ASPEN GROUP

Aspen Group Limited
ABN 50 004 160 927

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26 FEBRUARY 2007
COMPANY ANNOUNCEMENT

ANNOUNCEMENT OF 2007 HALF YEAR RESULTS

Aspen Group (ASX: APZ) is pleased to announce its review of the half year to 31 December 2006. Strong growth across all business divisions has contributed to an outstanding result for the period, and coupled with a sound balance sheet position augurs well for a strong full year result.

Key Highlights

- Total revenue increased 305% to $70.2 million
- Net Profit increased 621% to $55.1 million
- Underlying Profit after Tax increased 57% to $11.7 million
- Earnings Per Security increased 362% to 28.4 cents
- Underlying Earnings Per Security increased 0.3% to 6.02 cents
- Distributions per security increased 28% to 5.75 cents
- Gross assets under management increased 75% to $1.1 billion *
- Net Tangible Assets per security increased 23% to $1.24

* Following completion of the recently announced funds management transactions and as included in the current Entitlements Offer document.

Aspen Group Managing Director, Mr Angelo Del Borrello commented that the first half results had again vindicated the Group's strategy of sound property acquisition and management, and growth in its funds management business.

"We are delighted that our pursuit of accretive acquisitions and establishment of new funds management vehicles has been reflected in the strong first half result. Further earning enhancements are expected to flow in the second half of the 2007 period, resulting in a recent full year earnings guidance upgrade to 15.5 cents."

Financial Performance Overview

- Net Profit After Tax increased 621% to $55.1 million
- Underlying Net profit after Tax increased 57% to $11.65 million
- Distributions increased 28% to 5.75 cps

A significant contribution from property portfolio revaluations and increased revenue from Aspen's funds management business were the highlights of a strong first half financial performance.

Underlying revenue increased 33% to $23.4 million as a result of higher rental incomes following the acquisition of MTAA House in Adelaide. Increased funds management revenue was also reported following the establishment of two new land syndications and continued asset acquisitions for existing funds management vehicles.

The revaluation of a number of Aspen's direct property holdings added a further $48.2 million to reported total revenue, resulting in an overall revenue increase of 305%.

Aspen reported a marginal increase in underlying earnings per security (eps) of 6.02 cents and remains well placed to meet the full year earnings guidance, recently revised upward from 13 cps to 15.5 cps. Second half earnings will be higher given the seasonality of residential estate sales, which are forecast to produce greater management fee income in the second half, along with contributions from the recently established Aspen Development Fund No 1 and Fern Bay Seaside Village Ltd.

Distributions for the first half were up 28% to 5.75 cps and, consistent with Aspen's policy, are fully covered by the Group's underlying earnings. The quarterly distribution rate has also been lifted inline with the higher earnings outlook, increasing from 2.875 cps to 3.5 cps, effective from 1 January 2007.

Capital Management Activity

- Market Capitalisation to surpass $500 million
- Reduction in gearing

Aspen commenced the half year with a $50 million capital raising following the announcement that Aspen had acquired MTAA House in Adelaide. The raising, conducted via an institutional placement, was fully underwritten by Macquarie Equity Capital Markets Limited. Once again Aspen received very strong support from institutional investors, a positive endorsement of the Group's strategy.

Subsequent to the half year end Aspen has announced a 1 for 7 entitlement issue to raise $54.5 million. Underwritten by Euroz Securities Limited, this issue will underpin further growth in Aspen's property portfolio and funds management business, while providing our loyal securityholders with the opportunity to increase their participation in the continued growth of Aspen.

"Based on today's security price and post completion of the entitlement issue, Aspen's continued growth has seen the Group's market capitalisation surpass $500 million, an achievement we are very proud of", said Mr Del Borrello.

Investment Portfolio Growth

- Property portfolio revaluations resulted in book value increase of $48.2 million
- Completion of Septimus Roe Square redevelopment

Aspen's focus on active property management continued to underpin the good performance of its investment portfolio.

