrello
Managing Director

Property Division

The 2004 financial period has seen assets under management more than double to \$99 million.

The period commenced with the settlement of the Elders Woolstores, Spearwood purchased for \$35.5 million and Alcoa Head Office Building purchased for \$17.35 million. Both properties are 100% occupied on long term leases, adding blue chip lease covenants to the Group's growing asset base.

The portfolio performed well during the period with all properties contributing to the income growth of the Group. We are now deriving income from some 60 tenants while still enjoying the security of having approximately 60% of income attributable to long term, secure leases.

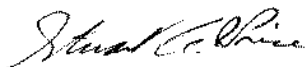
Our policy on investment selection remains focussed toward maintaining diversification across property sectors, thereby providing more investment opportunities while spreading risk. Therefore each new investment is considered on its individual merits. Many of our assets are also starting to build into a valuable land bank that may present future redevelopment and profit opportunities.

Aspen Group is now, in line with its stated policy of geographic diversity, expanding its investment base beyond Western Australia with the planned acquisition of two large industrial assets.

Contracts have been entered into on the following properties:

- 51 – 63 Heaton Street, Rocklea, Queensland at an acquisition price of \$8.8 million with an initial yield of 9.5%; and
- 215 Browns Road, Noble Park, Victoria with a purchase price of \$24.1 million and initial yield of 10.9%.

Both properties have been subjected to stringent due diligence evaluation and we are confident both will make a valuable contribution the overall performance of the Aspen Group portfolio. Together these properties add further rental income of \$3.16 million, with potential to increase this. Settlement is anticipated by October 2004



Stuart A.R. Price FRICS, FAPI
Executive Director – Property

Aspen Group Property Portfolio - Existing

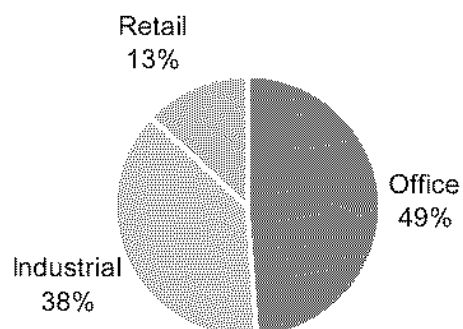
Property	Primary Use	State	Valuation
Septimus Roe Square	Office	WA	\$30.14 m
Alcoa Office Building	Office	WA	\$18.32 m
Elders Woolstores	Industrial	WA	\$37.48 m
Champion Drive Shopping Centre	Retail	WA	\$7.6 m
Midland Cinema Complex	Retail	WA	\$5.26 m
TOTAL			\$98.80 m

Aspen Group Property Portfolio – Under Contract

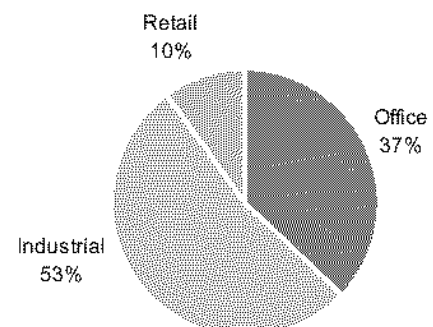
Property	Primary Use	State	Valuation
Brown Rd, Noble Park	Industrial	QLD	\$21.4 m
Heaton Street, Rocklea	Industrial	Vic	\$8.8 m
TOTAL			\$30.2 m

Portfolio Sector Diversification

Pre properties under contract

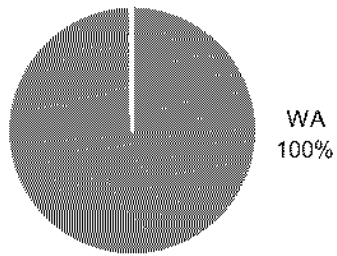


Post properties under contract

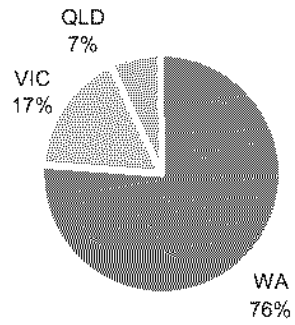


Portfolio Geographic Diversification

Pre properties under contract

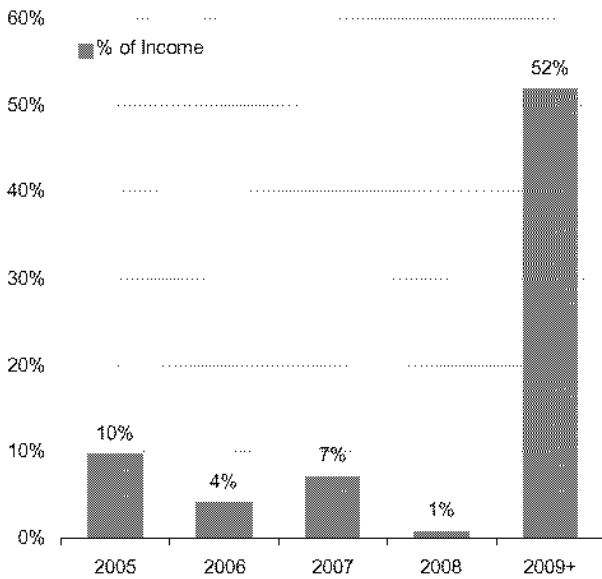


Post properties undercontract

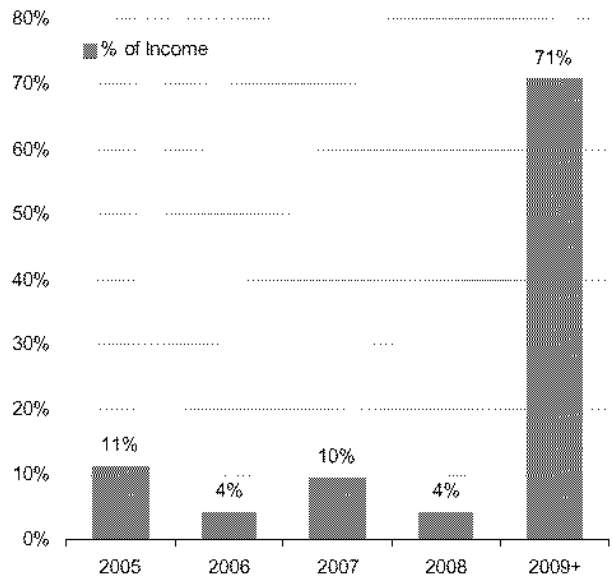


Lease Expiry Profile

Pre Properties under Contract



Post Properties under contract



Aspen Group

Financial Report for the period from
29 July 2003 to 30 June 2004

Financial Report for the period from 29 July 2003 to 30 June 2004

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Aspen Group

Group Particulars

BOARD OF DIRECTORS

Reg Gillard	(Non-Executive Chairman)
Gavin Hawkins	(Executive Director)
Angelo Del Borrello	(Executive Director)
Peter Hall	(Non-Executive Director)
Seng Fai Chan	(Non-Executive Director)
Stuart Price	(Executive Director – Aspen Funds Management Limited)

REGISTERED OFFICE

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256 Adelaide Terrace
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Facsimile: (61 8) 9220 8401
Email: homemail@aspengroup.com.au
Web Address: www.aspengroup.com.au

GROUP SECRETARY

Gavin Hawkins

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000
Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033

AUDITOR

Deloitte Touche Tohmatsu
Level 16, Central Park
152 – 158 St George's Terrace
PERTH WA 6000

SOLICITORS

Mallesons Stephen Jaques
Level 10, Central Park
152 – 158 St George's Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

Aspen Group's securities are listed on the Australian Stock Exchange Limited under the ASX code APZ (stapled securities) and APZO (stapled options). Aspen Groups' securities comprise of one unit and one share in Aspen Property Trust and Aspen Group Limited respectively.

Corporate Governance Statement

The directors are responsible for the corporate governance practices of the Group. This statement sets out the main corporate governance practices that were in operation throughout the financial period, except where otherwise indicated.

In order to constrain costs, while maintaining high standards, the full board considers most matters relating to corporate governance.

The Board of Directors

The board carries out its responsibilities according to the following mandate:

- the board should comprise at least three directors;
- the Chairman of the board should be a non-executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the board should meet on a monthly basis; and
- all available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

As at the date of the directors' report, the board consisted of three non-executive directors and three executive directors. Details of the directors are set out in the directors' report.