The property portfolio increased in size during the year following the acquisition of MTAA house in Adelaide, for $67 million. The property, a modern 12 level office tower situated in the heart of the Adelaide CBD, provides added geographic diversification to the portfolio. Acquired on an attractive initial yield of 8.54% with upside potential, MTAA House also has a strong tenancy profile which includes several commonwealth government departments.

The completion of the Septimus Roe Square forecourt redevelopment has been an outstanding success. The modern frontage has lifted the profile of the building and seen the introduction of new retail tenants in Australia Post, Dome Café and Subway. The redevelopment and reconfiguration of tenants were significant factors in the buildings recent uplift in book value from $50.2 million to $76 million.

"The reported total uplift in book value of the property portfolio was a strong result and reflects the continued strength of the property market, particularly in Western Australia and Aspen's focus on active property management", said Mr Del Borrello.

Funds Management Expansion

- Funds Management revenue increased 13% to $7.2 million
- Two new Aspen Estate funds established and syndicated
- National Head of Distribution appointed

Significant advances were made in the Funds Management business during the half year which has seen the introduction of a new level of branding to differentiate the variety of product being developed and offered by Aspen.

Aspen Parks Property Fund continued to grow with the acquisition of two parks during the period, bringing to 15 the number of parks owned by the Fund. Total assets for the Fund are now $110 million.

Aspen Diversified Property Fund continues to attract new investors and has increased its representation on retail investment platforms during the period. Aspen Diversified has assets of $138 million and along with Aspen Parks, continues to offer an attractive yield and potential for capital growth.

Aspen Estates, which focuses on syndicating large scale land subdivisions, has grown substantially with the addition of the Whitsunday Shores Estate on the central Queensland coast, and the West Swan Estate in metropolitan Perth, Western Australia. Both acquisitions are in growth regions and are expected to provide healthy returns for their investors. The recent addition of Fern Bay Seaside Village brings the number of residential estates syndicated by Aspen Estates to four. This represents a pipeline of 3,700 primarily residential lots. Aspen holds a cornerstone investment in each of the Funds while also providing the project management for each project.

Subsequent to the half year reporting period Aspen has established Aspen Development Fund No 1 following agreement with ASX listed Futuris Corporation for the acquisition of their Caversham Properties business. This Fund will have a mix of residential, commercial, retirement and healthcare developments providing a uniquely diversified development fund to investors. Aspen and Futuris will both hold a 25% interest in the new Fund.

Aspen Villages continues to make progress in the development of affordable housing across a variety of sectors. The appointment of a dedicated division head to Aspen Villages is expected to fast track the progress of this division in the second half.

Reflecting the importance of growing the funds management business Aspen has appointed a Head of Distribution and added two Business Development Managers to further penetrate the financial planning sector. Mr Del Borrello commented "we see people on the ground as essential in order to expand our distribution networks and facilitate the funding of new funds management products."

Outlook

Aspen has experienced another period of positive growth resulting in a sound half year performance and achievement of significant milestones in terms of assets under management and market capitalisation.

Following completion of the recently announced entitlement issue at the end of March 2007, and settlement of the Caversham and Fern Bay assets, Aspen's assets under management base, now in excess of $1 billion, provides an outstanding platform for further growth in rental and management fee income going forward. In addition with a conservative gearing level of 24%, Aspen is well positioned to continue its growth strategy, and looks forward to reporting a strong full year result.

End

For further information please contact:

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Or

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Porter Novelli
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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 4D

For the six months ended 31 December 2006

Results for announcement to the market

Details of reporting periods:

Current period	31 December 2006
Corresponding period	31 December 2005

Revenue and Net Profit for the six months ended 31 December 2006

		Percentage Change %		Amount $'000
Revenue from ordinary activities*	Up	305	to	70,160
Profit after tax	Up	621	to	55,058
Underlying Profit after tax**	Up	57	to	11,654
Net profit attributable to securityholders of Aspen Group	Up	621	to	55,058

* Includes unrealised revaluation gains on properties of $48.2 million

** Underlying Net Profit after Tax represents net profit after tax excluding non cash items namely movements in fair value of investment properties, equity and hedge instruments

Distributions

	31 December 2006		31 December 2005	
	Amount per security (cents)	Total $'000	Amount per security (cents)	Total $'000
Interim distribution – 30 Sept 2006	2.875		2.25	
Interim distribution – 31 Dec 2006	2.875		2.25	
	5.75	11,782	4.5	5,615

Aspen Group has announced an increase in its quarterly distribution rate to 3.5 cents effective from 1 January 2007.