The primary responsibilities of the board include:

- the approval of the annual and half-yearly financial report;
- the establishment of the long-term goals of the Group and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Group and monitoring the results on a regular basis; and
- ensuring that the Group has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Audit Committee

The board has established an audit committee consisting of two directors, one of which is a non-executive director. The current members of the audit committee are:

- Mr G Hawkins
- Mr R Gillard

The audit committee provides a forum for the effective communication between the board and external and internal auditors. The audit committee reviews:

- the annual and half-yearly financial reports prior to their approval by the board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans.

The audit committee generally invites the external auditors to attend audit committee meetings. The audit committee also meets with and receives regular reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Corporate Governance Statement (continued)

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Risk Management

The board is responsible for the Group's system of internal controls. The board constantly monitors the operational and financial aspects of the Group's activities and, through the audit committee, the board considers the recommendations and advice of external and internal auditors and other external advisers on the operational and financial risks that face the Group.

The board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Group has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel, and, in conjunction with the recommendations of the audit committee, the scope and work program of internal auditors.

Code Of Conduct

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. All directors and employees, who are members of a professional body, are required to comply with their respective bodies ethical standards.

ASX Best Practice Recommendations

Aspen Group advises that it does not comply with the following ASX Corporate Governance Council Best Practice Recommendations.

Recommendation 2.4 – The Board should establish a Nomination Committee

The functions to be performed by a nomination Committee under the ASX Best Practice Recommendations are currently performed by the Board of Directors. Having regard to the number of members on the Board, the directors do not consider it appropriate to delegate these responsibilities to a sub-committee.

Recommendation 4.3 and 4.4 – Audit Committees

The audit committee does not fully comply with the requirements of 4.3 and 4.4. The structure of the audit committee has existed in its present form for a number of years and has operated effectively. The Board is however looking to implement where reasonable the recommendations pertaining to 4.3 and 4.4 in the coming financial year.

Recommendation 5.2 – Disclosure of Compliance with Listing Rules

The Group's website is currently being revised and when completed will contain full disclosure of the compliance plan with regard to listing rule compliance.

Recommendation 9.2 - The Board should establish a remuneration committee

The functions to be performed by a Remuneration Committee under the ASX Best Practice Recommendations are currently performed by the Board of Directors. Having regard to the number of members on the Board, the directors do not consider it appropriate to delegate these responsibilities to a sub-committee.

Directors' Report

The directors of Aspen Group Limited and Aspen Funds Management Limited (as the responsible entity for Aspen Property Trust) present their combined financial report for the Aspen Group for the period from 29 July 2003 to 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows.

The names and particulars of the directors of Aspen Group during or since the end of the period are:

Reg Gillard FCPA, FAICD,JP

Chairman

Age: 58

Mr. Reg Gillard brings over 30 years' experience in accounting and corporate finance to the Board. He has extensive experience and significant expertise in the evaluation and acquisition of businesses requiring development capital, initial public offerings, rights issues and placements, together with ongoing funding, corporate governance and compliance issues of listed public companies.

Mr. Gillard has developed close working arrangements with a number of substantial Australian, international and investment funds and has been responsible for and involved with the funding of several listed public companies.

Mr. Gillard is a Registered Company Auditor, Justice of the Peace, a Fellow of the Certified Practising Accountants of Australia, a Fellow of the Australian Institute of Company Directors and a Licensed Real Estate Agent. He is also a director and/or chairman of several listed public companies.

Angelo Del Borrello DipFinAdvising. (SecInst)

Managing Director

Age: 38

Mr. Angelo Del Borrello has spent the last 14 years in the financial markets, with 3 of those years with BNP Paribas as a private wealth manager. In recent years, Angelo has successfully grown a financial services business and has utilised his financial market skills in the property syndication markets. He also has an active involvement in various facets of property development including land subdivisions, luxury apartment development and refurbishment.

Mr. Del Borrello co-founded SageCorp Securities Pty Ltd, a private wealth management business, which holds an unrestricted securities dealers' license. Mr. Del Borrello holds a diploma of financial advising with the Securities Institute of Australia.

Gavin Hawkins B.Bus, ASIA

Executive Director

Age: 39

Mr. Gavin Hawkins has extensive experience in the public accounting and corporate sectors. Several years with Deloitte Touche Tohmatsu provided Mr. Hawkins with expertise in audit and corporate governance issues, corporate advisory and management consultancy. Gavin continued to develop his corporate finance skills with experience in investment banking in London and New York through Sumitomo Finance and Barclays Capital.

Together with Mr. Del Borrello, Gavin co-founded SageCorp Securities Pty Ltd, a private wealth management business, which holds an unrestricted securities dealers' license. Mr. Hawkins is a Chartered Accountant.

Directors' Report (continued)

Seng Fai Chan B Comm B Juris LLB
Non-Executive Director
Age: 54

Mr. Seng Fai Chan is a barrister and solicitor. Mr. Chan has been practicing as a legal practitioner for over 20 years, specialising in commercial law, taxation, leasing and Group structures. He previously worked in the Australian Taxation Office for 7 years. Mr. Chan acts for a number of major high net worth offshore clients, with particular interests in the Asian region. His particular knowledge of both corporate law and property law benefits the Group significantly.

Peter Hall
Non-Executive Director
Age: 62

Mr. Peter Hall is the managing director of Caversham Property Pty Ltd a wholly owned subsidiary of Futuris Corporation Limited ("Futuris"), an ASX listed public Group. Mr. Hall has over 30 years experience in the property sector, with particular expertise in development, acquisition management, and leasing strategies. He is a highly-regarded property professional, and provides the Group with extremely valuable property sector skills and knowledge.

Stuart Price FRICS, FAPI
Executive Director
Age: 55

Mr. Stuart Price has been involved in property investment, management and development for over 30 years and has substantial experience across the commercial, retail and industrial sectors. Mr. Price's experience in the fields of asset management, property investment, development and valuations have come from executive property positions in Barclays Bank PLC (London), Hong Kong Government, Sime Darby (Hong Kong) and Wyllie Group (Perth).

As property director at Wyllie Group, Mr. Price had responsibility for and involvement in a diverse portfolio of significant real estate assets throughout Australia. Recently these have included St George's Square office tower (Perth), the Perth Convention and Exhibition Centre, Kings Gardens Office Park (South Melbourne), shopping centre and residential projects in Queensland, the \$60 million Cullen Bay Estate in Darwin and the proposed Ernst & Young office tower at World Square (Sydney).

Mr. Price is a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Australian Property Institute.

Aspen Group

Directors' Report (continued)

Principal Activities

The principal activity of Aspen Group for the period was investment and funds management activities in the commercial property sector.

Review of Operations

On 10 June 2003, a shareholders' meeting was held to approve the following:

- The issue of up to 161,875,000 shares at 16 cents to raise funds for the acquisition of the Alcoa Office Complex and the Elders Woolstores site. A prospectus was lodged on 13 June 2003 relating to this capital raising.
- Resolutions to allow for the stapling of Aspen Group Limited's ("AGL") shares to the units in the Aspen Property Trust ("APT").

Total funds of just over \$20 million were raised during the period, and the stapling of APT units to AGL shares occurred.

The key combined financial results of the Group for the period are as follows:

	Period from 29 July 2003 to 30 June 2004 \$ '000s
Revenues	13,015
Net Profit (Loss) after tax	4,038
Total Assets	103,735
Total Equity	35,897

The following table gives effect to the stapling of securities of Aspen Group Limited and Aspen Property Trust, which took place on 29 July 2003, as if the transaction had occurred on 1 July 2002. The pro-forma information therefore represents the profit and loss account and balance sheet for Aspen Group as if it had existed from 1 July 2002.

This information is prepared for illustrative purposes and has been prepared based on the consolidated financial information of Aspen Group Limited for the year ended 30 June 2003 and the combined financial statements of Aspen Group for the period ended 30 June 2004.

	Year ended 30 June 2004 \$'000s	Year ended 30 June 2003 \$'000s
Revenues	13,015	4,532
Net Profit after tax	4,038	728
Total Assets	103,735	44,887
Total Equity	35,897	17,629

A detailed pro-forma profit and loss and balance sheet for Aspen Group is provided at pages 41- 42 of the Annual Report.

Aspen Group

Directors' Report (continued)

Income distributions paid to members during the financial period were as follows:

Nature	Record Date	Amount Per Security
1/07/03 – 31/07/03	22 August 2003	0.093 cents
1/08/03 – 30/09/03	10 October 2003	0.247 cents
1/10/03 – 31/12/03	31 December 2003	0.37 cents
1/01/04 – 31/03/04	8 April 2004	0.37 cents
1/04/04 – 30/06/04	9 July 2004	0.37 cents
Total		1.45 cents

These distributions have met those forecast per the Group's Offer Document dated 13 June 2003.

Significant Changes In State Of Affairs

Stapled Structure

The stapled entity Aspen Group was created through the stapling of the securities of AGL and APT. This stapling of the securities of the two entities was approved at a shareholders' meeting on 10 June 2003. On 29 July 2003 all conditions precedent to the stapling were satisfied and Aspen Group was admitted to the ASX as a stapled security.

The stapling results in the creation of a more efficient and flexible capital structure for Aspen Group security holders. The financial report for the period ended 30 June 2004 combines the results of Aspen Group Limited, all of its subsidiaries and Aspen Property Trust.

Capital Raising and Property Settlements

Under the terms of the prospectus lodged on 13 June 2003, Aspen Group issued 126.48 million stapled securities at an issue price of \$0.16 to raise in excess of \$20 million. The funds raised were to fund the following commercial property acquisitions that Aspen Group settled on 5 August 2003:

- Alcoa Booragoon Office Building Complex, Perth, Western Australia
- Elders Woolstores in Spearwood, Perth, Western Australia

Key features of the acquisitions included:

The Alcoa Office Complex is located at the corner of Marmion and Davy Streets, Booragoon, and is generally known as the Alcoa Building. The Complex has a single lease to its tenant, Alcoa of Australia Ltd, and has 10 years of a 12-year lease remaining, with 2 four-year options.

The Elders Woolstores is located at the corner of Phoenix Road and Sudlow Road, Spearwood. The Complex is tenanted by Elders Ltd, with 8 years remaining on a 15-year lease.

	Purchase Consideration	Year 1 Yield	Lease Term to Expiry
Alcoa Complex	\$17.35 mill	10%	10 years
Elders Woolstores	\$35.5 mill	10%	8 years

Capital Raising and Park Settlement

On the 23 July 2004, Aspen Group successfully settled the initial acquisition in the unlisted property investment fund, Aspen Parks Property Fund (Aspen Parks). The acquisition was for six tourist park properties from Fleetwood Corporation Limited ("Fleetwood"). The properties were independently valued at \$28 million and underpin the funds projected year one cash distribution of 10% and a total fund return of 12.94% per annum.

Directors' Report (continued)

Consequential to the sale, Aspen Group entered into a Strategic Alliance Agreement with Fleetwood. Fleetwood will assist in the further development of the funds existing and future parks through supply of manufacturing accommodation units on normal commercial terms. The strategic alliance also provides Aspen with the first option to acquire future parks developed by Fleetwood when they reach a certain maturity level.

Aspen Funds Management Limited, a wholly owned subsidiary of Aspen Group Limited, as part of Aspen Group, will act as the Responsible Entity and Funds Manager for Aspen Parks. Aspen Group will receive monthly management and other related fees from Aspen Parks, such fees have been detailed in the Aspen Parks Offer Document lodged with ASIC on 23 April 2004.

Subsequent Events

Aspen Parks Property Fund (APPF)

On 13 June 2004, Aspen Funds Management ("AFM"), a wholly owned subsidiary of Aspen Group Limited, which is part of Aspen Group, became the responsible entity of the Aspen Parks Property Trust (APPT). APPT, along with Aspen Parks Property Management (APPM), form the unlisted stapled structure, Aspen Parks Property Fund (APPF). AFM has also entered into an agreement with APPF, whereby it provides it with funds management services. On 23 July 2004, APPF settled on three freehold and three leasehold parks. The parks are all located in Western Australia. The parks were independently valued by Knight Frank at their consideration value of \$28 million.

Prospective Acquisitions

Conditional contracts have been entered into for the purchase of two industrial investment properties;

- A Queensland property with a purchase price of \$8.8 million and forecast net income of \$0.84 million per annum. Settlement is scheduled for 21 October 2004; and
- A Victoria property with a purchase price \$21.4 million and forecast net income of \$2.3 million per annum. Settlement is scheduled for 7 October 2004.

Institutional Placement

On 24 August 2004 Aspen Group announced it had successfully completed an institutional placement of \$176.5 million stapled securities at an issue price of 17 cents to raise \$30 million. The capital raising was completed in association with lead manager Patersons Securities Limited, who receive a fee of 4% of funds raised under the placement. The placement received strong support from Aspen's existing institutional members and is conditional upon the approval of Aspen Group securityholders.

The issue price of 17 cents represents a distribution yield of 9.8% on the Group's 2005 forecast distribution of 1.67 cents.

The capital raising assists in reducing the Group's gearing from 63% to 50%. This is consistent with the Group's stated intention of reducing its core gearing over time to the preferred range of 30% - 40%. Aspen will also be using \$3 million of the capital raising to take a direct investment in the Aspen Parks Property Fund.

Subject to the necessary securityholder approvals being obtained, the issue of the placement securities is expected to take place on 28 September 2004. The stapled securities will be issued on the same terms as existing securities, however will not be entitled to the September 2004 distribution.

A copy of the notice of meeting seeking the approval of Aspen securityholders for this placement was announced to the ASX on 24 August 2004, and distributed to Aspen Group securityholders on 25 August 2004.

Future Developments

Aspen Group will look to expand on its interests in the commercial property sector through future strategic property investments and identifying fund management opportunities. It will also look to further develop its existing strategic alliance with significant participants in the property sector.

Aspen Group

Directors' Report (continued)

Indemnification of Officers and Auditors

During the financial period, the combined entity paid a premium in respect of a contract insuring the directors of the combined entity (as named above), the combined entity secretary, and all executive officers of the combined entity and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The combined entity has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the combined entity or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director (while they were a director or committee member). During the financial period, 12 board meetings and 1 audit committee meeting were held.

Directors	Board of Directors		Audit Committee	
	Meetings Held	Meetings attended	Meetings held	Meetings attended
R Gillard	12	12	1	1
G Hawkins	12	12	1	1
A Del Borrello	12	12	-	-
S F Chan	12	12	-	-
P Hall	12	12	-	-
S Price	12	12	-	-

Directors' Security Holdings

The following table sets out each directors relevant interest in stapled securities or options of the Group or a related body corporate as at the date of this report.

Directors	Fully Paid Stapled Securities	Unlisted Options Expiring 12 February 2007 (1)	Unlisted Options Expiring 2 December 2005 (2)	Listed Options Expiring 10 October 2005 (2)
R Gillard	1,012,500	-	250,000	-
G Hawkins	7,598,739	4,000,000	-	-
A Del Borrello	7,603,779	4,000,000	-	-
S F Chan	5,698,739	-	250,000	-
P Hall	7,237,500	-	250,000	918,750
S Price	200,000	-	-	-

(1) Option exercise price of 18.75 cents per stapled security

(2) Option exercise price of 25 cents per stapled security

Aspen Group

Directors' Report (continued)

Directors' and Executives' Remuneration

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the combined entities operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

- a) Primary benefits - salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles;
- b) Post employment benefits - including superannuation and prescribed retirement benefits;
- c) Equity - share options granted under the executive share option plan; and
- d) Other benefits.

The following table discloses the remuneration of the directors of the Group during the period:

	Primary			Post Employment			Equity	Other Benefit	Total \$
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$	\$	
R Gillard	49,167	-	-	-	-	-	-	-	49,167
A Del-Borrello	155,079	-	13,750	15,338	-	-	-	-	184,167
G Hawkins	155,079	-	13,750	15,338	-	-	-	-	184,167
S F Chan	29,583	-	-	-	-	-	-	-	29,583
P Hall	29,583	-	-	-	-	-	-	-	29,583
S Price	104,650	-	-	10,350	-	-	-	-	115,000
Total	523,141	-	27,500	41,026	-	-	-	-	591,667

All directors held office throughout the period ended 30 June 2004.

Specified Executives

There were no specified executives who were not also directors of Aspen Group during the period.