Record date for determining entitlements to the distribution (dividends) was:

-interim distribution (Sept Qtr)	29 September 2006
-interim distribution (Dec Qtr)	29 December 2006

Net tangible assets (NTA)

-NTA per security	$1.24
-NTA at 30 June 2006	$1.01
-NTA at 31 December 2005	$0.90

Associate entities

Name	Ownership (%)		Share of net profit ($'000s)	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Aspen Parks Property Fund	19.3%	17.0%	999	156
Aspen Diversified Property Fund	26.6%	30.3%	1,364	159
Aspen Dunsborough Lakes Ltd	20.0%	0.00%	529	0
Aspen Whitsunday Shores Pty Ltd	25.0%	0.00%	0	0
West Swan Estate Pty Ltd	10.0%	0.00%	0	0
			2,892	315

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 ASX announcement for a full commentary on the half year result.

Aspen Group

Interim Financial Report

For the six months ended 31 December 2006

Interim Financial Report

For the six months ended 31 December 2006

Company Particulars

Board of Directors

Reg Gillard	Non-Executive Chairman of Aspen Group Limited (AGL) and Aspen Funds Management Limited (AFM)
Angelo Del Borrello	Executive Director – AGL and AFM
Gavin Hawkins	Executive Director - AGL and AFM
Terry Budge	Non-Executive Director – AGL and AFM
Seng Fai Chan	Non-Executive Director - AGL
Andrew Martin	Non-Executive Director – AGL and AFM (resigned 10 November 2006)

Company Secretary

Gavin Hawkins

Registered Office

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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

KPMG
Central Park
152-158 St George's Terrace
Perth WA 6000

Stock Exchange Listing

Aspen Group Limited's shares are listed on the Australian Stock Exchange Limited through Aspen Group under the ASX code APZ (stapled securities). Each stapled security comprises one share in Aspen Group Limited and one unit in Aspen Property Trust.

Directors' Report

The directors present their report together with the consolidated financial report for the six months ended 31 December 2006 and the review report thereon. The consolidated financial report of Aspen Group comprises the financial reports of Aspen Group Limited ("the Company" or "AGL") and its controlled entities and of Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group", "the Group").

The directors of AGL and Aspen Funds Management Limited ("AFM"), the Responsible Entity of Aspen Property Trust, at any time during or since the end of the half-year are:

Name	**Entity of directorship and date of appointment**
Non – Executive Directors	
Reg Gillard	AGL (appointed: 24/12/2001) and AFM (appointed: 4/4/2003)
Terry Budge	AGL (appointed: 5/5/2005) and AFM (appointed: 5/5/2005)
Seng Fai Chan	AGL (appointed: 1/11/2002)
Andrew Martin	AGL (appointed: 4/4/2005; resigned: 10/11/2006) and AFM (appointed: 4/4/2005; resigned: 10/11/2006)
Executive Directors	
Angelo Del Borrello	AGL (appointed: 31/10/2001) and AFM (appointed: 4/4/2003)
Gavin Hawkins	AGL (appointed: 31/10/2001) and AFM (appointed: 4/4/2003)

Principal Activities

The principal activity of Aspen Group during the period was investment in commercial, industrial and retail property and funds management activities in the property sector.

Significant Changes in the State of Affairs

(i) Capital raising:

On 2 August 2006 following a general meeting of security holders, the Group announced the successful placement of 33,333,333 stapled securities raising $50 million to institutional and sophisticated investors.

(ii) Residential syndicates:

During the half-year, Aspen Group announced that it had contracted the management and cornerstone investment in two large-scale residential land subdivision projects, Whitsunday Shores Estate, Bowen, Queensland and West Swan Estate, Perth, Western Australia. The developments total in excess of 1,500 lots and Aspen Group have taken a cornerstone interest in each syndicate and have the project management, corporate services and selling rights for each development.