International Financial Reporting Standards Impact

With the introduction of the Australian equivalent to ("A-IFRS") International Financial Reporting Standards, which applies to reporting periods beginning on or after 1 January 2005, Aspen Group has begun investigations to evaluate the impact that the A-IFRS international accounting standards will have on the Group. Aspen Group believes that the following are likely to impact upon the Group's accounts:

- 2 – Share based payments;
- 3 – Business combinations;
- 112 – Income taxes;
- 116 – Property, Plant and Equipment;
- 119 – Employee Benefits; and
- 136 – Impairment of Assets.

Directors' Report (continued)

Specifically, under A-IFRS, although the Group can continue to value its investments at fair value, all revaluation movements must be recognised through profit or loss rather than through the asset revaluation reserve.

Rounding Off Of Amounts

The Group is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the directors



Gavin Hawkins
Executive Director
PERTH, 27 August 2004



Angelo Del Borrello
Executive Director
PERTH, 27 August 2004

INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF ASPEN GROUP

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the combined Aspen Group, for the financial period 29 July 2003 to 30 June 2004 as set out on pages 15 to 40. Aspen Group comprises Aspen Property Trust, Aspen Group Limited and the entities controlled by Aspen Group Limited at the end of the financial period or from time to time during the financial period.

The directors of Aspen Group Limited and the directors of Aspen Funds Management Limited (as responsible entity for Aspen Property Trust) are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the stapled security holders of Aspen Group. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the combined entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Aspen Group is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the combined entity's financial position as at 30 June 2004 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Melver

Peter Melver
Partner
Chartered Accountants
Perth, 27 August 2004

Member of
Deloitte Touche Tohmatsu

Directors' Declaration

The directors of Aspen Group declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the combined entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Gavin Hawkins
Executive Director

PERTH, August 2004



Angelo Del Borrello
Executive Director

PERTH, August 2004

Aspen Group

Combined Statement of Financial Performance

for the period 29 July 2003 to 30 June 2004

	Note	Period from 29 July 2003 to 30 June 2004 \$ '000
Revenue from ordinary activities	2	13,015
Property expenses		(2,553)
Administration expenses		(1,709)
Borrowing costs		(4,496)
Other		(21)
Profit from ordinary activities before income tax expense		4,236
Income tax expense relating to ordinary activities	3	(198)
Net profit attributable to securityholders of Aspen Group		4,038
Total revenue, expense and valuation adjustments attributable to securityholders of Aspen Group recognised directly in equity		-
Total changes in equity other than those resulting from transactions with owners as owners		4,038
 Earnings per stapled security:		
Basic (cents per stapled security)	21	1.68
Diluted (cents per stapled security)	21	1.68

Notes to the financial statements are included on pages 19 to 40

Aspen Group

Combined Statement of Financial Position

as at 30 June 2004

	<u>Note</u>	<u>30 June 2004</u> <u>\$ '000</u>
Current Assets		
Cash assets		1,301
Receivables	6	1,473
Other financial assets	7	1,292
Other	8	70
Total Current Assets		<u>4,136</u>
Non-Current Assets		
Other financial assets	9	127
Property, plant and equipment	10	145
Investment properties	11	98,802
Other	12	525
Total Non-Current Assets		<u>99,599</u>
Total Assets		<u>103,735</u>
Current Liabilities		
Payables	13	693
Current tax liabilities	14	135
Interest bearing liabilities	15	1,800
Provisions	16	1,002
Other	17	858
Total Current Liabilities		<u>4,488</u>
Non-Current Liabilities		
Interest bearing liabilities	15	63,350
Total Non-Current Liabilities		<u>63,350</u>
Total Liabilities		<u>67,838</u>
Net Assets		<u>35,897</u>
Equity		
Contributed equity	19	62,679
Retained losses	20	(26,782)
Total Equity		<u>35,897</u>

Notes to the financial statements are included on pages 19 to 40

Aspen Group

Combined Statement of Cash Flows

for the period 29 July 2003 to 30 June 2004

		Inflows (Outflows)
		Period from 29 July 2003 to 30 June 2004 \$ '000
Cash flows from operating activities		
Receipts from customers		12,723
Payments to suppliers and employees		(4,224)
Interest received		80
Interest and other costs of finance paid		(4,105)
Income tax paid		(347)
Net cash provided by operating activities	28 (b)	4,127
Cash flows from investing activities		
Payment for property, plant and equipment		(141)
Payments for investment in securities		(18)
Payment for property, plant and equipment		(121)
Proceeds from the sale of property plant and equipment		-
Proceeds from property deposits		125
Loans issued		-
Payment for investment properties		(56,308)
Net cash used in investing activities		(56,463)
Cash flows from financing activities		
Proceeds from issues of equity securities		20,383
Payment for share issue costs		(2,563)
Proceeds from borrowings		39,100
Payment for arrangement of borrowings		(483)
Dividends paid		(3,001)
Net cash provided by financing activities		53,436
Net increase in cash held		1,100
Opening cash balance on creation of Aspen Group		201
Cash at the end of the period	28 (a)	1,301

Notes to the financial statements are included on pages 19 to 40

Notes to the Financial Statements

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views (including UIG Abstracts 13 "The Presentation of the Financial Report of Entities whose Securities are 'Stapled'"), and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The period end report should be read in conjunction with the 2004 annual financial reports of Aspen Group Limited and Aspen Property Trust.

The Aspen Group – Stapling of Securities

The Aspen Group was formed by the stapling of securities of two entities comprising Aspen Group Limited and Aspen Property Trust.

The resulting Aspen Group Stapled Securities, quoted and traded together on the Australian Stock Exchange, comprise one Aspen Group Limited share and one Aspen Property Trust unit. The stapled securities cannot be traded or dealt with separately.

With the establishment of the Aspen Group and its common investors, the combined group has common directors and common business objectives, and operates as a combined entity in the core business of property investment and management.

The Aspen Group entities comprising the stapled group remain separate legal entities in accordance with the Corporations Act 2001 and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Law 2001.

The stapled security structure will cease to operate on the first to occur of:

- either of Aspen Group Limited or Aspen Property Trust resolving by special resolution in general meeting and in accordance with the constitution to terminate the stapling provisions; or
- the commencement of the winding up of either Aspen Group Limited or Aspen Property Trust.

The Australian Stock Exchange reserves the right (but without limiting its absolute discretion) to remove one or more entities with stapled securities from the official list if any of their securities cease to be 'stapled' together, or any equity securities of the same class are issued by one entity which are not stapled to equivalent securities in the other entity.

Notwithstanding the above, Aspen Group is considered to be the reporting entity. Accordingly the combined financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being Aspen Group and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts", and Aspen Property Trust. Consistent accounting policies are employed in the preparation and presentation of the combined financial statements.

The combined financial statements include the information and results of each controlled entity from the date on which the Group obtains control and until such time as the Group ceases to control such entity.

These financial statements for Aspen Group present the combined results of Aspen Group Limited and Aspen Property Trust for the period from 29 July 2003 to 30 June 2004.

In preparing the combined financial statements, all inter Group balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial reports:

Aspen Group

Notes to the Financial Statements (continued)

1. Summary of Accounting Policies (continued)

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Capital Gains Tax

No provision has been made for capital gains tax, which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(d) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to obtaining finance for the purchase of investment properties are capitalised and amortised over the life of the loan.

(e) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements 5 years
- Plant and equipment 2 - 5 years
- Office furniture and fittings 2 - 5 years

(f) Earnings Per Stapled Security

Basic earnings per stapled security

Basic earning per stapled security is determined by dividing the profit from ordinary activities after income tax attributable to members of the Group by the weighted average number of ordinary stapled securities outstanding during the financial period.

Diluted earnings per stapled security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security by the weighted average number of stapled securities (both issued and potentially dilutive) outstanding during the financial period.

(g) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of wages and salaries, annual leave, sick leave, and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the combined entity in respect of services provided by employees up to reporting date.

(h) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

Aspen Group

Notes to the Financial Statements (continued)

1. Summary of Accounting Policies (continued)

(i) Financial Instruments Issued by the Group

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing facilities which is recoverable from, payable to the taxation authority is classified as operating cash flows.

(k) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

(l) Interest-Bearing Liabilities

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

Ancillary costs incurred in connection with the arrangement of borrowings made specifically for the acquisition of an investment property are capitalised and included in the cost of that investment property.

(m) Investments

Investments in controlled entities are recorded at cost. Other investments are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(n) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(o) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

Notes to the Financial Statements (continued)

1. Summary of Accounting Policies (continued)

(p) Investment Properties

Land and Buildings are measured on the fair value basis. Fair value is determined on the basis of an independent valuation prepared by external valuation experts. Independent valuations of property investments are obtained at intervals of not more than three years. In the absence of an independent valuation as at reporting date the Directors assess fair value on the basis of open market valuations for the best use of the respective properties. Any differences between the book value and the valuation of properties arise through stamp duty, other acquisition costs capitalised since acquisition and any capitalised items such as fixtures and fittings.

Revaluation increments and decrements arising from recognising investment properties at their fair values are offset against one another within the class of investment properties. Net revaluation increments in the carrying amounts of investment properties are recognised directly in the asset revaluation reserve, except to the extent that the increment reverses a decrement that was previously recognised as an expense in net profit or loss in respect of the same class of assets, in which case the increment is recognised as revenue in net profit or loss. Net revaluation decrements in the carrying amounts of investment properties are recognised as an expense in net profit or loss, except to the extent that the decrement reverses a previous revaluation increment in respect of the same class of assets credited directly to the asset revaluation reserve, in which case the decrement is debited directly to the reserve to the extent that a credit exists in respect of the same class of assets.

(q) Provisions

Provisions are recognised when the combined entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors.

(r) Revenue Recognition

Rental and other property income

Rental and other property income is recognised as income when receivable under the terms of the rental agreement.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the combined entity has passed control of the goods or other assets to the buyer.

Dividends

Dividend revenue is recognised on an accruals basis in accordance with Aspen Groups dividend policy.

(s) Tax Consolidation Legislation

Aspen Group Limited and its wholly owned subsidiaries have elected to enter the tax consolidation legislation at 1 July 2003. The effect of the election is that all tax expenses, revenues, assets and liabilities of the members of the tax consolidation group are recognised in the financial statements of the parent entity, Aspen Group Limited.

Aspen Group

Notes to the Financial Statements (continued)

Period from
29 July 2003 to
30 June 2004
\$ '000

2. Profit from Ordinary Activities

(a) Operating Revenue

Profit from ordinary activities before Income tax includes the following items of revenue and expense:

Sales revenue:

- Service revenue	195
- Rental income	11,735

Other Income

-Fund Management fees	935
-Interest received	80
-Other	70

13,015

(b) Expenses

Property expenses 2,553

Borrowing Costs

-Interest costs	4,266
-Other borrowing costs	230

4,496

Fund Management fees paid 330

Depreciation of non-current assets:

-Property, plant and equipment	30
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Assets written down 5

Operating lease rental expenses:

-Minimum lease payments	36
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Aspen Group

Notes to the Financial Statements (continued)

Period from
29 July 2003 to
30 June 2004
\$ '000

3. Income Tax

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit from Ordinary Activities	4,236
Income tax expense calculated at 30% of operating profit	1,271
Trust income not subjected to income tax costs capitalised for accounting	(812)
Permanent Differences:	
Building allowances and depreciation	(120)
Other non deductible expenses	12
Future income tax benefit not previously recognised now brought to account	(153)
Income tax expense attributable to profit from ordinary activities	198
Future income tax benefits not brought to account as assets at 30%	-

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Aspen Group Limited (head tax entity) and its wholly owned controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Tax Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1. The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The wholly owned entities have fully compensated Aspen Group Limited for deferred tax liabilities assumed by Aspen Group on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Aspen Group.

Aspen Group

Notes to the Financial Statements (continued)

4. Directors' Remuneration

The directors/executives information has been prepared in accordance with the new Accounting Standard AASB 1046 'Directors and Executives Disclosure by Disclosing Entities'.

The directors of Aspen Group during the period were:

- R Gillard (Chairman, Non-Executive Director)
- A Del Borrello (Managing Director)
- G Hawkins (Chief Financial Officer)
- P Hall (Non-Executive Director)
- S F Chan (Non-Executive Director)
- S Price (Executive Director of Aspen Funds Management Limited)

Specified Executives

There were no specified executives who were not also directors of Aspen Group during the period.

Specified directors' and specified executives remuneration

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Group.

Bonuses can be paid to certain executives within the Group based on pre-determined milestones being achieved. These milestones are determined and approved at Board level and are payable in cash. The key milestones set by the Board are Return on Equity and increases in the Aspen Group security price.

The salary & fees, bonuses, non-monetary amounts and superannuation are calculated in accordance with the individual service agreements of each employee.

Details of Remuneration

Details of the remuneration for each of Aspen Group's directors are set out in the table below.

	Primary			Post Employment			Equity	Other Benefit	Total
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$	\$	\$
R Gillard	49,167	-	-	-	-	-	-	-	49,167
A Del-Borrello	155,079	-	13,750	15,338	-	-	-	-	184,167
G Hawkins	155,079	-	13,750	15,338	-	-	-	-	184,167
S F Chan	29,583	-	-	-	-	-	-	-	29,583
P Hall	29,583	-	-	-	-	-	-	-	29,583
S Price	104,650	-	-	10,350	-	-	-	-	115,000
Total	523,141	-	27,500	41,026	-	-	-	-	591,667

All directors held office throughout the period ended 30 June 2004.

Aspen Group

Notes to the Financial Statements (continued)

4. Directors' Remuneration (continued)

Transactions with Directors and Director Related Entities

Chan Galic Pty Ltd, a director related entity of Mr. S F Chan, received legal fees during the period of \$91,000 for legal services relating to the Group's commercial property transactions on normal commercial terms and conditions.

During the period, corporate advisory and securities firm SageCorp Securities Pty Ltd, a director related entity of Mr. G Hawkins and Mr. A Del Borrello, received a net commission totalling \$107,009, for capital raising on behalf of Aspen Group. The gross fee earned by the company was 5% of funds raised.

Director and Employee Security Option Plan

The combined entity has an ownership-based remuneration scheme for directors and all employees of the Group. In accordance with the provisions of the scheme, approved by shareholders at the 1998 annual general meeting, directors and eligible employees may be issued with options to acquire stapled securities in the Group at the discretion of the board. This consideration is made having regard to the contribution or potential contributions of the recipients and any other matters which the board considers relevant. The maximum number of options to be issued under the plan is not to exceed 4% of the total number of issued stapled securities of the Group.

There are currently no securities issued under the Executive and Employee Security Option Plan.

5. Dividends/Distributions

Aspen Group Limited			
Period	Cents per Stapled Security	Total \$ '000	Tax rate for franking credit %
Jul 03	0.093 0	120	30.00
Aug – Sep 03	0.0580	148	21.39
Oct – Dec 03	0.0869	222	21.39
Jan – Mar 04	0.0869	222	21.39
Apr – Jun 04	0.0674	173	0
	0.3922	885	

Aspen Property Trust			
Period	Cents per Stapled Security	Total \$ '000	Tax Deferred %
Jul 03	-	-	
Aug – Sep 03	0.1890	483	47.51
Oct – Dec 03	0.2831	723	47.51
Jan – Mar 04	0.2831	723	47.51
Apr – Jun 04	0.3026	777	100.00
	1.0578	2,706	

Combined		
Cents per Stapled Security	Total \$ '000	
1.45	3,591	

Aspen Group

Notes to the Financial Statements (continued)

	Period from 29 July 2003 to 30 June 2004 \$ '000
6. Current Receivables	
Trade receivables	328
Allowance for doubtful debts	(180)
	148
Goods and services tax (GST) recoverable	3
Due from personally related entities of specified directors	62
Due from management of investments	524
Accrued management fees receivable	607
Other	129
	<u>1,473</u>
7. Other Current Financial Assets	
Facility loan	171
Rent Guarantee	1,121
	<u>1,292</u>
8. Other Current Assets	
Prepayments	38
Deferred costs	32
	<u>70</u>
9. Other Non-Current Financial Assets	
Capitalised costs	141
Accumulated Amortisation	(32)
	109
Other (i)	18
	<u>127</u>

- (i) Includes an investment in a joint venture entity, involving Aspen Group Limited having a 50% equity interest in Aspen Financial Resources Limited (AFRL). The other joint venture partner is Financial Resources Limited, a company listed on the Australian Stock Exchange. AFRL is looking to establish a fixed interest fund business. AFRL has not commenced business trading at the date of this report.