(iii) Property portfolio revaluations:

During the half year, the Group revalued four properties resulting in a total uplift in the carrying value of investment properties of $48.2 million.

Directors' Report (continued)

Key Financial Results

The consolidated entity achieved a profit attributable to security holders calculated in accordance with Australian equivalents to International Financial Standards ("AIFRS") of $55.058 million for the half year ended 31 December 2006. This profit includes a number of significant items, such as investment property revaluations that in the opinion of the Directors, need adjustment to enable security holders to obtain an understanding of the results from operations (refer table below).

The underlying profit after tax (before significant items), as assessed by the directors, for the half year was $11.654 million ($7.431 million for the half year ended 31 December 2005), reflecting a 57% increase from the previous corresponding period.

Key financial results for Aspen Group during the period were as follows:

	Six months ended 31 December 2006 $ '000s	Six months ended 31 December 2005 $ '000s
Revenues*	70,160	17,303
Net Profit after Tax	55,058	7,633
Underlying Net Profit after Tax **	11,654	7,431
Earnings per security (cents)	28.44	6.16
Underlying Earnings per security (cents)**	6.02	6.00
Total Assets	446,673	272,274
Total Equity	267,457	146,705

* Includes unrealised revaluation gains on properties of $48.2 million

** Underlying Net Profit after Tax represents net profit after tax excluding non cash items namely movements in fair value of investment properties, equity and hedge instruments

Income distributions were as follows:

	Record Date	Amount Per Stapled Security
1/7/06 – 30/9/06	29 September 2006	2.875 cents
1/10/06 – 31/12/06	29 December 2006	2.875 cents
Total		5.750 cents

Events Subsequent to Reporting Date

On 8 February 2007, the Group announced the acquisition of $310.3 million of new assets for its funds management business. To assist in the part funding of these acquisitions, a 1 for 7 entitlement issue will take place to raise $54.5 million before capital raising costs. The acquisitions will take place in the following Funds Management Vehicles:

i) Aspen Development Fund No 1 Limited ("ADF No1")

This vehicle has been established to acquire Caversham Property Developments Pty Ltd and Caversham Properties Pty Ltd from Futuris Corporation Limited ("Futuris") for $233.7 million. The Fund will be managed by Aspen Funds Management and both Aspen and Futuris will take a 25% cornerstone investment in ADF No1 of between $22.5 million and $30 million each.

Directors' Report (continued)

Events Subsequent to Reporting Date (continued)

ii) Fern Bay Seaside Village Limited ("FBSV")

This vehicle has been established to acquire the development rights for the Fern Bay residential subdivision, located north of Newcastle, NSW. The development rights of this 800 plus lot subdivision have been acquired for a consideration value of $76.6 million. Aspen will take a 20% cornerstone investment in FBSV.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the Directors' Report.

Rounding Off

Aspen 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, unless otherwise stated.

Signed in accordance with a resolution of the directors

Gavin Hawkins
Executive Director
PERTH, 26 February 2007

Angelo Del Borrello
Executive Director
PERTH, 26 February 2007

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Aspen Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial half-year ended 31 December 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

B Fullarton
Partner

Perth
26 February 2007

KPMG

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

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Aspen Group Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Aspen Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

KPMG

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

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B C Fullarton
Partner

Perth
26 February 2007

Directors' Declaration

In the opinion of the directors of Aspen Group Limited ("the Company") and Aspen Funds Management Limited (as responsible entity for the Aspen Property Trust):

1. the financial statements and notes set out on pages 11 to 18 are in accordance with the Corporations Act 2001 including:

    a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

    b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that Aspen Group 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, 26 February 2007