Aspen Group

Notes to the Financial Statements (continued)

10. Property Plant and Equipment

	Plant and Equipment \$ '000	Leasehold Improvements \$ '000	Office furniture & fittings \$ '000	TOTAL \$ '000
Gross Carrying Amount				
Opening balance at 29 July 2003 on creation of Aspen Group	89	11	34	134
Additions	47	71	3	121
Disposals	-	(5)	-	(5)
Balance at 30 June 2004	136	77	37	250
Accumulated Depreciation / Amortisation				
Opening balance at 29 July 2003 on creation of Aspen Group	(54)	(3)	(18)	(75)
Disposals	-	-	-	-
Depreciation expense	(30)			(30)
Balance at 30 June 2004	(84)	(3)	(18)	(105)
Net Book Value				
As at 30 June 2004	52	74	19	145

11. Investment Properties

Property	Original Acquisition Date	Original Purchase Price \$ '000	Latest Independent Valuation Date	Latest Independent Valuation \$ '000	Latest Directors Valuation	Book Value at 30 June 2004 \$ '000
Septimus Roe – WA	Oct 2002	28,250	April 2002	28,250	30,144	30,144
Midland Cinema – WA	Nov 2002	5,000	April 2002	5,000	5,258	5,258
Champion Centre – WA	Nov 2002	7,200	June 2002	7,200	7,588	7,588
Elders Woolstores – WA	Aug 2003	35,500	July 2003	35,500	37,483	37,483
Alcoa Office – WA	Aug 2003	17,350	July 2003	17,350	18,329	18,329
		93,300		93,300	98,802	98,802

Land and Buildings are measured on the fair value basis. Fair value is determined on the basis of either an independent valuation prepared by external valuation experts as at balance date, on directors' valuation. Independent valuations of property investments are obtained at intervals of not more than three years. In the absence of an independent valuation as at reporting date the Director's assess fair value on the basis of open market valuations for the best use of the respective properties. Any differences between the original purchase price and the directors' valuation of the properties arise through stamp duty and other acquisition costs capitalised since acquisition and any capitalised items such as fixtures and fittings.

Aspen Group

Notes to the Financial Statements (continued)

Period from
29 July 2003
to 30 June 2004
\$ '000

11. Investment Properties (continued)

The table below represents amount receivable under operating leases for which Aspen Group acts as lessor:

Not longer than 1 year	1,286
Longer than 1 year and not longer than 5 years	10,048
Longer than 5 years	56,269
	<u>67,603</u>

12. Other

Capitalised borrowing costs (i)	769
Accumulated Amortisation	(244)
	<u>525</u>

(i) Capitalised borrowing costs represent the costs of acquiring loan finance specifically for the purchase of investment properties. These costs are amortised over the life of the borrowing facility.

Borrowing costs in relation to general borrowings are not capitalised.

13. Current Payables

Trade payables	382
Accruals	160
Goods and services tax (GST) payable	94
Other	57
	<u>693</u>

14. Current Tax Liabilities

Income Tax	112
PAYG	23
	<u>135</u>

Aspen Group

Notes to the Financial Statements (continued)

	Period from 29 July 2003 to 30 June 2004 \$ '000
15. Interest bearing liabilities	
Bank loans – Current (i) (ii)	1,800
Bank loans – Non Current (ii)	63,350
	65,150

- (i) From 30 September 2004, Aspen Property Trust is required to make quarterly repayments of \$450,000 each quarter, to extinguish the \$5,250,000 facility referred to below at (ii).
- (ii) Secured by a mortgage over the Trust's freehold land and buildings, the current market value of which exceeds the value of the mortgage.

As at 30 June 2004, Aspen Property Trust has a cash facility agreement of \$39,350,000, which has been drawn to \$39,100,000. The commitment consists of two cash facility limits, with facility limits of \$34,100,000 and \$5,250,000 respectively.

Bank loans are secured by mortgage over the combined entity's investment properties, the current market value of which exceeds the value of the mortgage.

16. Current Provisions

Employee benefits	51
Distributions/Dividends	951
	1,002

Movement in Provision

Movement in each class of provision during the financial period, other than employee benefits, are set out below:

	Distribution/ Dividend \$'000
Carrying amount at start of period	361
Total distributions for the period	3,591
Total cash distributions paid during the period	(3,001)
Carrying amount at end of period	951

	Period from 29 July 2003 to 30 June 2004 \$ '000
17. Other Current Liabilities	
Unearned Rental Income	858
	858

Aspen Group

Notes to the Financial Statements (continued)

18. Employee Benefits

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:

-Current (note 16)

Period from 29 July 2003 to 30 June 2004 \$ '000

51

No.

No. of employees at end of financial period

13

19. Contributed Equity

256,512,641 fully paid stapled securities

62,679

62,679

Period from 29 July 2003 to 30 June 2004 \$ '000

Period from 29 July 2003 to 30 June 2004 \$ '000	
No.'000	\$'000

Fully Paid Ordinary Stapled Securities

Opening balance at 29 July 2003 on creation of Aspen Group	129,058	44,858
2:5 capital reconstruction whereby every 5 securities were converted into 2 securities	-	-
Stapled securities issued at 20 cents	-	-
Stapled securities issued at 20 cents for payment of commission	-	-
Stapled securities issued at 16 cents	126,483	20,237
Stapled securities issued at 15.05 cents (i)	972	146
Less: securities issue cost	-	(2,562)
Balance at end of financial period	256,513	62,679

Fully paid stapled securities carry one vote per stapled security and carry the right to distribution.

(i) Relates to the issue of stapled securities under the Distribution Reinvestment Plan.

Aspen Group

Notes to the Financial Statements (continued)

19. Contributed Equity (continued)

Share Options				
Number of Options Granted	Type of Option	Number of stapled securities under Option	Expiry Date of Option	Exercise Price
19,711,000	Unlisted	19,711,000	From 2 Nov 2005 to 15 Oct 2007	From \$0.1875 to \$0.25
24,930,764	Listed	24,930,764	10 Oct 2005	\$0.25

Stapled securities

Aspen Group was created through the stapling of the securities of Aspen Group Limited ("AGL") and Aspen Property Trust ("APT"). This stapling of the securities of the two entities was approved at a shareholders' meeting on 10 June 2003. On 29 July 2003 all conditions precedent to the stapling were satisfied and the Aspen Group entity was admitted to the ASX as a stapled security. The stapling resulted in the creation of a more efficient and flexible capital structure for Aspen Group securityholders.

At present the stapled securities amount to 256,512,641 as at 30 June 2004.

20. Retained profits/(losses)

	Period from 29 July 2003 to 30 June 2004 \$ '000
Opening balance at 29 July 2003 on creation of Aspen Group	(27,229)
Net profit attributable to members of the group	4,038
Dividends provided for or paid	(3,591)
Balance at end of financial period	(26,782)

21. Earnings Per Stapled Security

	Period from 29 July 2003 to 30 June 2004 No.'000
Basic earnings per stapled security (cents)	1.68
Diluted earnings per stapled security (cents)	1.68
Weighted average number of stapled securities used as the denominator in calculating basic EPSS	240,116
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted EPSS	240,116

Aspen Group

Notes to the Financial Statements (continued)

	Period from 29 July 2003 to 30 June 2004 No.'000
21. Earnings Per Stapled Security (continued)	
Option to purchase stapled securities which are not dilutive	
Listed Options	24,931
Unlisted Options	19,711
	<u>44,642</u>

Reconciliation of earnings used in calculating basic and diluted earnings per stapled security

	Period from 29 July 2003 to 30 June 2004 \$ '000
Net profit after tax	4,038
Earnings used in calculating basic and diluted earnings per stapled security	<u>4,038</u>

22. Remuneration of Auditors

Auditor of Aspen Group

Auditing the financial report	50,600
Other services	8,000
	<u>58,600</u>

23. Leases

Operating Leases

Non-cancellable operating leases

Not longer than 1 year	2
Longer than 1 year and not longer than 5 years	6
Longer than 5 years	-
	<u>8</u>

Operating leases for which Aspen Group acts as lessor is disclosed in note 11 'Investment properties'.

Aspen Group

Notes to the Financial Statements (continued)

24. Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest
		2004 %
Combined Group		
Aspen Group Limited	Australia	
Controlled Entities		
Aussie.Com.Au (2000) Pty Ltd	Australia	100
Aspen (Septimus Roe) Pty Ltd	Australia	100
Aspen (Champion Drive S/C) Pty Ltd	Australia	100
Aspen (Midland) Pty Ltd	Australia	100
Aspen Funds Management Limited	Australia	100
Aspen Parks Property Management Limited (APPM) (i)	Australia	100
Aspen Parks Property Trust (APPT) (i)	Australia	100

- (i) Subsequent to period end, a public capital raising by these entities to fund the establishment of the Aspen Parks Property Fund was successful and these entities ceased therefore to be controlled entities of Aspen Group.