Angelo Del Borrello
Executive Director
PERTH, 26 February 2007

Consolidated Interim Income Statement

For the six months ended 31 December 2006

	Note	31 December 2006 ($ '000)	31 December 2005 ($ '000)
Revenue	2	21,642	17,116
Other revenues	3	48,518	187
Property expenses		(4,487)	(3,134)
Administration expenses		(3,574)	(2,127)
Other expenses		(511)	(1,250)
Profit before financing costs		61,588	10,792
Financial income		2,275	619
Financial expenses		(4,845)	(3,466)
Net financing costs		(2,570)	(2,847)
Share of profit of associates		2,892	315
Profit before tax		61,910	8,260
Income tax expense	4	(6,852)	(627)
Profit for the period		55,058	7,633
Attributable to:			
Security holders of Aspen Group		55,058	7,633
Profit for the period		55,058	7,633
Earnings per security for profit attributable to the Security holders of Aspen Group			
Basic earnings per stapled security		28.441	6.162
Diluted earnings per stapled security		28.147	5.979

The income statement is to be read in conjunction with the accompanying notes to the financial statements

Consolidated Interim Balance Sheet

As at 31 December 2006

	Note	31 December 2006 ($ '000)	30 June 2006 ($ '000)
Current Assets			
Cash and cash equivalents		4,487	2,290
Trade and other receivables		41,013	35,975
Other financial assets		3,592	2,151
Other		3	3
Total current assets		49,095	40,419
Non-Current Assets			
Trade and other receivables		13,148	-
Property, plant and equipment		348	235
Investments accounted for using the equity method	5	35,576	23,957
Investment properties	6	336,917	284,316
Intangibles		6,226	-
Inventories		2,319	2,310
Deferred tax assets		233	-
Other investments		2,618	1,184
Other		193	-
Total non-current assets		397,578	312,002
Total assets		446,673	352,421
Current Liabilities			
Trade and other payables		5,561	3,871
Income tax payable		-	834
Interest-bearing loans and borrowings		33	8,718
Provisions		6,051	4,850
Employee benefits		279	247
Other		1,139	1,725
Total current liabilities		13,063	20,245
Non-Current Liabilities			
Interest-bearing loans and borrowings		153,738	158,832
Deferred tax liabilities		12,415	5,237
Total non-current liabilities		166,153	164,069
Total Liabilities		179,216	184,314
Net Assets		267,457	168,107
Security Holders' Funds			
Issued capital	7	228,058	172,465
Reserves		(502)	(580)
Retained earnings		39,901	(3,778)
Total security holders' funds		267,457	168,107

The balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2006

	Issued Capital	Reserves	Accumulated Profit/(Losses)	Total Security Holders' Funds
	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2006	**172,465**	**(580)**	**(3,778)**	**168,107**
Net profit for the period	-	-	55,058	55,058
Equity issued during the period	56,603	-	-	56,603
Cost of equity issue	(1,010)	-	-	(1,010)
Equity settled transactions	-	-	403	403
Changes in fair value of cash flow hedges	-	78	-	78
Distributions to security holders	-	-	(11,782)	(11,782)
Closing balance at 31 December 2006	**228,058**	**(502)**	**39,901**	**267,457**

For the six months ended 31 December 2005

	Issued Capital	Reserves	Accumulated Profit/(Losses)	Total Security Holders' Funds
	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2005	107,508	-	(24,109)	83,399
Net profit for the period	-	-	7,633	7,633
Effect of change of accounting policy				
- Fair value of cash flow hedge	-	(746)	-	(746)
- Unit holders capital classified as a liability	(61,266)	-	-	(61,266)
- Reclassification to equity	61,266	-	-	61,266
Equity issued during the period	61,948	-	-	61,948
Changes in fair value of cash flow hedges	-	84	-	84
Distributions to security holders	-	-	(5,613)	(5,613)
Closing balance at 31 December 2005	**169,456**	**(662)**	**(22,089)**	**146,705**

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2006

	31 Dec 2006 $ '000	31 Dec 2005 $ '000
Cash flows from operating activities		
Cash receipts from customers	21,301	15,875
Cash payments to suppliers and employees	(5,783)	(5,442)
Cash generated from operations	15,518	10,433
Dividends received from associates and other investments	836	491
Interest received	1,348	337
Interest and other costs of finance paid	(4,845)	(3,737)
Income tax paid	(824)	(207)
Net cash from operating activities	12,033	7,317
Cash flows from investing activities		
Acquisition of property, plant and equipment	(62)	(83)
Acquisition of investment properties	(4,432)	(399)
Acquisition of equity accounted associates	(10,499)	(7,580)
Purchase of intangibles	(6,140)	-
Payment for property deposits	-	(1,073)
Proceeds from sale of investment properties	-	13,750
Net cash from/(used in) investing activities	(21,133)	4,615
Cash flows from financing activities		
Proceeds from issue of equity securities	51,575	62,004
Payment for equity securities issue costs	(1,010)	(1,388)
Proceeds from borrowings	41,550	38,300
Repayments of borrowings	(55,450)	(55,410)
Loans to associates	(19,734)	(29,874)
Payments for arrangements of borrowings	-	(19)
Distributions paid	(5,634)	(3,209)
Net cash from financing activities	11,297	10,404
Net increase in cash and cash equivalents	2,197	22,336
Cash and cash equivalents at 1 July	2,290	868
Cash and cash equivalents at 31 December	4,487	23,204

The statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Notes to the Interim Financial Statements

1. Significant accounting policies

Aspen Group was established for the purpose of facilitating a joint quotation of Aspen Property Trust ("the Trust") and Aspen Group Limited and its controlled entities ("the Corporation") on the Australian Stock Exchange. Both the Trust and the Corporation are domiciled in Australia. The Constitution of Aspen Property Trust and the Articles of Association of Aspen Group Limited ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Corporation shall be equal and that Unitholders and Shareholders be identical. Both the Responsible Entity of the Trust and the Corporation must at all times act in the best interest of Aspen Group.

The stapling arrangement will cease to operate on the earlier 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.

With the establishment of Aspen Group, the combined group has 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 Regulations 2001.

The financial report of Aspen Group comprises the financial report of Aspen Group Limited ("the Company") and its controlled entities, and the Trust, which form the consolidated entity ("Aspen Group" or "consolidated entity").

The interim financial report was authorised for issuance on 26 February 2007.

(a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Aspen Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and investment property.

Aspen Group is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and, in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards adopted by the Australian Accounting Standards Board, being Australian equivalents to IFRS ("AIFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies and key sources of estimation uncertainty have been consistently applied by each entity in the consolidated entity and are in line with the policies as at and for the year ended 30 June 2006.

Condensed Notes to the Interim Financial Statements (continued)

2. Revenue

For the six months ended 31 December 2006

	31 December 2006 ($'000)	31 December 2005 ($'000)
Gross rental income	14,442	10,746
Management fee income	7,200	6,370
	21,642	17,116

3. Other revenues

For the six months ended 31 December 2006

Fair value adjustments of investment property	48,169	-
Net gain on disposal of property, plant and equipment	-	147
Other	349	40
	48,518	187

4. Income tax expense

For the six months ended 31 December 2006

Numerical reconciliation between tax expense and pre-tax net profit		
Profit before income tax	61,910	8,260
Prima facie income tax calculated at 30%	18,573	2,478
Less prima facie income tax on profit from Trust	(11,086)	(1,787)
Increase in tax expense due to:		
Non deductible expenses	117	141
Decrease in tax expense due to:		
Tax exempt revenues	(752)	(205)
Income tax expense	6,852	627

5. Investments accounted for using the equity method

During the half-year, Aspen Group announced that it had contracted the management and cornerstone investment in two large-scale residential land subdivision projects, Whitsunday Shores Estate, Bowen, Queensland and West Swan Estate, Perth, Western Australia. The Group has taken a cornerstone interest in each syndicate of 25% and 10% respectively. These cornerstone investments are recognised as investments in associates and will be accounted for using the equity method.