25. Segment Information

The Group has operated only in the commercial property sector within Australia in the period from 29 July 2003 to 30 June 2004.

26. Related Party Disclosure

(a) Equity Interests In Related Parties

Equity interest in controlled entities

Details of the percentage of stapled securities held in controlled entities are disclosed in note 24 to the financial statements.

(b) Directors

Details relating to transactions with directors, including directors' remuneration and retirement benefits, are disclosed in note 4 to the financial statements.

Aspen Group

Notes to the Financial Statements (continued)

26. Related Party Disclosure (continued)

(c) Directors' Holdings of Securities and Options

	Fully Paid
Ordinary Securities	2004
Issued during the period to Directors or their personally related entities	-
	Fully Paid
	2004
	-

The aggregate number of ordinary securities and options of the Group held directly, indirectly and beneficially by directors or their director-related entities at balance date are as follows:

Fully Paid Ordinary Securities at 20 cents each

Directors	Opening balance at 29 July 2003 on creation of Aspen Group	Granted as Remuneration	Net Other	Balance at 30 June 2004
R Gillard	1,012,500	-	-	1,012,500
G Hawkins	4,662,500	-	2,936,239	7,598,739
A Del Borrello	4,567,540	-	3,036,239	7,603,779
S F Chan	350,000	-	5,348,738	5,698,739
P Hall	7,237,500	-	-	7,237,500
S Price	-	-	200,000	200,000
	17,830,040	-	11,521,216	29,351,257

Listed Options

Directors	Opening balance at 29 July 2003 on creation of Aspen Group	Granted as Remuneration	Net Other	Balance at 30 June 2004
R Gillard (ii)	-	-	-	-
G Hawkins (i)	-	-	-	-
A Del Borrello (i)	-	-	-	-
S F Chan (ii)	-	-	-	-
P Hall (ii)	918,750	-	-	918,750
S Price	-	-	-	-
	918,750	-	-	918,750

Aspen Group

Notes to the Financial Statements (continued)

26. Related Party Disclosure (continued)

Unlisted Options

Directors	Opening balance at 29 July 2003 on creation of Aspen Group	Granted as Remuneration	Net Other	Balance at 30 June 2004
R Gillard (ii)	250,000	-	-	250,000
G Hawkins (i)	4,000,000	-	-	4,000,000
A Del Borrello (i)	4,000,000	-	-	4,000,000
S F Chan (ii)	250,000	-	-	250,000
P Hall (ii)	250,000	-	-	250,000
S Price	-	-	-	-
	8,750,000	-	-	8,750,000

(i) exercise price of 18.75 cents with an expiry date of 2 February 2007

(ii) exercise price of 25 cents with an expiry date of 2 December 2005

27. Subsequent Events

Acquisition of Aspen Parks Property Trust (APPT)

On 13 June 2004, the Aspen Funds Management ("AFM"), a wholly owned subsidiary of Aspen Group Limited, which is part of Aspen Group, became the responsible entity of the Aspen Parks Property Trust (APPT). AFM has also entered into an agreement with Aspen Parks, whereby it provides funds management services to Aspen Parks. On 23 July 2004, Aspen Parks settled on three freehold and three leasehold tourist parks. The parks are all located in Western Australia. The parks were independently valued by Knight Frank at their consideration value of \$28 million.

Prospective Acquisitions

Conditional contracts have been entered into for the purchase of two industrial investment properties;

- A Queensland property with a purchase price of \$8.8 million and forecasted net income of \$0.84 million per annum. Settlement is scheduled for the 21 October 2004; and
- A Victoria property with a purchase price \$21.4 million and forecasted net income of \$2.3 million per annum. Settlement is scheduled for the 7 October 2004.

Institutional Placement

On 24 August 2004 Aspen Group announced it had successfully completed an institutional placement of \$176.5 million stapled securities at an issue price of 17 cents to raise \$30 million. The capital raising was completed in association with lead manager Patersons Securities Limited, who receive a fee of 4% of funds raised under the placement. The placement received strong support from Aspen's existing institutional members and is conditional upon the approval of Aspen Group securityholders.

The issue price of 17 cents represents a distribution yield of 9.8% on the Group's 2005 forecast distribution of 1.67 cents.

The capital raising assists in reducing the Group's gearing from 63% to 50%. This is consistent with the Group's stated intention of reducing its core gearing over time to the preferred range of between 30% - 40%.

Subject to the necessary securityholder approvals being obtained, the issue of the placement securities is expected to take place on 28 September 2004. The stapled securities will be issued on the same terms as existing securities, however will not be entitled to the September 2004 distribution.

A copy of the notice of meeting seeking the approval of Aspen securityholders for this placement was announced to the ASX on 24 August 2004, and distributed to Aspen Group securityholders on 25 August 2004.

Aspen Group

Notes to the Financial Statements (continued)

28. Notes To The Statement Of Cash Flows

Period from
29 July 2003
to 30 June 2004
No.'000

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	1,301
	<u>1,301</u>

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

Profit from ordinary activities after related income tax	4,038
(Profit)/ Loss on disposal of non-current assets	-
Depreciation and amortisation of non-current assets	244
Assets written off	5
Interest Received	80
Increase in current tax liability	112
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:	
(Increase)/decrease in assets:	
-Current receivables	(1,473)
-Other current financial assets	(1,292)
-Other current assets	(70)
-Non-current financial assets	(127)
-Other non current assets	(525)
Increase/(decrease) in liabilities:	
-Current payable	716
-Current provisions	51
-Other current liabilities	858
Opening net current receivables on creation of Aspen Group	<u>1,510</u>
Net cash from operating activities	<u>4,127</u>

Aspen Group

Notes to the Financial Statements (continued)

29. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest Rate Risk

The following table details the Groups' exposure to interest rate risk as at the 30 June 2004:

	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	2%	1,301	-	-	-	-	1,301
Trade receivables		-	-	-	-	148	148
Other		-	-	-	-	1,121	1,121
Facility loan		-	-	-	-	171	171
		1,301	-	-	-	1,440	2,741
Financial Liabilities							
Trade payables		-	-	-	-	382	382
Dividend		-	-	-	-	951	951
Bank loans	6.94%	-	1,800	63,350	-	-	65,150
		-	1,800	63,350	-	1,333	66,483

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The economic entity measures credit risk on a fair value basis.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Notes to the Financial Statements (continued)

29. Financial Instruments (continued)

(d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values. The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

30. Contingent Liabilities

The Group is not aware of any material contingent liabilities existing at balance date or at the date of completion of these financial statements.

31. Commitments For Expenditure

As at 30 June 2004, Aspen Property Trust has a cash facility agreement of \$39,350,000, which has been drawn to \$39,100,000. The facility consists of two cash facility limits, with facility limits of \$34,100,000 and \$5,250,000 respectively. From 30 September 2004, Aspen Property Trust is required to make quarterly repayments of \$450,000 each quarter, to extinguish the \$5,250,000 facility.

32. Impact of Adopting AASB Equivalents to IFRS

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to IFRS ("A-IFRS") for application to reporting periods beginning on or after 1 January 2005. The Company has commenced reviewing the transition from its current policies to A-IFRS. The Company has allocated internal resources and engaged expert consultants to review, identify and conduct business impact assessments to isolate key areas that will be affected by this transition. The Company's audit committee is being regularly kept up to date with the results of both the internal review and the external consultant's reports and assessments. The adoption of A-IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. At this stage the Company has not been able to reliably quantify the impacts on the financial statements.

Under A-IFRS the combined entity, in complying with A-IFRS for the first time, is required to restate its comparative financial statements to amounts reflecting the application of Australian equivalents to IFRS to that comparative period. Most adjustments required on transition to Australian equivalents to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Key areas where accounting policies are likely to change and may impact on the financial statements of the Aspen Group include the following.

Income Tax

In accordance with Australian Standard AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of the combined entity's assets and liabilities in the statement of financial position and their associated tax bases. This represents a fundamental change to the way the combined entity currently calculates its tax balances, where deferred tax balances are determined using the income statement method. The impact of this change is not yet possible to determine.