Condensed Notes to the Interim Financial Statements (continued)

6. Investment properties

Property	Original Acquisition Date	Original Acquisition Cost $ '000	Latest Independent Valuation Date	Latest Independent Valuation $ '000	Book Value at 31 December 2006 $ '000
256 Adelaide Tce (Septimus Roe) - WA	Oct 2002	29,648	Dec 2006	76,000	76,000
Phoenix Rd, Bibra Lake (Elders) – WA	Aug 2003	37,483	Dec 2006	57,500	57,500
Davy St, Booragoon (Alcoa) – WA	Aug 2003	18,329	Oct 2006	22,600	22,600
51 Heaton St, Rocklea – Qld	Oct 2004	9,184	May 2006	11,000	11,000
215 Browns Rd, Noble Park – Vic	Oct 2004	22,625	May 2006	25,000	25,000
564 St Kilda Road – Vic	Dec 2004	26,426	May 2006	27,600	27,639
222 Margaret St Toowoomba (Gardentown)- Qld	April 2005	38,103	Feb 2005	36,570	36,972
5/33 York St – NSW	June 2005	3,169	May 2005	3,000	3,206
55 Currie St – SA	June 2006	66,980	Dec 2006	77,000	77,000
		251,947			336,917

Investment properties 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 the balance sheet date, or directors' valuation. Independent valuations of property investments are obtained at intervals of not more than three years. Independent valuations were performed by Knight Frank and CBRE. They are registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Fair values were determined having regard to recent market transactions for similar properties in the same location as the consolidated entity's investment property.

7. Issued capital

	31 December 2006 ($'000)	30 June 2006 ($'000)
Issued capital	228,058	172,465

	No. '000	($'000)
Movements in ordinary units on issue		
At 1 July 2006	165,682	172,465
Distribution reinvestment plan	3,198	5,034
Securities issued via capital raising and exercise of options	34,993	50,559
Securities on issue at 31 December 2006	203,873	228,058

Condensed Notes to the Interim Financial Statements (continued)

8. Segment reporting

The consolidated entity comprises the following main business segments:

- Property Investment - Property investment includes rental income from all properties held by Aspen Group throughout Australia.
- Funds Management - Funds management includes fees and other income from unlisted property funds that Aspen Group establishes and manages as well as project management fees and other income from syndicated land estates.

	Property Investment	Funds Management	Unallocated/ Eliminations	Consolidated
	$'000	$'000	$'000	$'000
31 December 2006				
Segment revenues	14,443	7,199	349	21,991
Segment result (before tax)	59,188	6,662	(3,940)	61,910
31 December 2005				
Segment revenues	10,746	6,370	187	17,303
Segment result (before tax)	5,803	4,390	(1,933)	8,260

9. Related party transactions

During the half-year, the Group announced that it had contracted the management and cornerstone investment in a large-scale residential land subdivision project in the Swan Valley Estate, Perth, Western Australia. This project was established prior to Aspen's entry into the residential development sector, through a private entity owned by executive directors Mr Del Borrello and Mr Hawkins. Aspen have acquired from this entity the rights to manage the project for a cash consideration of $6 million.

Other arrangements with related parties continue to be in place. For details of these arrangements, refer to the financial report for the year ended 30 June 2006.

10. Subsequent events

On 8 February 2007, the Group announced the acquisition of $310.3 million of new assets for its funds management business. To assist in the part funding of these acquisitions, a 1 for 7 entitlement issue will take place to raise $54.5 million before capital raising costs. The acquisitions will take place in the following Funds Management Vehicles:

(i) Aspen Development Fund No 1 Limited ("ADF No1")
This vehicle has been established to acquire Caversham Property Developments Pty Ltd and Caversham Properties Pty Ltd from Futuris Corporation Limited ("Futuris") for $233.7 million. The Fund will be managed by Aspen Funds Management and both Aspen and Futuris will take a 25% cornerstone investment in ADF No1 of between $22.5 million and $30 million each.

(ii) Fern Bay Seaside Village Limited ("FBSV")
This vehicle has been established to acquire the development rights for the Fern Bay residential subdivision, located north of Newcastle, NSW. The development rights of this 800 plus lot subdivision have been acquired for a consideration value of $76.6 million. Aspen will take a 20% cornerstone investment in FBSV.