Notes to the Financial Statements (continued)

32. Impact of Adopting AASB Equivalents to IFRS (continued)

Share Based Payments

Under Australian Standard AASB 2 Share-based Payment, the combined entity will be required to determine the fair value of options issued to employees. For options on issue on the application of AASB 2 an adjustment for their recognition will be made against opening retained earnings. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown; however where share based payments are made, net profit is expected to decrease by the fair value of such payments.

Investment properties

AASB 140 *Investment Property* requires entities to measure investment property using:

- the fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in profit or loss; or
- the cost model specified in AASB 116 *Property, Plant and Equipment* under which an investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). An entity that chooses the cost model discloses the fair value of its investment property;

The standard also permits a property interest that is held by a lessee under an operating lease to be classified and accounted for as investment property provided that:

- the interest meets the rest of the definition of investment property;
- the operating lease is accounted for as if it were a finance lease in accordance with AASB 117 *Leases*;
- the lessee uses the fair value model set out in this Standard for the asset recognised; and
- once this alternative is selected for one such property, all property classified as investment property is to be accounted for consistently on a fair value basis;

AASB 140 *Investment Property* permits an entity with investment property in a 'pool' backing liabilities that pay a return linked to the fair value of assets in the pool to choose between the cost and fair value models for all investment property in the pool and choose between the cost and fair value models for all other investment property not in the pool; and requires an entity to make a range of disclosures, including whether it applies the fair value or cost model.

Business combinations

The IASB and AASB are both proposing to amend the scope of the business combinations standards to include business combinations between mutual entities and combinations by contract alone, i.e. stapling arrangements and dual-listed entities.

ED 133 *Request for Comment on IASB ED of Proposed Amendments to IFRS 3 Business Combinations – Combinations by Contract Alone or Involving Mutual Entities* proposes to include these combinations within the scope of AASB 3 *Business Combinations* with effect from 1 January 2005, i.e. in Aspen's first A-IFRS compliant report. Any revisions to AASB 3 are not expected before late 2004.

There are proposed transitional provisions under ED 133 which may be relevant to Aspen Group due to the stapling business combination which occurred in July 2003. The full impact of ED 133 and AASB 3 will not be known until the Group has assessed the risk and benefits of the final drafts of these standards.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above these are expected to be the material areas of impact for the combined entity that have been identified.

Aspen Group

Unaudited Pro-forma Financial Information

The following unaudited pro-forma information gives effect to the stapling of securities of Aspen Group Limited and Aspen Property Trust, which took place on 29 July 2003, as if the transaction had occurred on 1 July 2002. The pro-forma information therefore represents the profit and loss account and balance sheet for Aspen Group as if it had existed from 1 July 2002.

This pro-forma information is prepared for illustrative purposes only, and, because of its nature, cannot give a complete picture of the Group's results of operations had the stapling actually taken place on 1 July 2002. The pro-forma information does not project the Group's financial position or results of operation for any future date or period.

The pro-forma information has been prepared based on the consolidated financial information of Aspen Group Limited for the year ended 30 June 2003 and the combined financial statements of Aspen Group for the period ended 30 June 2004.

Unaudited pro-forma statement of financial performance

	Year ended 30 June 2004 \$ '000	Year ended 30 June 2003 \$ '000
Revenue from ordinary activities	13,015	4,532
Property expenses	(2,553)	(1,449)
Administration expenses	(1,709)	(860)
Borrowing costs	(4,496)	(1,219)
Other	(21)	(15)
Profit from ordinary activities before income tax expense	4,236	989
Income tax expense relating to ordinary activities	(198)	(261)
Net profit attributable to securityholders of Aspen Group	4,038	728
Total revenue, expense and valuation adjustments attributable to securityholders of Aspen Group recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	4,038	728

Aspen Group

Unaudited Pro-forma Financial Information

Un-audited pro-forma statement of financial position

	30 June 2004 \$ '000	30 June 2003 \$ '000
Current Assets		
Cash assets	1,301	201
Receivables	1,473	323
Other financial assets	1,292	261
Other	70	1,187
Total Current Assets	4,136	1,972
Non-Current Assets		
Other financial assets	127	136
Property, plant and equipment	145	59
Investment properties	98,802	42,494
Other	525	226
Total Non-Current Assets	99,599	42,915
Total Assets	103,735	44,887
Current Liabilities		
Payables	693	337
Current tax liabilities	135	476
Interest bearing liabilities	1,800	-
Provisions	1,002	395
Other	858	-
Total Current Liabilities	4,488	1,208
Non-Current Liabilities		
Interest bearing liabilities	63,350	26,050
Total Non-Current Liabilities	63,350	26,050
Total Liabilities	67,838	27,258
Net Assets	35,897	17,629
Equity		
Contributed equity	62,679	44,858
Retained losses	(26,782)	(27,229)
Total Equity	35,897	17,629

Aspen Group

Additional Stock Exchange Information

Capital Structure

As at 20 August 2003, Aspen Group had on issue 256,512,641 ordinary securities, 24,930,764 listed options and 19,711,000 unlisted options.

The securityholder information set out below was applicable as at 20 August 2004.

(a) Distribution of Securities

Analysis of numbers of holders by size of holding.

Size of Holding	Number of Securityholders	Number of Listed Option Holders
Less than 1,001	422	-
1,001 to 5,000	331	26
5,001 to 10,000	137	8
10,001 to 100,000	503	65
More than 100,000	296	25
	<u>1,689</u>	<u>124</u>

(b) Substantial Securityholders

The Company received notification that the following became Substantial Securityholder (5% or more of the issued capital of the Company).

RBC Global Services Australia Nominees Pty Limited became a substantial securityholder with a relevant interest in the issued stapled securities of 26,392,914.

National Nominees Limited became a substantial securityholder with a relevant interest in the issued stapled securities of 17,694,457.

Babcock & Brown Investor Services Pty Ltd became a substantial securityholder with a relevant interest in the issued share capital of 14,062,500 stapled securities.

Aspen Group

Additional Stock Exchange Information (continued)

(c) Twenty Largest Shareholders of Stapled Securities

The name of twenty largest holders of stapled securities are listed below:

Name	No. of Stapled Securities	Percentage Held of Stapled Securities
RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	26,392,914	10.29%
NATIONAL NOMINEES LIMITED	17,694,457	6.90%
BABCOCK & BROWN INVESTOR SERVICES PTY LTD	14,062,500	5.48%
CAVERSHAM PROPERTY DEVELOPMENTS PTY LTD	8,737,500	3.41%
QUEENSLAND INVESTMENT CORPORATION C/- NATIONAL NOMINEES LIMITED	7,900,000	3.08%
MR ANGELO DEL BORRELLO <ADB FAMILY A/C>	7,603,779	2.96%
GAVIN HAWKINS <HAWKINS FAMILY A/C>	7,598,739	2.96%
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,342,008	2.86%
MR PETER HALL	7,237,500	2.82%
MR SENG FAI CHAN	5,348,739	2.09%
CBH SUPERANNUATION HOLDINGS PTY LTD	4,726,563	1.84%
ANZ NOMINEES LIMITED	4,335,414	1.69%
WESTPAC CUSTODIAN NOMINEES LIMITED	3,816,879	1.49%
TOWER TRUST LIMITED	3,211,350	1.25%
GWYNVILL TRADING PTY LTD	3,000,000	1.17%
CLAYTON COURT NOMINEES PTY LTD	2,490,000	0.97%
DELOITTE MANAGEMENT PTY LTD <STRATEGIC CAPITAL SUPERANNUATION FUND A/C>	2,294,099	0.89%
DI LALLO HOLDINGS PTY LTD <THE DI LALLO FAMILY A/C>	1,680,000	0.65%
HARRISON DEVELOPMENTS PTY LTD	1,625,000	0.63%
MR LEONARD ANTHONY DEAN + MRS CAROLYN ANN DEAN <LA & CA DEAN SUPER FUND A/C>	1,600,000	0.62%
Total Top 20	138,697,411	54.03%
Total Stapled Securities on Issue	256,512,641	100%

Aspen Group

Additional Stock Exchange Information (continued)

(d) **Unquoted Equity Securities-Holdings Greater Than 20%**

Class-unlisted options	Number
A Del Borrello	4,000,000
G R Hawkins	4,000,000
Investee Nominees Pty Ltd	7,500,000
Nesico Nominees Pty Ltd	5,000,000

(e) **Voting Rights**

For all stapled 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.

Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input checked="" type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

None noted

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable