



ASPEN
GROUP



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Aspen Group is a national ASX-listed property investment and management company. Our focus is on acquiring quality property assets and developing and managing innovative property funds and syndicates.

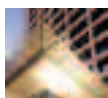


Septimus Roe Square, 256 Adelaide Terrace, Perth, Western Australia.



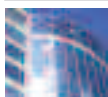
Key Achievements

Tower 1, Adelaide City Central development, South Australia.



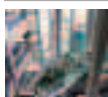
Financial

- Underlying EPS increases 21.9% to 15.62 cents per security.
- DPS increases 27.5% to 12.75 cents per security.
- Net tangible asset backing increases 31% to \$1.32.
- Total assets under management increases 97% to over \$1.2 billion.
- Gearing reduces from 47% to 31%.



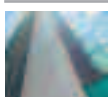
Funds Management

- Funds Management assets increase 155% to \$883 million.
- Aspen Living acquires three land estates for \$149 million, bringing total lots under management to in excess of 4,000.
- Aspen Development Fund No 1 established with initial assets of \$234 million following acquisition of Caversham Properties from Futuris Corporation Ltd.
- All Funds continue to pay distributions from underlying earnings.
- Issue of third Offer Document for Aspen Parks Property Fund to enable continued growth via acquisition and redevelopment.
- Aspen Diversified Property Fund acquires Mulgrave industrial property and disposes of Midland Cinema Complex, lifting property assets to \$153 million.



Investment Performance

- Property portfolio revaluations result in a \$46.1 million uplift in balance sheet value.
- Completion of Septimus Roe Square re-development.
- Occupancy across the total portfolio reaches 97%.
- Weighted Average Lease Expiry increases to 4.65 years.
- Investment in Aspen Funds increases to \$93 million.



Corporate

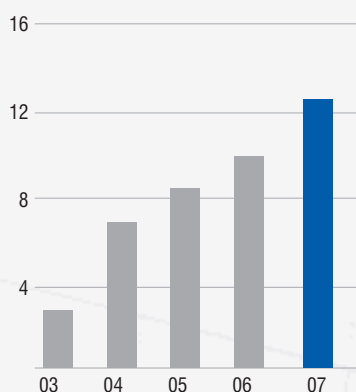
- Institutional equity placement of \$50 million completed in August 2006 to assist in MTAA House acquisition.
- 1 for 7 Entitlement Issue raises a further \$55 million to fund growth in Aspen's funds management activities. Acceptances were in excess of 95%.
- Aspen security price increases 76% during the year finishing at \$2.56 representing a market capitalisation of \$633 million.

Key Results

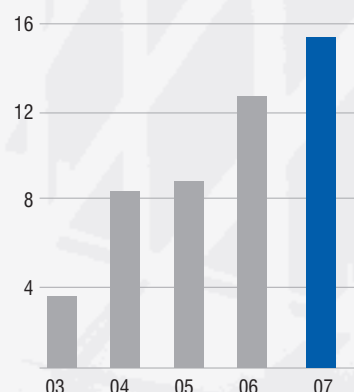


MTAA Super House, Currie Street, Adelaide, South Australia.

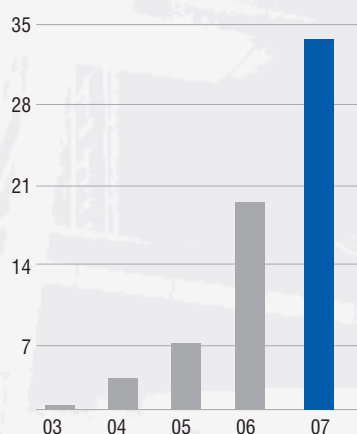
Distribution
per Security
12.75
cents



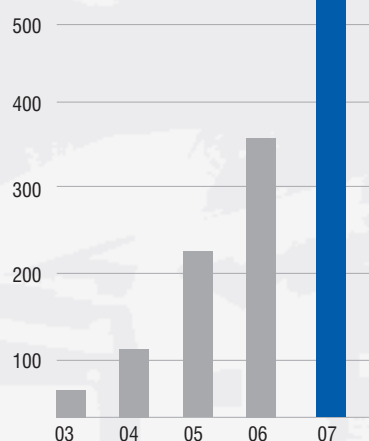
Underlying
Earnings per Security
15.62
cents



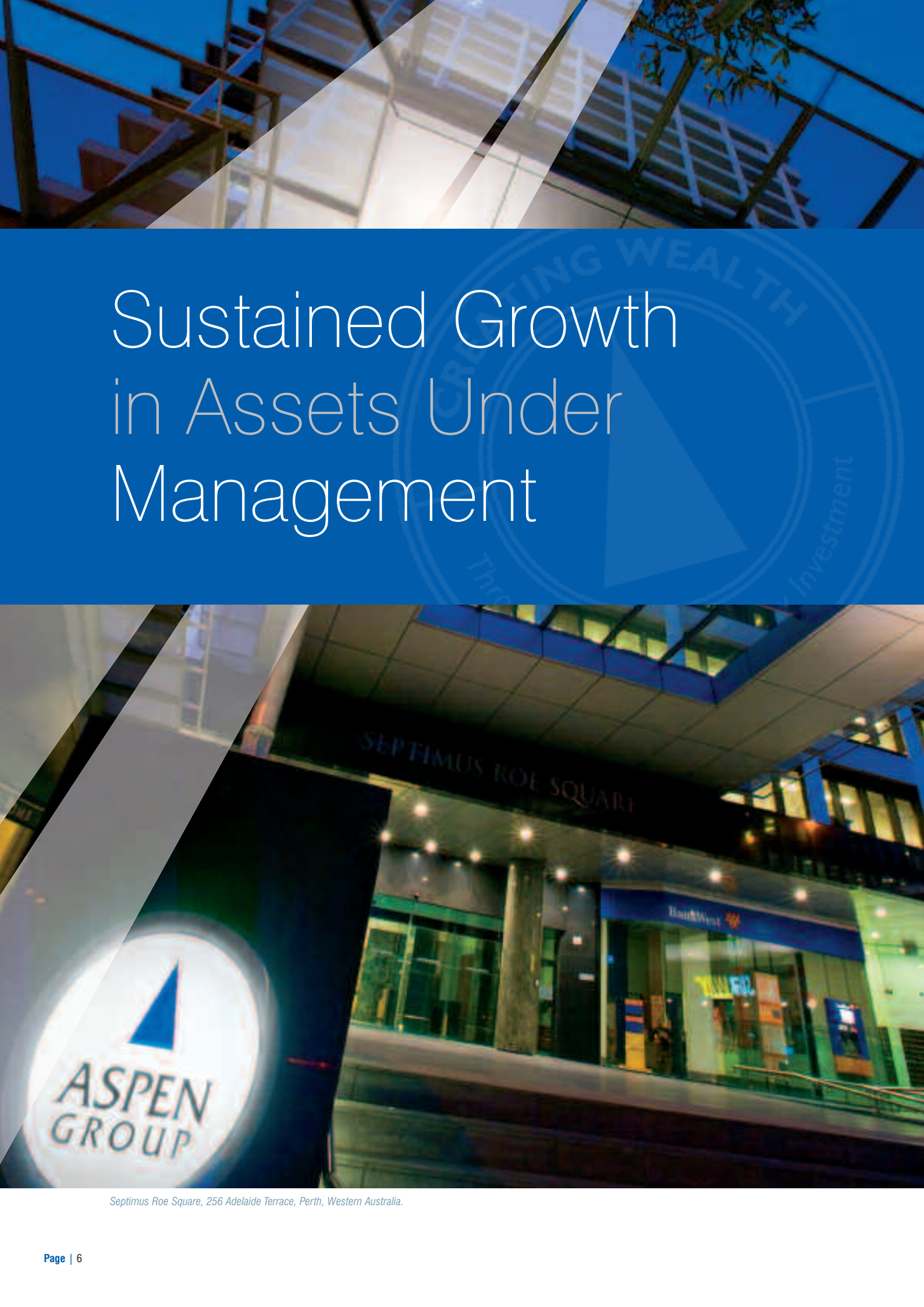
Underlying
Net Profit
\$33.5
million



Total
Assets
\$536
million



“The year has provided many highlights including a record new high for the Group’s security price, continued diversity within its asset base and the development of new funds management activities.”



Sustained Growth in Assets Under Management



Septimus Roe Square, 256 Adelaide Terrace, Perth, Western Australia.

03-4
07

2003
\$53
million



- Initial Public Offering

2004
\$99
million



- Stapling of units in Aspen Property Trust and shares in Aspen Group Limited
- Launch of Aspen Parks Property Fund

2005
\$306
million



- Launch of Aspen Diversified Property Fund
- Acquisition of over \$95million in commercial property
- Successful institutional placement and rights issue
- Aspen Parks first offer over subscribed

2006
\$632
million



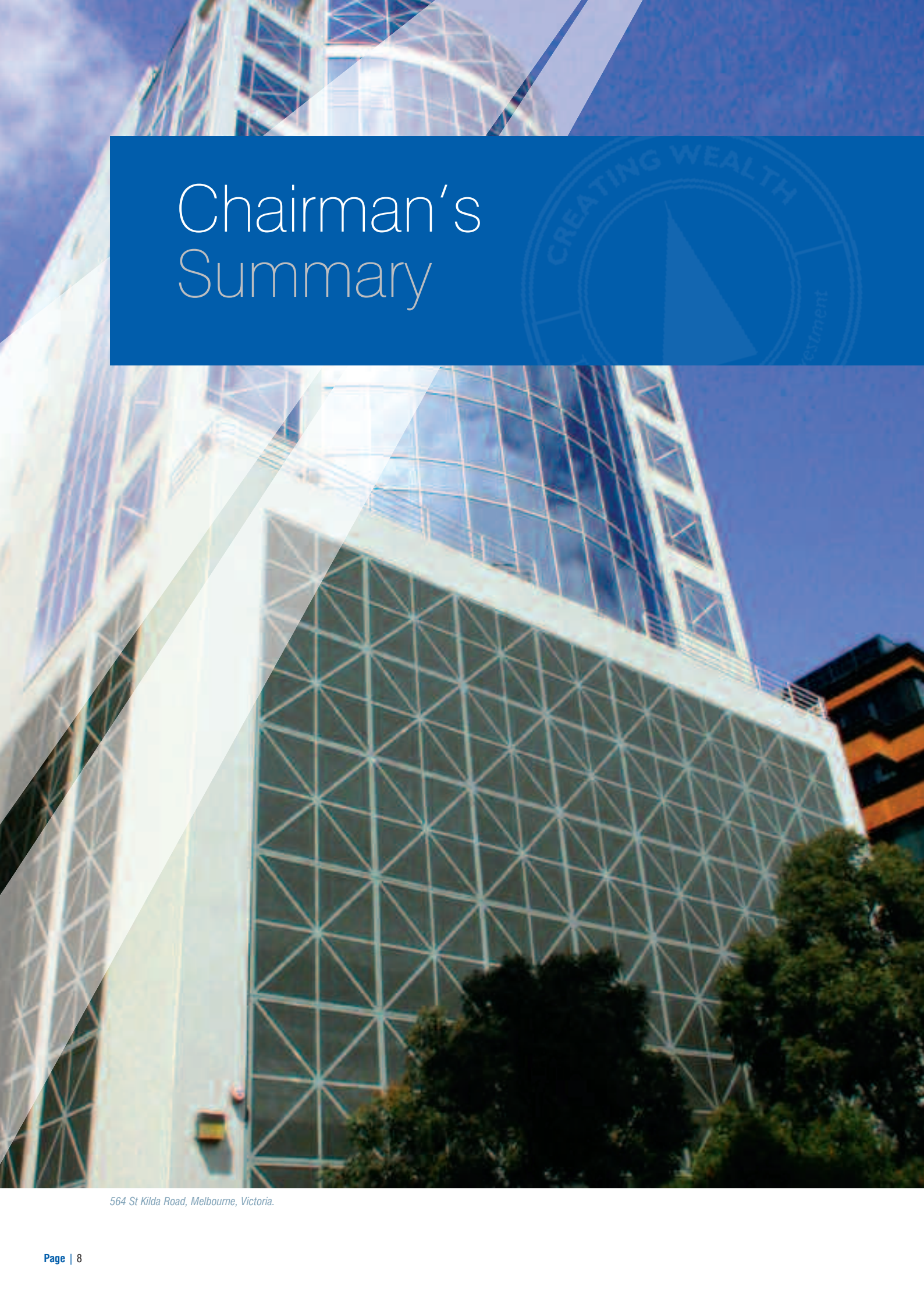
- Acquisition of MTAA Super House, Adelaide for \$67 million
- Aspen included in the ASX All Ordinaries Index
- Successful acquisition and syndication of Dunsborough Lakes Golf Course Estate
- Completion of 1 for 5 capital consolidation
- Issued second Offer Documents for Aspen Parks and Aspen Diversified
- Aspen Villages created

2007
\$1.2
billion



- Aspen Living grows total lots to in excess of 4,000
- Aspen Developments established following Caversham Properties acquisition
- Further growth in Aspen Parks and Aspen Diversified funds
- \$46.1 million in revaluation gains on Aspen properties
- Record underlying Net Profit After Tax of \$33.5 million
- Total capital raising of \$105 million via Entitlement Issue and Institutional Placement
- Net Tangible Assets per security increased to \$1.32
- Group market capitalisation reaches \$633 million at 30/6/07
- National expansion with offices now in Perth, Sydney, Melbourne and Adelaide





Chairman's Summary

564 St Kilda Road, Melbourne, Victoria.

Following an outstanding year I am delighted to present to you the Aspen Group Annual Report for 2007.

Aspen's vision of creating a dynamic broad based property group has seen it capitalise on key property sector fundamentals and the strong appetite for property backed funds management products from investors seeking to place their savings and superannuation.



Reg Gillard - Chairman

The past year has provided many highlights including record earnings, assets under management exceeding \$1 billion, and a new high for the Group's security price. We have also achieved further diversity within the Group's asset base and initiated several exciting developments within our funds management activities. Aspen Group has now firmly established itself as a leading property investment and management group within Australia.

Aspen's substantial earnings growth has resulted from our strict discipline and focus on the Group's business model, with a blend of both property rental and funds management income. The combination of a quality asset base and astute capital management continues to underpin the Group's strong balance sheet, positioning Aspen well to generate further earnings growth.

Success cannot be achieved without the input of quality people. The executive management team and all staff have once again performed exceptionally well during the year. I congratulate them on behalf of the Board and all securityholders for their hard work and valuable contribution to achieving both outstanding financial results and enhancing the Aspen reputation within the market.

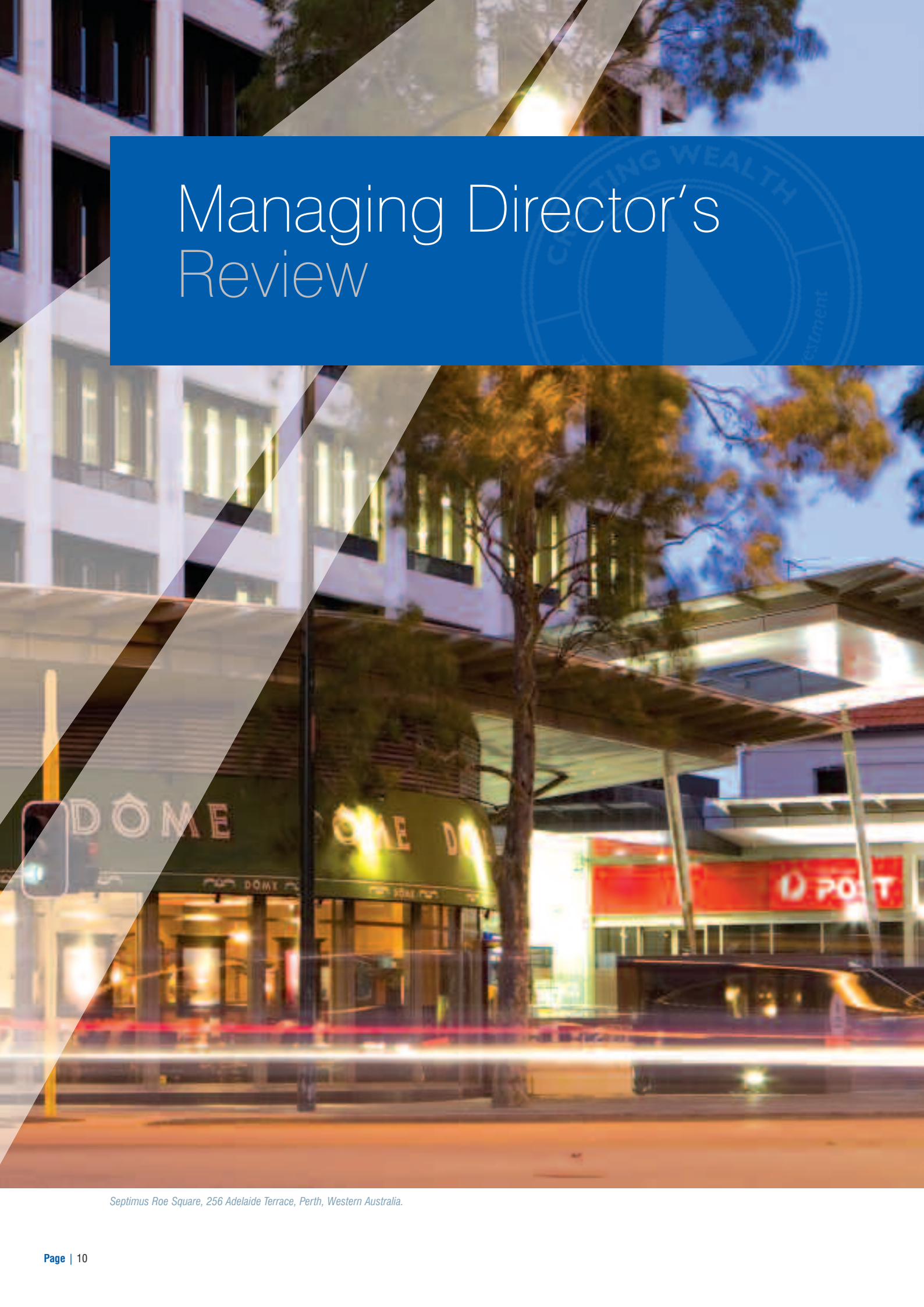
My fellow Board of Directors must also be congratulated for their fine contribution to the stewardship of the Group throughout the year. In August 2007 we welcomed to the Board Mr Matthew McCann, whose strong background in law and property provides further depth to the Board and we look forward to his input in the years ahead.

Aspen's sound strategy, business model and growing in-house expertise combined with continued buoyant financial and property markets, provide every confidence of another successful year in 2008 and I thank all securityholders for your past and future support.

A stylized, handwritten signature in blue ink, consisting of the letters 'RG' followed by a long horizontal stroke with a small upward flick at the end.

Reg Gillard
Chairman

"Aspen's successful track record has strengthened the Aspen name amongst the investment community."



Managing Director's Review

Septimus Roe Square, 256 Adelaide Terrace, Perth, Western Australia.

I am pleased to report on Aspen Group's substantial business growth in 2007, culminating in record profit results and assets under management, and adding significant securityholder value. The past financial year reflects in essence the continued maturing of Aspen Group into one of Australia's leading property investment and management groups.

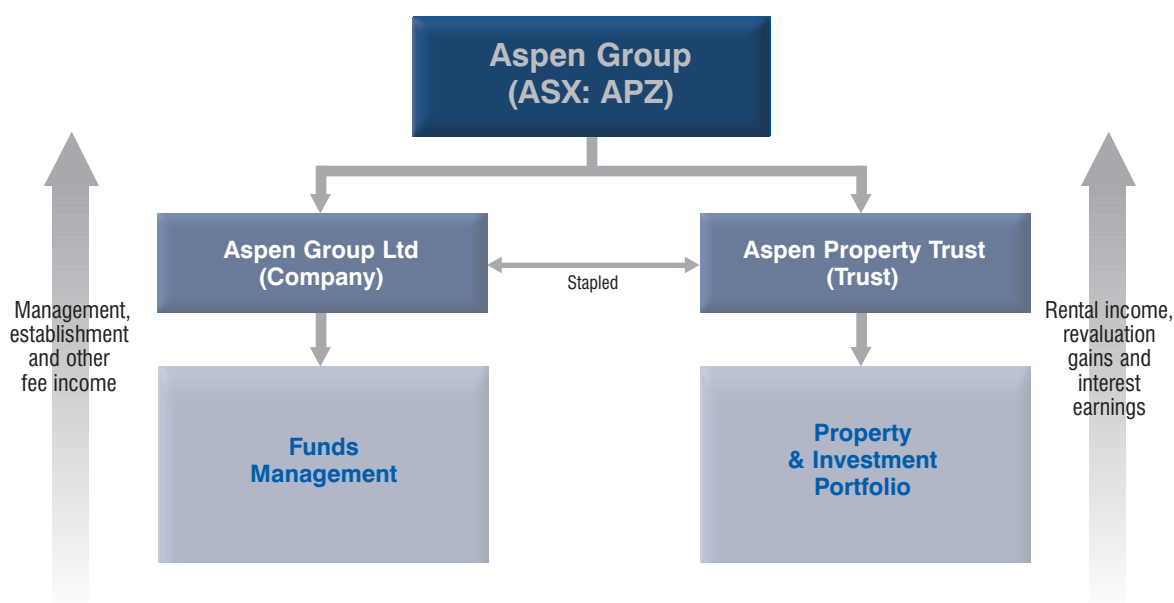


Angelo Del Borrello - Managing Director

Aspen's 2007 financial results have been achieved on the back of a larger and broader asset base both in terms of the Group's property and investment portfolio, and funds management activities. Consequently we believe this has enhanced Aspen's quality of earnings while also providing a sound base from which Aspen will continue to derive earnings growth in the forthcoming financial year.

Instrumental to Aspen's growth has been the addition of several new people, providing the Group with an enhanced skill set from which to leverage and maintain our growth momentum. The introduction during the year of development capabilities enables greater reach across property sectors, whilst providing margin enhancement opportunities within both investment and development assets.

"...results have been achieved on the back of a larger and broader asset base both in terms of the Group's property and investment portfolio, and funds management activities."



Strong Financial Performance

Strong growth in Aspen's funds management business and outstanding performance from the property and investment portfolio have combined to produce a record full year earnings result, above the Group's earnings guidance.

Strong appreciation in the value of Aspen's property portfolio was a key driver in the headline profit result for the Group.

Revaluation gains of \$46.1 million were recorded for the financial year, with Aspen's property portfolio benefiting from strong leasing activity while Aspen's active asset management has capitalised on a firmer property market.

Underlying profit increased 81% to \$33.5 million. Key contributors to the profit result were higher property portfolio revenue, following the MTAA House acquisition, strong growth in year on year rental income of 14%, and increased funds management income driven by the strong investor appetite for Aspen's property related investment funds.

Aspen's growing investment portfolio, comprising cornerstone equity positions in several of its syndicated funds management entities, also performed soundly during the year resulting in a \$3.1 million contribution to net profit, a substantial increase over the previous period.

"Strong appreciation in the value of Aspen's property portfolio was a key driver in the headline profit result for the Group."

Funds management income was 56.7% higher following significant asset growth and establishment of several new syndicated funds. Growth within the Group's funds management activities now provides a substantial asset base on which annual management income will be derived, underpinning future income contributions from this division.

Distributions to Securityholders

Aspen was pleased to provide an uplift in distribution payments twice during the period, with the total distribution paid for the year of 12.75 cents per security representing a significant 27.5% increase over the previous corresponding period. Importantly distributions were comfortably paid from the Group's underlying earnings as per Aspen's distribution policy, with earnings per security 22% higher than the distribution paid out.

As announced to the ASX on 27 August 2007, the Group will commence the new financial year with an increased quarterly distribution rate of 3.875 cents per security, representing an annualised rate of 15.5 cents per security.

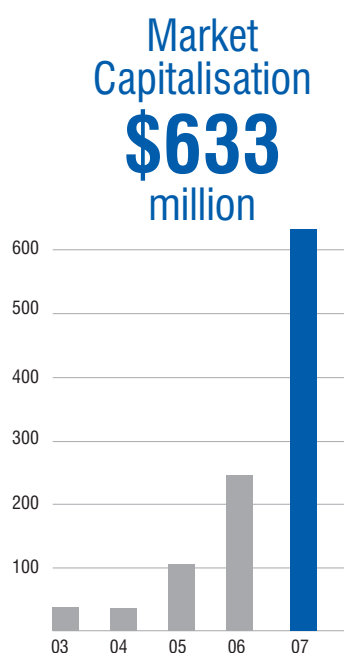
Capital Management

Aspen's growing recognition as a high quality property group within Australia was reflected in the success of two capital raisings during the period.

In August 2006 a fully underwritten placement to institutional investors of \$50 million was undertaken to assist with the acquisition of MTAA House in Adelaide. The issue, approved at a general meeting of securityholders, was extremely well supported, and was a positive endorsement of the acquisition and the Group's ongoing strategic direction.

In February 2007, Aspen undertook an entitlement issue to raise \$54.5 million to support continued funds management activities and reduce Group debt. The issue also received strong support, enabling Aspen to secure funds management assets ahead of syndication while maintaining a sound balance sheet position.

Aspen's conservative gearing position of 31%, down from 46% at 30 June 2006, continues to provide Aspen with balance sheet capacity to pursue accretive acquisition opportunities or funds management initiatives. The risk posed by higher interest rates is well mitigated by a substantially hedged debt position.



after just 12 months in the portfolio, recorded a 15% uplift in valuation to \$77.0 million as Aspen capitalised on the turnaround in the Adelaide office market.

One of Aspen's earliest acquisitions, Elders Woolstores, increased 28% to \$57.5 million. Surrounding development activity has enhanced the re-development opportunities for this property as foreshadowed by Aspen at acquisition.

Significant growth in Aspen's funds management entities has resulted in the value of Aspen's equity investment portfolio increasing from \$23.9 million to \$93.3 million during the year. This growing portfolio, reflecting cornerstone equity holdings in Aspen funds, provides further diversity in both income and property sector exposure.

"successful in re-positioning its flagship Septimus Roe Square asset and achieving valuation uplifts in several other properties."

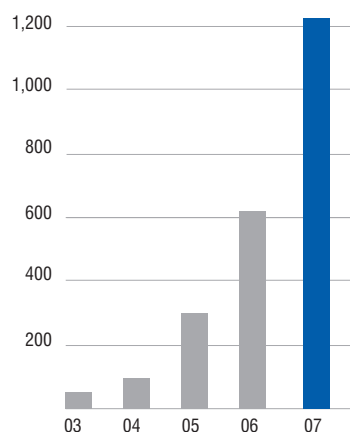
Property and Investment Portfolio Growth

Aspen's active property management strategy has proved beneficial to securityholders during the period, with the Group successful in re-positioning its flagship Septimus Roe Square asset and achieving valuation uplifts in several other properties.

The successful redevelopment of the Septimus Roe forecourt proved to be a timely attraction to tenants desperate for office space in the tight Perth CBD office market. The building was competitive with several other properties along the prestigious Adelaide/St Georges Terrace precinct resulting in record rents being achieved, a key driver in the 51% uplift in the building's valuation to \$76.6 million.

Aspen's aggressive leasing activity contributed to valuation increases in several other properties. Notable was MTAA House, which

Assets Under Management
\$1,224 million





Campbelltown Private Hospital, New South Wales.

Funds Management Activities

Significant advances were made in our funds management activities during the period resulting in a substantial lift in profit margins and assets under management, and broadening of property sector exposure.

Aspen's open-ended funds, Aspen Parks and Aspen Diversified, continue to attract both new investors and support from existing investors enabling asset growth within each Fund. To maintain this growth and facilitate capital raising for new funds Aspen has doubled the size of its distribution team to attain greater reach within the financial planning community.

Aspen Living acquired three residential land estates during the period to further establish its strong pipeline of urban zoned lots which now stands in excess of 4,000, and is spread across three states. We are encouraged by the opportunities presented by demographic change and the resulting demand for greater product diversity, which should see Aspen Living secure further acquisitions in the coming year.

The creation of Aspen Developments followed the acquisition of the Caversham Property

business from Futuris Corporation (ASX:FCL). This exciting acquisition provided the asset base to establish Aspen Development Fund No1, a syndicated multi-project development fund with a commencing asset value of \$234 million. The retention of most Caversham employees has added significant development expertise to Aspen which will be utilised through a series of future development funds.

Aspen's most recent fund's management initiatives are all progressing well following the appointment of CEOs to head each business unit. Aspen Villages has secured several sites for development, with transportable home solutions identified across retirement living, tourism, and remote living situations. Aspen Communities will focus on the retirement living and aged care sector which Aspen has identified as having significant growth potential, and will benefit from strong synergies with the retirement living development skills within Aspen Developments.

Finally the appointment of a Chief Investment Officer for Aspen Property Securities reflects Aspen's desire to play a greater role in product creation and distribution across the property sector.



Aspen Group Head Office.

People

To support the continued growth and geographic diversity of the Group's investments and funds management entities, Aspen has secured experienced executive teams across Australia to manage and expand the business. In a very competitive labour market, Aspen has been delighted with the calibre of people we are attracting, a testament to the success the Group has enjoyed in recent years. The ability to secure and reward quality employees remains a key component of the Group's growth aspirations.

The successes of the past year are due to the hard work and dedication of our people and I wish to sincerely thank all Aspen people for the strong contribution they have made to the Group during the past year.

Outlook

The financial performance for 2007 has been an outstanding reward for securityholders. Continued strong earnings and distribution growth were complemented by further

diversification to the Group's revenue base and property sector exposure. In addition Aspen has broadened its skill base and capabilities, further enhancing the Group's ability to enter new sectors and generate additional securityholder value in forthcoming years.

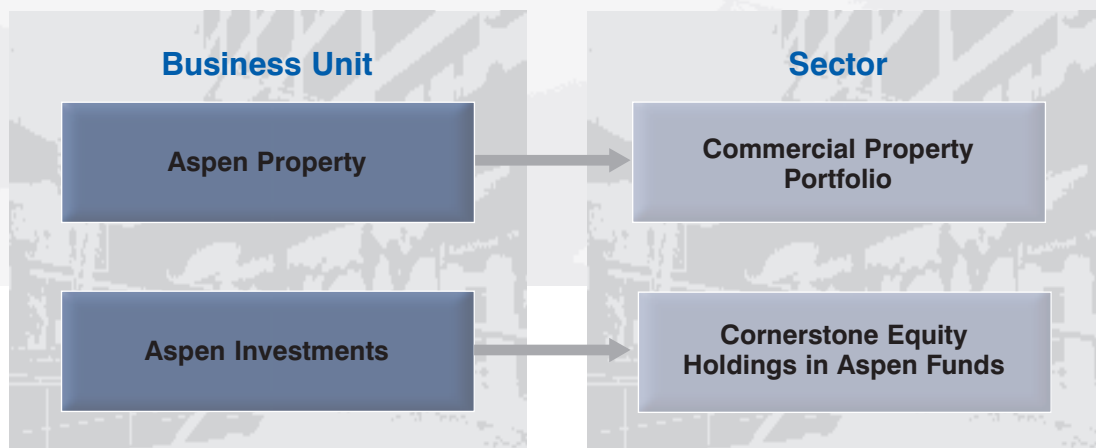
Aspen's track record of successfully creating value in established property sectors while identifying opportunities in non-traditional property markets, coupled with a strong financial position and disciplined business model provides an ideal platform for 2008 to be another groundbreaking year.

Yours faithfully,

Angelo Del Borrello

Managing Director

Property and Investment Portfolio



Aspen Property

The foundations of Aspen Group lie within the strength of its commercial property portfolio.

The property portfolio serves a twofold purpose:

- 1. To provide consistent income and growth in asset values; and**
- 2. Security to enable the Group to fund value added activities such as funds management.**

Review

Aspen's experienced property management team has established a solid investment base for the Group through strategic acquisitions across Australia and active asset management.

During the 2007 financial year, four assets were revalued adding \$46.1 million to the balance sheet, with Septimus Roe Square the standout performer with a \$25.8 million increase in valuation. Strong long term tenants and a buoyant commercial property market were key contributors to the strong performance of the portfolio.

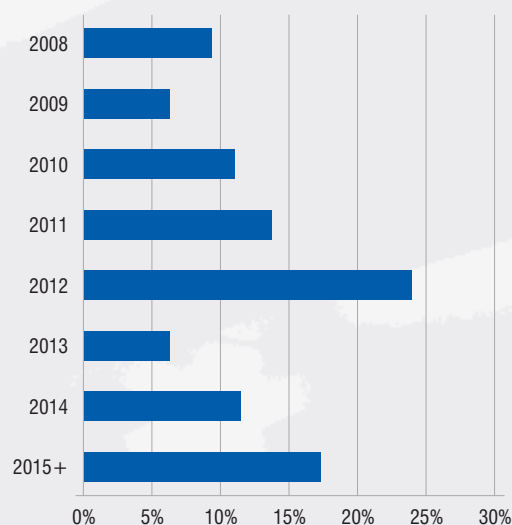
A highlight of the year was the successful completion of the Septimus Roe Square forecourt redevelopment. New sculptures capture the historic association with the State's first Surveyor General while the overall project has created a more modern image for the building and resulted in the addition of further retail tenancies including Dome Coffee, Australia Post, Subway, Aspen Fitness Centre and Hutchison 3G mobile phones. The redevelopment and strong demand for CBD office space in Perth were key contributors to the property's valuation uplift.

The office tower at 564 St Kilda Road, Melbourne, achieved a major leasing result with multinational L'Oréal secured on a ten year lease over four floors. The lease effectively replaces present anchor tenant Hewlett-Packard who will vacate their five floors on lease expiry in February 2008. The hard work of Aspen's leasing team has secured the long term income from this property.

In mid 2006 we identified the Adelaide office market as being undervalued relative to other CBD office markets. Aspen purchased 55 Currie Street aware that one of the principal tenants, the Department of Census and Statistics, were to vacate. Adopting a pro-active leasing campaign, several new tenants have been secured for the building including a new 4-year lease of 4,260sqm to Centrelink, contributing to a valuation increase of \$10 million to \$77 million.

Aspen's value adding philosophy led to a review of the portfolio's Alcoa office site in January 2007. Potential was identified for further development of the site, with approval now being sought for a 9,000sqm office tower. It is expected that completion of design and commencement of construction will occur during 2008 in order to benefit from the strong WA office market.

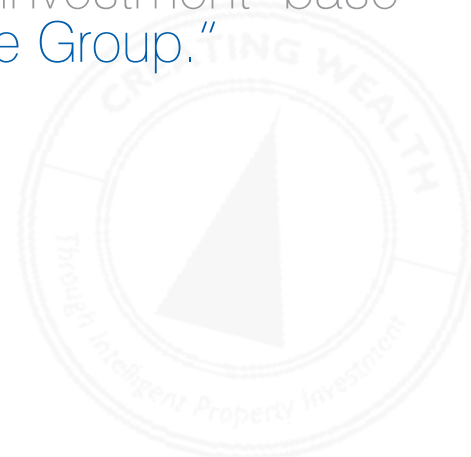
Lease expiry profile by financial year



Outlook

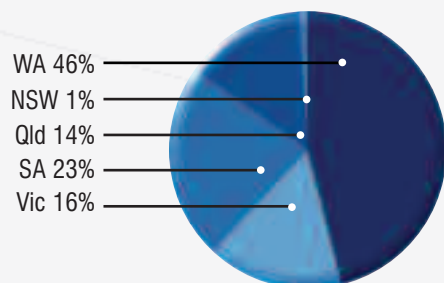
Our strategy for 2008 is to explore further value adding opportunities such as refurbishment or redevelopment within the existing investment portfolio, while maintaining our focus on high occupancy levels as the key driver to long term income growth. Accretive acquisitions will also be sought through leveraging our extensive property market networks.

"Aspen's experienced property management team has established a solid investment base for the Group."

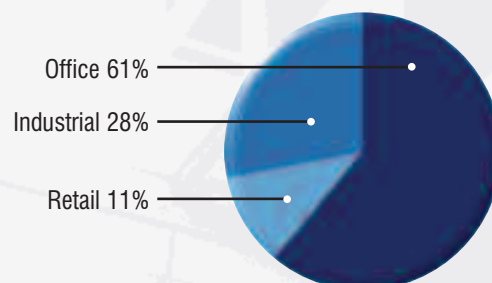


Portfolio Asset Allocation

Geographic Diversification



Sector Diversification



Property Portfolio Summary

Property	State	Primary Use	Purchase Date	Purchase Price	Fair Value
Septimus Roe Square, Perth	WA	Office	16/10/02	\$28.3m	\$76.6m
Alcoa Office, Booragoon	WA	Office	5/8/03	\$17.4m	\$22.9m
Elders Woolstores, Spearwood	WA	Industrial	4/8/03	\$35.5m	\$57.5m
Browns Road, Noble Park	VIC	Industrial	7/10/04	\$21.4m	\$25.0m
Heaton Street, Rocklea	QLD	Industrial	30/9/04	\$8.8m	\$11.0m
564 St Kilda Road, Melbourne	VIC	Office	15/12/04	\$25.0m	\$27.6m
GardenTown, Toowoomba	QLD	Retail	4/4/05	\$36.6m	\$35.0m
York Street, Sydney	NSW	Office	28/6/05	\$3.0m	\$3.2m
MTAA Super House, Adelaide	SA	Office	29/6/06	\$67.0m	\$77.0m
TOTAL				\$243.0m	\$335.8m

Aspen Investments

A key component to Aspen's growing funds management activities is its ability to underwrite the development of new funds and commitment to maintaining a cornerstone equity position. Instrumental to this strategy is Aspen's strong financial position which has provided the necessary capital support.

The growth in Aspen's funds management activities during 2007 has been significant and as such the Group's investment portfolio increased from \$23.9 million to \$93.5 million as at 30 June 2007.



Aspen believes that holding a cornerstone investment aligns the interest of the manager with the underlying investors providing an additional level of confidence.

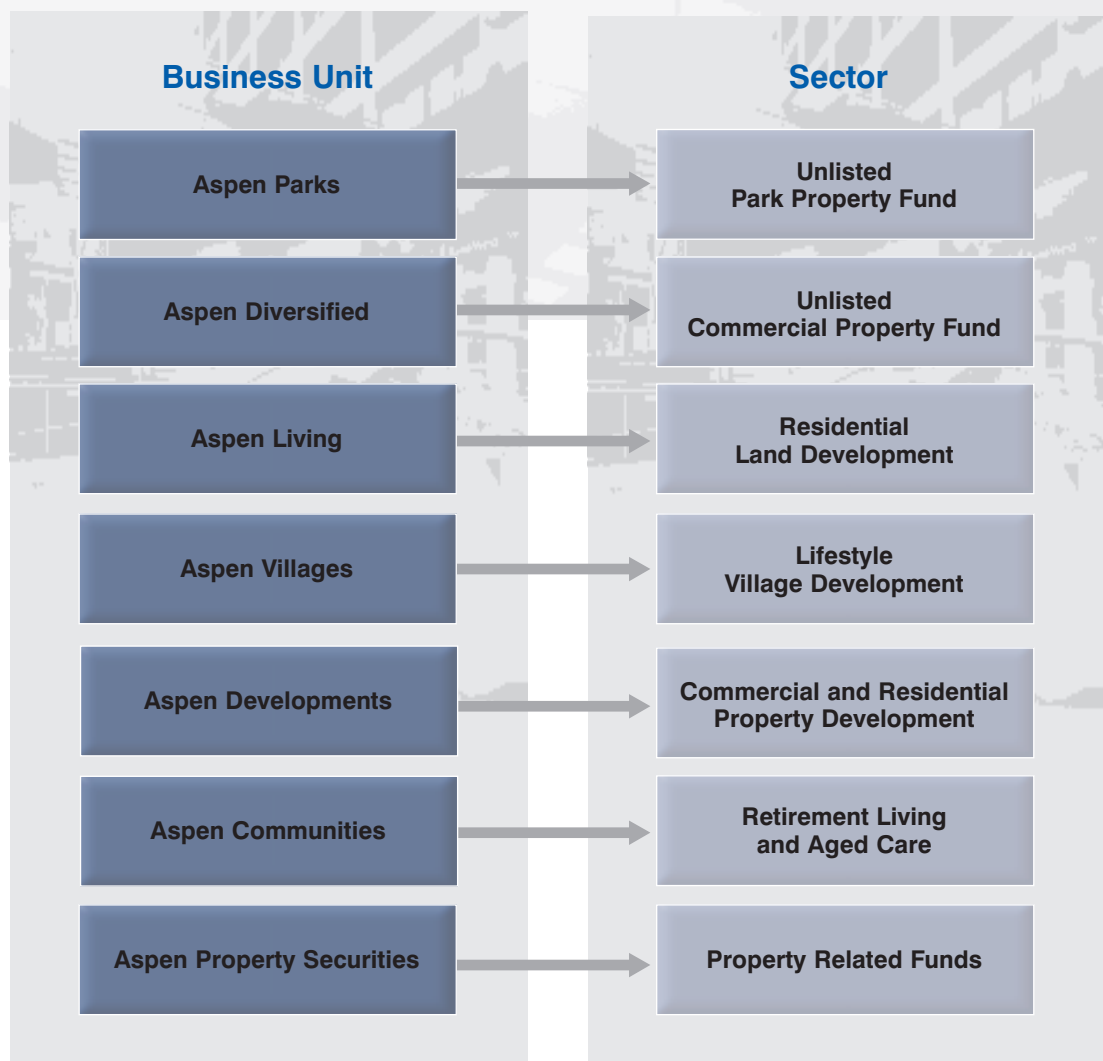
This growing investment portfolio also provides added diversity to the Group's property portfolio, with the various Funds providing the Group with exposure to property sectors not

normally associated with a traditional commercial property trust. At the same time Aspen has management control over each of the Funds in which it holds equity, through its position as Fund Manager.

A summary of the Group's investments as at 30 June 2007 is shown in the following table.

Fund	Sector	Aspen Investment \$m
Aspen Parks Property Fund	Tourist parks	11.3
Aspen Diversified Property Fund	Commercial	16.0
Aspen Dunsborough Lakes Ltd	Land development	7.9
Aspen Whitsunday Shores Pty Ltd	Land development	4.9
Fern Bay Seaside Village Ltd	Land development	6.7
West Swan Estate Pty Ltd	Land development	2.4
Aspen Development Fund No 1 Ltd	Commercial & residential development	46.4

Funds Management



“Funds management assets more than doubled during 2007 to \$883 million.”

Funds Distribution

Underpinning Aspen's growth in funds management activities has been the Group's ability to successfully develop wholesale and retail distribution channels within a relatively short period of time.

Aspen's wholesale fund raising activities have generally been in relation to the Aspen Living syndicates and the Aspen Development Fund No 1. The development of sound long term relationships with a variety of sophisticated and institutional investors has resulted in a strong level of support for Aspen's funds. Furthermore the rigorous due diligence process undertaken by many wholesale investors is testament to the quality of product being produced by Aspen.

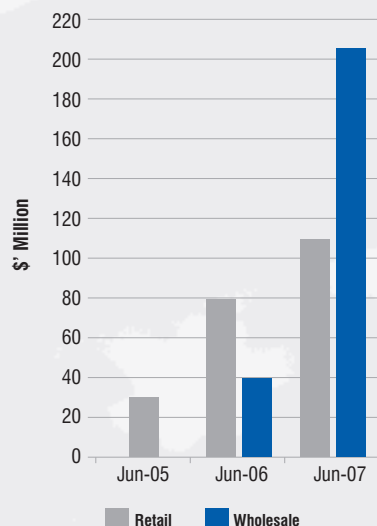
Aspen's retail distribution activities have remained focused on Aspen's open-ended funds, Aspen Parks and Aspen Diversified. Sound inflows have been achieved during the year, with support received from a number of loyal financial planning groups while Aspen's internal client base has also provided consistent inflows.

Review

A strategic review by Aspen management at the start of 2007 identified retail distribution as a key initiative for the year, in order to reach the estimated 20,000 financial planners within Australia operating under national, boutique and individual financial services licenses.

Most new investments placed with fund managers like Aspen are undertaken via Portfolio Administration Platforms, due mainly to their ease of use, administration functionality and consolidated tax reporting. Further to this, there is a move towards model portfolios being implemented within licensee groups allowing

Capital raised for Aspen Managed Funds (cumulative)



them easier compliance and monitoring of client portfolios. Fundamental to Aspen's distribution strategy is to gain representation in such model portfolios. Products such as Aspen Parks and Aspen Diversified, with their niche investment objectives, are ideally placed to add greater diversity to such models. External research to assist in selection of products continues to be essential and the Distribution team has established sound relationships with key groups such as Lonsec, Zenith, and Aegis.

The appointment of Mr Reon Botha as Head of Distribution, bringing with him 17 years experience in financial services, was a key initiative in driving the distribution strategy. Reon has subsequently expanded the team of Business Development Managers to enable greater penetration within the financial services network which includes Financial Planners, Licensee Groups, Research Houses, Portfolio Administration Platforms and Direct clients.



Aspen client services team.

Key results and progress in the past twelve months includes:

- Aspen Diversified and Aspen Parks have achieved improved Platform representation;
- Approved Product List representation expanded;
- Fund inflows forthcoming from a broader spread of planners compared to same time last year;
- Margin lending facilities established for both Aspen Parks and Aspen Diversified;
- Further strengthening of relationships with key portfolio administration platform representatives; and
- Expanded national distribution network.

Aspen has also continued to offer a direct investment option through our in-house client service team, enabling the do-it-yourself investors with an alternative where they do not utilise the services of a financial planner.

Outlook

Aspen will continue to broaden its capital raising capabilities in order to match the ongoing product development within its funds management activities.

Enhancing existing relationships across both wholesale and retail distribution channels and continually seeking to establish new sources of support remain paramount to Aspen's success.

The planned introduction of new Wholesale versions of our Funds, designed for administration platform use, will provide greater access for financial planners and increased opportunities for model portfolio representation.

The positive developments within our Distribution team including new BDM's, enhanced knowledge, new systems and clear strategies, have positioned Aspen well for the year ahead to facilitate further growth within funds management capital raising.

Aspen Parks

The Aspen Parks Property Fund, established in June 2004, is a sector specific investment fund with its principal activities to acquire, manage and expand a portfolio of park properties.

The caravan park industry was identified by Aspen Group as having all the hallmarks of a successful property investment with premium landholdings, diversified income streams and capital growth potential. Holiday and accommodation parks have transformed over the past decade from basic caravan parks into multi-faceted accommodation and resort facilities. Aspen Parks provides opportunities for astute investors to take advantage of the growth in this sector.

Review

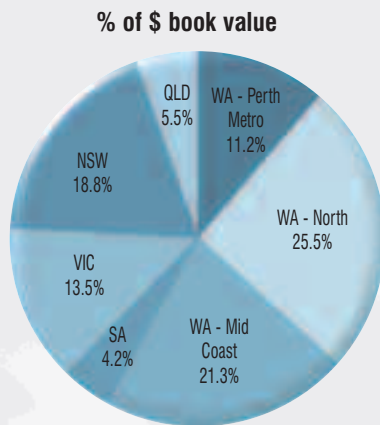
The 2007 year was highlighted by the successful acquisition of a further five parks with numerous others not meeting our due diligence benchmark. This has seen the Fund grow its portfolio to \$152 million (as at 30 June 2007) comprising 18 parks spread across five states of Australia, eclipsing the Fund's initial objective of achieving \$150 million in assets by June 2009.

The Fund's performance continues to be impressive. Investors have benefited from solid capital growth, which together with monthly income distributions, have provided investors with an impressive total

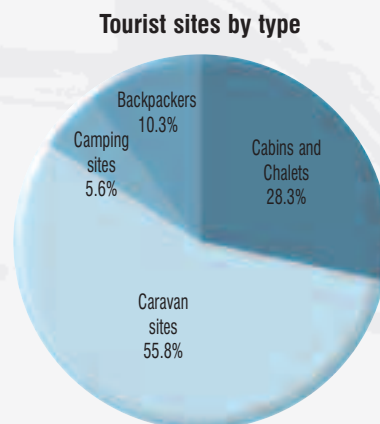
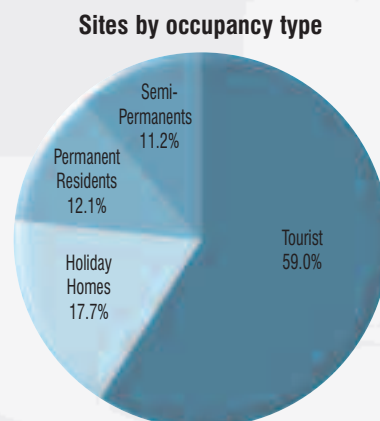


The unique beachside location of Monkey Mia, Western Australia.

Geographical diversification



Diversification by accommodation types



compound average return of 19.4% per annum from inception (excluding deferred tax benefits) to 30 June 2007.

Increased tourist awareness of the Aspen Parks brand and network, and steady income from permanent and annual tenants were key contributors to a strong full year result. Development work in a number of parks throughout the year has enhanced the quality of accommodation and standard of properties increasing revenue streams across the portfolio. The resources industry has also contributed to outstanding returns from our north west WA parks.

Investor and financial planner support for the Fund was very positive during the year. The uniqueness of the Fund continues to be an appealing factor to investors as they seek to diversify their investment portfolio.

Aspen believes several key value drivers remain supportive of the sector as follows:

Diversified income streams (Tourism, Retirement, and Mining Accommodation)

- An ageing population with substantial superannuation holdings experiencing their around Australia retirement dream;
- A more sophisticated traveller looking for more than the average caravan park;
- Acceptance of parks as a principal place of residence given the declining affordability of traditional housing throughout Australia; and
- A strong resources industry looking for flexible worker accommodation.

Cost effective development

- Off-site construction offering:
 - speed of development with little disruption to operations; and
 - economical construction cost compared to traditional bricks and mortar.



Coogee Beach Holiday Park highlighted, with the Port Coogee marina development taking shape in the background.

Large landholdings in pristine locations

- Through their very nature most park properties are in highly sought after locations appealing to tourists now while holding intrinsic value over time should the property be transformed into desirable redevelopment assets.

Outlook

Aspen Park's investment strategy is to firstly consolidate and develop existing properties within the portfolio and secondly continue the expansion of the portfolio via acquisition of additional properties. The Fund will continue to target prime tourist locations, enhancing the mix of permanent and tourist accommodation, while identifying sites capable of supplying resource industry and other project-related accommodation requirements on a long term basis. Properties with the potential for redevelopment or with underutilised land will also be a focus, leveraging the experienced in-house development team and providing an attractive opportunity for further income and capital growth.

"The caravan park industry was identified by Aspen Group as having all the hallmarks of a successful property investment with premium landholdings, diversified income streams and capital growth potential."



Aspen Diversified

"Aspen Diversified is a niche commercial property fund seeking to add value to properties within the \$5 million to \$30 million range."

Aspen Diversified Property Fund was established in June 2005 to provide investors with exposure to a diversified medium sized commercial property portfolio. The Fund has maintained an investment strategy to seek properties within the \$5 million to \$30 million range where Aspen believes value-added opportunities exist.

Review

Outstanding performance of the Fund resulted in a total return for 2007 of 18.28%, comprising a monthly income distribution in excess of 8% per annum and capital growth. This result, including a 100% tax deferral on income, and coupled with the well diversified nature of the portfolio continues to make the Fund an attractive proposition for investors.

Yield compression across key commercial property markets has limited acquisition opportunities, however the Fund's portfolio value of \$153 million at 30 June 2007 is well on track to achieve the Fund's objective of at least \$250 million in gross assets by 30 June 2010.

The key focus for 2007 was to identify value add opportunities and lift occupancy rates across the existing portfolio as the main drivers for achieving income growth. Aspen was successful on both counts with the portfolio's total occupancy at 99% while several leasing initiatives have increased the portfolio's weighted average leasing profile to 4.2 years. All these initiatives have further enhanced the overall quality of the Fund.

Highlights

Champion Drive Shopping Centre is a well located retail property in an area experiencing population growth. The Centre's Coles supermarket has been trading extremely well

and as a result a new 15 year lease has been agreed with Coles in addition to obtaining development approval for a 600sqm extension to the supermarket and a new 97sqm specialty shop.

80 Mount Street was acquired as a turnaround opportunity with a rent guarantee securing the building's 24% vacancy. Aspen's asset management team has produced outstanding results through active management and leasing strategies which have reduced the vacancy to less than 1% as at 30 June 2007.

The Castle Hill Homemaker Centre has seen new leasing activity with tenants Rays Outdoors, SE Timber, Scrapbook Cottage and Beachhouse Health & Fitness all adding to the market draw for the Centre and underpinning future income for Fund investors.

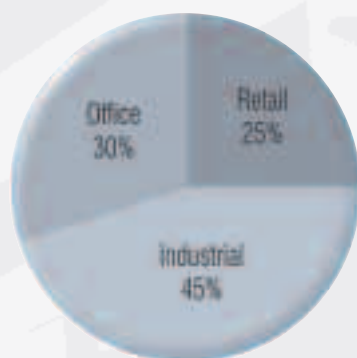
The Fund disposed of the Midland Cinema Complex during the year when it assessed that the property was best suited as a re-development opportunity. A profit of \$0.74 million was generated on the sale.

The Fund's total assets increased in June 2007 following the acquisition of 677 Springvale Rd, Mulgrave, Victoria, a \$20 million office warehouse property anchored by a 10-year lease (9-years unexpired) to HRL Limited and a new 5-year lease to Optus Networks. The property has 12,379sqm of offices, warehouse and laboratory accommodation and a land area of 22,500sqm. The initial return before acquisition costs is an attractive 8.3%.

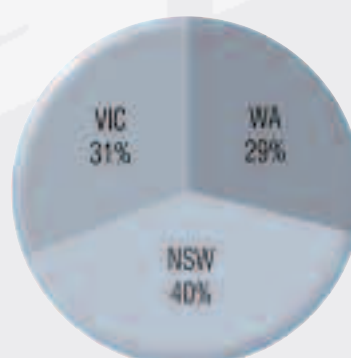
Outlook

Throughout 2008 Aspen will continue to identify income producing assets for the Fund while maintaining a policy of intensive asset management to enhance income growth and capital values.

Sector Diversification



Geographic Diversification



Property	Location	Use	Acquisition date	Acquisition Price	Book Value*
Riseley Corporate Centre	Booragoon WA	Office	Jun-05	\$7.3 m	\$ 7.7 m
Cardno BSD Centre	Subiaco WA	Office	Jun-05	\$5.0 m	\$ 5.6 m
Mount St Building	North Sydney NSW	Office	Dec-05	\$31.0 m	\$33.5 m
Abernethy Park	Kewdale WA	Industrial	Jun-05	\$10.1 m	\$11.6 m
Trailcraft Industrial Complex	Henderson WA	Industrial	Aug-05	\$8.4 m	\$9.1 m
Holeproof Complex	Nunawading Vic	Industrial	Dec-05	\$28.0 m	\$28.1 m
677 Springvale Road	Mulgrave VIC	Industrial	Jun-07	\$20.0 m	\$ 20.0 m
Champion Drive Shopping Centre	Armadale WA	Retail	Jul-05	\$7.6 m	\$ 9.9 m
Castle Hill Homemaker Centre	Castle Hill NSW	Retail	Feb-06	\$27.0 m	\$28.0 m
Total					\$153.5 m

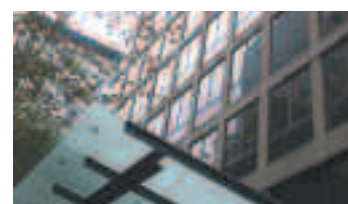
* As at 30 June 2007.



Homemaker City
6 Victoria Avenue, Castle Hill, New South Wales



Holeproof Complex
76-79 Station Road, Nunawading, Victoria



Mount Street Building
80 Mount Street, North Sydney, New South Wales



Trailcraft Industrial Complex
99 Quill Way, Henderson, Western Australia



Abernethy Park
511 Abernethy Road, Kewdale, Western Australia



Champion Drive Shopping Centre
Cnr Champion Drive & Seville Drive, Armadale, Western Australia



Riseley Corporate Centre
135 Riseley Street, Booragoon, Western Australia



66 Springvale Road
Mulgrave, Victoria



Cardno BSD Centre
2 Bagot Road, Subiaco, Western Australia

Aspen Living

Aspen Living was created during the year to brand Aspen's residential land syndicates. Aspen first commenced residential land development in January 2006 following the acquisition of the Dunsborough Lakes project in the south west of Western Australia. During 2007 a further four significant residential land projects have been added to the portfolio as Aspen seeks to capitalise on the demand for new land sites in sought-after locations across Australia. Aspen Living, through its various syndicates now has an impressive land bank in excess of 4,000 lots with an englobo value of over \$300 million. With the continued search for new projects, Aspen Living aims to generate a significant project pipeline that will underpin the division's long-term financial contribution to the Group.

The syndication model through which Aspen Living operates has facilitated the division's rapid growth in 2007. Targeting largely the wholesale investment market, Aspen has successfully raised in excess of \$50 million during the year to secure projects. Aspen believes the combination of real property security and forecast internal rates of return in the vicinity of 18% - 20% per annum provides an attractive investment opportunity, particularly for long-term investors such as

superannuation funds. Furthermore Aspen Group has demonstrated its commitment to each project acquiring a cornerstone investment in each syndicate.

Aspen Living's core value proposition is to provide a complete management service capable of maximising the potential of each project it manages.

Aspen Living's key responsibilities are:

- The strategic direction of the project;
- Management of key consultants and contractors;
- Co-ordinating day to day activities of the project;
- Sales and marketing strategy and execution;
- Establishing sustainable development strategies;
- Company secretarial and accounting;
- Effective communication with investors; and
- Delivery of sound financial performance for each estate.

Aspen Living's acquisition strategy is predicated on research into national growth and demographic patterns, as well as catering to the changing consumer demands.

The four residential estates added to the portfolio in 2007 are:

St Leonards – Located at the gateway to the picturesque Swan Valley Wine Region in Perth, Western Australia, St Leonards will house in excess of 1,000 West Australian families. Being situated in the north east growth corridor, St Leonards is well positioned to experience strong demand and capital growth long into the future;

"Aspen Living has grown quickly to establish itself as a serious player in the master planned land subdivision sector."



The unique location of Fern Bay, Newcastle, New South Wales.



Whitsunday Shores Estate – The town of Bowen in North Queensland is home to Whitsunday Shores Estate. Mining, tourism and significant infrastructure commitments from the Queensland State Government will underpin the remaining 670 lots within this estate. Set amongst the dramatic backdrop of the Whitsunday Islands, Whitsunday Shores will also be the first of a number of residential golf course estates that will be developed in conjunction with the Adam Scott Group;

Fern Bay Seaside Village – Nestled in a beautiful seaside forest just north of thriving Newcastle, Fern Bay Seaside Village provided a classic countercyclical opportunity for Aspen Living. An established and successful project to date, the 947 lot Fern Bay Seaside Village provides a foothold in the New South Wales residential market and is well placed to benefit

further in a market showing promising signs of recovery; and

Byford by the Scarp – Located in the south east growth corridor of the Perth metropolitan area, Byford by the Scarp was acquired as part of the Caversham Properties acquisition. Comprising in excess of 500 lots nestled on the Darling escarpment, Byford by the Scarp has fast become the most sought-after address in the highly competitive Byford region. With affordable housing a real issue in the Perth residential market, Byford by the Scarp is set to capitalise on state government stamp duty concessions in the immediate future.

The growth in Aspen Living activities has seen Aspen establish high calibre and experienced project management and estate sales teams to actively drive each asset.



Promotional photograph of Adam Scott for Aspen Whitsunday Shores, Queensland.

The quality of these resources will underpin the active management of these assets to deliver both first class communities for the end users and attractive returns to Aspen Living investors.

A further exciting development in 2007 has been the announcement of a joint venture with professional golfer Adam Scott. Aspen Living believe the demand for golf course estates will increase, and joining forces with one of the world's highest ranked golfers and his golf course design company, *Scott Golf Designs*, will enhance the Aspen Living brand.

Outlook

The forthcoming year will see progression of all existing projects which are at various stages of the development and sales process.

In addition, Aspen Living will look to actively grow its burgeoning project pipeline through the acquisition of prime development sites in strategic locations across the country, underpinning the division's long-term financial contribution to the Group.

“With in excess of 4000 appropriately zoned lots and operations in three states, Aspen Living is set for further significant growth.”

Aspen Developments

Aspen Developments is the development division of Aspen created through the acquisition of the Caversham Property business from Futuris Corporation Limited in May 2007.

Aspen Developments seeks to leverage the expertise and skills of its management to create and/or acquire development opportunities which can be packaged and syndicated under the Aspen funds management model.

Aspen Developments business methodology is to deliver superior returns at an acceptable level of risk by adhering to its core principles as follows:

- securing revenue streams where possible from pre-committed sales and lease income;
- obtaining a thorough understanding of market risks;
- engaging in strategic alliances with leading stakeholders in each project; and
- delivering major project inputs through fixed price construction contracts.

Aspen Developments employs sixteen staff across three city locations and engages leading experts and consultants in their respective fields, including award winning designers, planners, engineers and architects.

Review - Aspen Development Fund No1

Aspen Development Fund No1 (ADF No1) is the first in a planned series of development style syndicated funds.

ADF No1 was created following the acquisition of the Caversham Properties portfolio and subsequently syndicated to institutional investors. The initial asset value of \$234 million comprised holdings located in metropolitan Perth, regional Western Australia, Adelaide and Sydney, and diversified across residential, commercial and retirement living sectors.



Residential

The residential land bank of ADF No1 includes active residential sub-division development sites in Byford, in south east metropolitan Perth, together with rural residential holdings in Chittering and Geraldton, totaling 1,800 hectares and a land bank of 150 hectares in Upper Swan for future development.

“...to create and/or acquire development opportunities which can be packaged and then syndicated...”



Tower 2 construction, Adelaide CBD, South Australia.



Campbelltown Retirement Village, New South Wales.

Commercial

The Adelaide City Central development comprises an entire city block redevelopment in the Adelaide CBD which includes at least eight inter-related office, retail, hotel and residential projects. The \$800 million project has adopted a focus on environmentally sustainable outcomes and with the initial stage Tower 1 completed during the year, the precinct will set an enviable standard in development nationally. Tower 1 is Australia's largest five-star rated green building and is being followed with Tower 2 on the prime King William Street address, housing some of the country's premier private and public sector tenants.

Aspen Developments completed development of the 50 bed Campbelltown Private Hospital during 2007, meeting the delivery and cost budgets for one of the country's leading operators, Healthscope Limited.

With the success of that project, Aspen Developments has secured a site in Norwest Business Park in Sydney to provide a 169 bed facility for Healthscope which includes 10 operating theatres and 8,000sqm of specialist suites. This project is expected to commence construction in the last quarter of 2007.

Retirement

Aspen Developments has developed a track record over the last seven years for developing retirement villages for the not-for-profit sector, having produced over a thousand independent living units and aged care beds during that time.

During 2007, the \$100 million Macarthur Retirement Village was completed for Illawarra Retirement Trust in Campbelltown NSW, after three years of construction. With construction of this village concluded, ADF No1 has secured a 6 hectare site adjacent to Currumbine railway station for development of 235 apartments and independent units on behalf of Southern Cross Care (WA), which will commence in late 2007.

Outlook

Aspen Developments will follow the Aspen strategy of seeking to identify opportunities or markets where significant value can be unlocked or generated. Effective use of Aspen's balance sheet will underwrite further acquisition of assets ahead of future syndicated development funds.

Aspen Villages

Aspen Villages has been developed as a multi-purpose vehicle to undertake development of accommodation facilities across several sites for a variety of purposes. Aspen Village's objective is to create uniquely designed villages that ensure the environment and vernacular of the community is at the forefront of planning and design, resulting in villages that integrate seamlessly into the surrounding community.

Aspen has identified a number of sectors including retirement, resources and tourism where new accommodation facilities are in short supply. Design solutions utilising relocatable accommodation and combining integrated facilities and services ensures a variety of specific requirements can be delivered to meet the needs of the relevant communities and workplaces. Flexible design and construction methods enable short lead time to completion, substantially reducing development risk, and improving the return on capital to investors.

Review

The appointment of Mr Murray Rance as CEO during the year has resulted in rapid progress during 2007 with several potential sites assessed and four acquired or under option to acquire. Aspen Villages will seek to capitalise on the advantage of its synergies with the in-house development expertise and management skills of Aspen Parks, Aspen Living and Aspen Developments.

The Villages strategy in the retiree sector will see Aspen maintain land ownership, sell dwellings, offer long term land leases and charge site rent to cover land and village

facilities and provide a return on management services. Villages will have comfortable housing accommodation with first class recreation facilities including community centre, indoor swimming pool, gym, bowling green, complemented by onsite management and security.

In the tourism sector Aspen Villages will develop properties with the view to having a mix of annual tourist sites and short term stay.



Outlook

Aspen's first Villages fund will open to investors during 2008 offering the potential of development profits, and annuity revenue streams once villages have reached development maturity. In addition, investors will benefit from exposure to an alternative real estate sector, with potential capital gains and income streams from land ownership.

"...a multi-purpose vehicle to undertake development of accommodation facilities across several sites for a variety of purposes."

Aspen Communities

Changes in Australian demographics over the last 10 years has seen a significant ageing of the population, a substantial component of which can be attributed to the so-called “baby boomer” cohort. This phenomenon is expected to continue and in fact increase for a number of decades to come, raising with it the need for long-term suitable living solutions.

Review

The need for retirement living solutions has been identified by Aspen as a further opportunity for the creation of a niche investment fund investing in the development and ongoing management of retirement villages. The appointment of Mr Bill Marshall, an experienced operator in the retirement living and aged care sector, signaled Aspen’s intent to aggressively pursue the opportunities in this sector.

Aspen Communities goal is to create retirement communities that foster confidence, self-worth, well-being and active adult living by providing quality customer-focused services that respond to the holistic needs of our residents in an atmosphere of respect for their dignity and independence. In doing so, Aspen seniors’ communities throughout Australia will be recognised as achieving high quality product and service provision whilst accomplishing an appropriate balance between the business needs of the Group and the needs of the communities and client base, through innovation and contemporary thinking.

The target market identified by Aspen will be those community members who are aged 55 years and over, a sector of the Australian population which has and is expected to



experience substantial growth. With a current participation rate of around 3.5% of people 65 years and over in Australian retirement communities, there exists a substantial opportunity to improve that participation rate with the development and provision of innovative retirement living products which add substantially to the notion of active adult living.

Aspen Communities will typically be developed over large spacious sites, usually around 200-300 units when complete, providing a broad range of resort style community facilities whilst maintaining a strong focus on community support and sense of security.

Outlook

In the short time that Aspen Communities has been established, some four properties have been or are in the process of being acquired for the development of retirement communities, forming the basis of a new fund that will be developed during 2008. It is anticipated that by the year 2026, with the current retirement community participation rate, a further 1,500 new communities will be required, providing both Aspen and investors with an attractive real estate investment alternative.

“...with the development and provision of innovative retirement living products...”

Aspen

Property Securities

Aspen has identified the need to make available innovative direct property funds to the broader investment community or to suit the modern investment platforms through which the majority of investment and superannuation monies are invested. The key challenge is to make available the benefits of an illiquid asset class in an investor focused format.

Review

Aspen expanded its funds management capabilities mid-year with the appointment of Mr Anton Lawrence as Chief Investment Officer, Property Securities, who brings to the Group a strong background in property research and analysis. This initiative aims to capture the collective strengths Aspen has developed in direct property management and funds distribution to create further innovative investment securitised products.

To this end the first initiative to be explored in the 2008 financial year is a unique multi-fund product aimed at providing retail investors with access to Aspen's innovative range of direct property funds. In addition, to ensure adequate liquidity exists within the Fund an allocation will

be made to listed property securities, leveraging the expertise and strong relationships Aspen has established with leading property securities fund managers.

Outlook

Going forward Aspen believes property remains a core and increasingly important investment class for investors. Aspen believes the exponential growth of investment and superannuation monies in Australia will underpin the demand for further innovative property investment funds, enabling investors to access new and rewarding property sectors.

"...is to make available the benefits of an illiquid asset class in an investor focused format."



Aspen People

Aspen Group has established an experienced executive management team, supported by a dedicated and energetic employee group. In a market where attracting and retaining talented people is at a premium, Aspen Group has secured several key executives during the year to establish new divisions or continue to grow existing divisions. Growth across the Group has seen an increase in Aspen's national presence with offices in Perth, Sydney, Melbourne and Adelaide.

Aspen Group is governed by an experienced Board of Directors which establishes and monitors the strategic direction of the Group within an appropriate corporate governance framework. The Board comprises both executive and non-executive directors and brings together a variety of skills and experience to ensure securityholder value is enhanced at every opportunity.

Mr Matthew McCann joined the Board on 6 August 2007, bringing a strong background in property and law, adding further depth to the Board's experience. We welcome him to the Board.

During the year Mr Andrew Martin resigned from the Board to pursue other interests. We thank Andrew for his contribution and wish him well.

A brief overview of each director of Aspen Group is provided in the following pages.



Reg Gillard

BA FCPA, FAICD, JP
Independent Chairman

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 and international 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 Chairman of several listed public companies.

"seen an increase in Aspen's national presence with offices in Perth, Sydney, Melbourne and Adelaide."



Angelo Del Borrello

Dip Fin Advising (FINSIA)
Managing Director

Mr Angelo Del Borrello has over 20 years experience in the financial services and investment industry. He was

instrumental in the creation of Aspen Group over five years ago and is now responsible for the acquisition, development and funding of commercial properties and overseeing the business operations in general.

Prior to establishing Aspen Group, Mr Del Borrello was actively involved in various facets of property syndication and property development including land subdivisions, luxury apartment development and refurbishment.

Mr Del Borrello holds a Diploma of Financial Advising with the Securities Institute of Australia (now known as the Financial Services Institute of Australasia).



Gavin Hawkins

BBus, CA
Executive Director

Mr Gavin Hawkins is a founding director of Aspen Group, and has extensive experience in the public

accounting and corporate sectors. In addition to his role as Financial Director, Mr Hawkins also oversees the administrative and corporate operations for the Group.

As a Chartered Accountant, Mr Hawkins spent a number of years with Deloitte Touche Tohmatsu, developing expertise in audit, corporate governance, corporate advisory, and management consultancy. He further developed his skills and experience in the corporate finance and investment banking industry by spending several years in London working with major financial institutions including Sumitomo Finance and Barclays Capital.

Mr Hawkins holds a Bachelor of Business and is an associate member of the Institute of Chartered Accountants.



Aspen head office reception area.



Terry Budge

B Ecom, FAICD, FAIM, FAIBF
Independent Non-Executive
Director

Mr Terry Budge has had a significant career in business and management leadership including senior executive positions at National Australia Bank and Group Director at the Bank of Western Australia. Mr Budge is Chairman of LandCorp and a member of the Murdoch University senate and was appointed Chancellor of Murdoch University with effect from November 2006.

Mr Budge is currently a national director of the Australian Institute of Company Directors and a former State President. He is also a director of Westoz Investment Company, and Chairman of Leadership WA. He was a former member of the Federal Government's Finance Sector Advisory Council and State President (WA) of the Committee for Economic Development of Australia.



Seng Fai Chan

B Comm B Juris LLB AASA CPA
Independent Non-Executive
Director - Aspen Group Limited

Mr Seng Fai Chan is a qualified barrister and solicitor with over 20 years experience as a legal practitioner, and has been and remains a member of the Australian Society of Accountants for the past 30 years. Mr Chan specialises in the fields of commercial law, taxation, leasing, and company structures, and acts for a number of major high net worth offshore clients with particular interests in the Asian region.

Mr Chan previously gained valuable expertise in taxation law while working at the Australian Taxation Office for several years.

His experience and knowledge of both corporate law and property law is of significant benefit to the Group.



Mr Matthew McCann

BEC, LLB
Independent Non-Executive
Director

Mr Matthew McCann was appointed a Non-Executive Director on 6 August 2007.

Mr McCann is presently Head of Property Funds and M&A for Australasia at Babcock & Brown, and has over 20 years experience in the corporate sector where he has specialised in property and law. More specifically Mr McCann has enjoyed a successful legal career with Allen Allen & Hemsley in both Sydney and New York, culminating in his appointment as a partner in 1993. He joined Babcock & Brown in 1997.

Mr McCann holds a Bachelor of Economics and Bachelor of Laws from Macquarie University.



Investor Relations

Stapled Security

Aspen Group is quoted on the Australian Securities Exchange as a Stapled Security, ASX code APZ.

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

Distribution Policy

Aspen Group pays distributions on a quarterly basis, for the periods ending 30 September, 31 December, 31 March and 30 June.

Where possible the Group will make the payment within 30 days from the end of the quarter, except for the June quarter end payment which is generally paid in mid August due to end of financial year accounting and taxation requirements. An end of year taxation report summarising the taxation consequences of the distributions paid for the year is provided.

Distributions paid for the 2006/07 financial year totaled 12.75 cents per security.

Dividend and Distribution Re-investment Plan

Aspen Group has in place a distribution re-investment plan. This enables securityholders to acquire additional stapled securities in lieu of cash each quarter, and hence over time increase their holding in Aspen Group. An added bonus is that new stapled securities are issued at a discount to the weighted average market price. Full details of the plan are included in the dividend and distribution re-investment plan booklet available from Aspen Group or Computershare.

Quarter Ended	Issue Date	Issue Price*
March 2004	22/04/04	\$0.7600
June 2004	12/08/04	\$0.7620
September 2004	22/10/04	\$0.9565
December 2004	20/01/05	\$1.1335
March 2005	21/04/05	\$1.2635
June 2005	15/08/05	\$0.9947
September 2005	17/10/05	\$1.0018
December 2005	19/01/06	\$1.2135
March 2006	20/04/06	\$1.3015
June 2006	15/08/06	\$1.4742
September 2006	20/10/06	\$1.6904
December 2006	25/01/07	\$1.7831
March 2007	26/04/07	\$2.3386
June 2007	16/08/07	\$2.3731

* Issue prices have been adjusted for the 1 for 5 consolidation in November 2005.

Period/ Quarter Ended	Date Paid	Aspen Group Ltd		Aspen Property Trust		
		Dividend cents per share	Franking %	Distribution cents per unit	Tax Deferred %	Total Amount paid cents
March 2003	16/04/03	1.4	-	-	-	1.4
June 2003	29/08/03	1.4	-	-	-	1.4
July 2003	29/08/03	0.4665	-	-	-	0.4665
Aug/ Sept 2003	17/10/03	0.29	71.3	0.9435	47.51	1.235
December 2003	20/01/04	0.4345	71.3	1.4155	47.51	1.85
March 2004	22/04/04	0.4345	71.3	1.4155	47.51	1.85
June 2004	12/08/04	0.337	-	1.5130	100.00	1.85
September 2004	30/09/04	-	-	2.0875	57.00	2.0875
December 2004	31/12/04	-	-	2.0875	57.00	2.0875
March 2005	31/03/05	-	-	2.0875	57.00	2.0875
June 2005	15/08/05	-	-	2.0875	57.00	2.0875
September 2005	17/10/05	-	-	2.25	46.70	2.25
December 2005	19/01/06	-	-	2.25	46.70	2.25
March 2006	20/04/06	-	-	2.625	46.70	2.625
June 2006	15/08/06	-	-	2.875	46.70	2.875
September 2006	20/10/06	-	-	2.875	23.00	2.875
December 2006	25/01/07	-	-	2.875	23.00	2.875
March 2007	26/04/07	-	-	3.50	23.00	3.50
June 2007	16/08/07	-	-	3.50	23.00	3.50

* Amounts have been adjusted for the 1 for 5 consolidation in November 2005.

Corporate Calender

Record date for payment of
Distributions/Dividends:

28 September 2007

31 December 2007

31 March 2008

30 June 2008

Despatch of Annual Report to Securityholders:

22 October 2007

Annual General Meeting: 23 November 2007

Release of Half Year Results: February 2008

Aspire Investor Update

Each quarter securityholders in Aspen Group receive a copy of *Aspire*. This informative newsletter provides details of the latest news and events affecting the Group. Current and previous copies of the newsletter are also available from Aspen's website.

Website

The Aspen Group website is an important tool in the Group's communication strategy, which forms part of the Group's overall corporate governance policies, as outlined on the website. The website enables the Group to keep investors up to date on key information and ensure the market remains fully informed at all times.

Information which is updated on a regular basis includes latest Group news (a link to the most recent ASX announcements is also provided), the current Aspire investor newsletter, current property portfolio, and updated profiles on the Group's managed funds. There is also useful historical data such as annual reports, distribution history, and previous newsletters.

www.aspengroup.com.au

Directors' Report

for the year ended 30 June 2007

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Directors' Report

The directors present their report together with the consolidated financial report of Aspen Group for the financial year ended 30 June 2007 and the auditor's report thereon. The financial report of Aspen Group comprises the financial reports of Aspen Group Limited ("the Company") and its controlled entities and of Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group", or "the Group").

1. Directors

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

Name and qualifications	Age	Experience, special responsibilities and other directorships
Reg Gillard BA, FCPA, FAICD, JP Independent Chairman	60	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 and international 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 Chairman of several listed public companies. Appointed Independent Chairman on 24 December 2001 and appointed Chairman of the Nomination & Remuneration Committees on 9 June 2005. Member of Audit Committee on 24 December 2001. <i>Directorships of listed entities within last 3 years:</i> Mr Gillard is a Non-Executive Director (Chairman) of the following entities: • Caspian Oil & Gas Limited (since July 1994); • Perseus Mining Limited (since October 2003); • Lafayette Mining Limited (since November 1996); • Pioneer Nickel Limited from (since March 2005) ; • Tiger Resources Limited (since December 2005); • Eneabba Gas Limited (since August 2005); • Elemental Minerals Limited (since June 2006);
Angelo Del Borrello DipFinAdvising (FINSA) Managing Director	41	Mr Angelo Del Borrello has over 20 years experience in the financial services and investment industry. He was instrumental in the creation of Aspen Group over five years ago and is now responsible for the acquisition, development and funding of commercial properties and overseeing the business operations in general. Prior to establishing Aspen Group Mr Del Borrello was actively involved in various facets of property syndication and property development including land subdivisions, luxury apartment development and refurbishment. Mr Del Borrello holds a Diploma of Financial Advising with the Financial Services Institute of Australia. Appointed Managing Director on 31 October 2001. <i>Directorships of listed entities within last 3 years: Nil.</i>

Name and qualifications	Age	Experience, special responsibilities and other directorships
Gavin Hawkins B.Bus, ASIA Executive Director	42	Mr Gavin Hawkins is a founding director of Aspen Group, and has extensive experience in the public accounting and corporate sectors. In addition to his role as Finance Director, Mr Hawkins also oversees the administrative and corporate operations for the Group. As a Chartered Accountant, Mr Hawkins spent a number of years with Deloitte Touche Tohmatsu, developing expertise in audit, corporate governance, corporate advisory, and management consultancy. He further developed his skills and experience in the corporate finance and investment banking industry by spending several years in London working with major financial institutions including Sumitomo Finance and Barclays Capital. Mr Hawkins holds a Bachelor of Business and is an associate member of the Institute of Chartered Accountants. Appointed Chief Financial Officer and Director on 31 October 2001 and a member of the Nomination and Remuneration Committees on 9 June 2005. <i>Directorships of listed entities within last 3 years:</i> Non-Executive Director of Cool & Cosy Limited (May 2003 – November 2006)
Seng Fai Chan B Comm B Juris LLB AASA CPA Independent Non-Executive Director	57	Mr Seng Fai Chan is a qualified barrister and solicitor with over 20 years as a legal practitioner, and has been and remains a member of the Australian Society of Accountants for the past 30 years. He specialises in the fields of commercial law, taxation, leasing, and company structures, and acts for a number of major high net worth offshore clients with particular interests in the Asian region. Mr Chan previously gained valuable expertise in taxation law whilst an employee of the Australian Taxation Office for several years. His experience and knowledge of both corporate law and property law is of significant benefit to Aspen Group. Appointed Director on 1 November 2002 and member of Audit Committee on 9 June 2005. <i>Directorships of listed entities within last 3 years:</i> Non-Executive Director of Kangaroo Metals Ltd (since April 2007)
Terry Budge B, Econ, FAICO, FAIM, FAIBF Independent Non-Executive Director	55	Mr Terry Budge has had a significant career in business and management leadership including senior executive positions at National Australia Bank and Group Director at the Bank of Western Australia. He is Chairman of LandCorp and a member of the Murdoch University Senate and was appointed Chancellor of Murdoch University with effect from November 2006. He is currently a national director of the Australian Institute of Company Directors and a former State President. He is also a director of Westoz Investment Company, and Chairman of Leadership WA. He was a former member of the Federal Government's Financial Sector Advisory Council and State President (WA) of the Committee for Economic Development of Australia. Appointed Director on 6 May 2005, Chairman of the Audit Committee & a member of the Remuneration Committee on 9 June 2005, and a member of the Nomination committee on 11 November 2006. <i>Directorships of listed entities within last 3 years: Nil</i>

Directors' Report (continued)

Name and qualifications	Age	Experience, special responsibilities and other directorships
Matthew McCann BEc, LLB Independent Non-Executive Director	46	Matthew McCann was appointed a Non-Executive Director on 6 August 2007. He is presently head of Property Funds and M&A for Australasia at Babcock and Brown, and has over 20 years experience in the corporate sector where he has specialised in property and law. More specifically he has enjoyed a successful legal career with Allen Allen & Hemsley in both Sydney and New York, culminating in his appointment as a partner in 1993. He joined Babcock and Brown in 1997. Mr McCann holds a Bachelor of Economics and Bachelor of Laws from Macquarie University. Appointed Director on 6 August 2007. <i>Directorships of listed entities within last 3 years: Nil</i>
Andrew Martin Independent Non-Executive Director	53	Mr Andrew Martin resigned from the Board on 10 November 2006.

2. Company secretary

Mr Gavin Hawkins was appointed to the position of Company Secretary in October 2001. Refer to the directors' particulars as noted above.

3. Directors' meetings

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

Directors	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Non-executive								
R Gillard	10	9	1	1	2	2	2	2
T Budge	10	10	–	–	2	2	2	2
S F Chan	10	10	–	–	–	–	2	2
A Martin	3	3	1	1	–	–	–	–
Executive								
A Del Borrello	10	10	–	–	–	–	–	–
G Hawkins	10	10	1	1	2	2	–	–

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of directors

Role of the Board

The Board's primary role is to ensure security holders' interests are protected and the value of their investment is maximised.

To fulfil this role, the Board carries out its responsibilities according to the following mandate:

- the Board should comprise at least five directors with a maximum of eight directors;
- the Chairman of the Board should be an independent non-executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the Board should have a majority of independent directors;
- 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 four independent non-executive directors and two executive directors. The responsibilities of the Board include:

- To act in the best interests of security holders at all times;
- Establish and set the strategic direction for the Group;
- Establish a framework for the proper governance of the Group;
- Provide input and approval to the business plan adopted by senior management to achieve the Group's strategy;
- Appointment and removal of the Managing Director;
- Confirm the appointment and removal of the Chief Financial Officer;
- Review and ratify the internal control systems, risk management measures and codes of conduct;
- Review and approval of the annual budget and forecasts;
- Monitor the performance of executive management in implementing the Group's strategy;
- Approve acquisitions and disposal of significant assets and capital expenditure programs and monitor regularly where necessary; and
- Approval of financial reports as required by the Corporations Law or ASX rules.

Details of the Board's charter are located on the Group's website www.aspengroup.com.au.

Board processes

To assist in the execution of its responsibilities, the Board has established a number of committees including a Nomination Committee, a Remuneration Committee, and an Audit Committee. These committees have written mandates, which are reviewed on a regular basis and can be viewed on the Group's website.

Director education

The Group educates new directors, as necessary, about the nature of the business, current issues, the corporate strategy and the expected performance of management and directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to the Group's information

Each director has the right of access to all relevant Group information and to the Group's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

Directors' Report (continued)

4.1 Board of directors (continued)

Role of Aspen Funds Management Limited as Responsible Entity of Aspen Property Trust

Aspen Funds Management Limited, as Responsible Entity of Aspen Property Trust is responsible for the operations of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the Aspen Property Trust Constitution and the Corporations Act 2001 in the best interest of the unit holders to ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

- ongoing selection and management of property investment;
- management of the Trust's property portfolio;
- maintenance of the accounting and statutory records of the Trust;
- management of equity and debt raisings; and
- preparation of notices and reports issued to unit holders.

Composition of the Board

The Boards of Aspen Group Limited ("AGL") and Aspen Funds Management Limited ("AFM") (as responsible entity of Aspen Property Trust) will have a minimum of five directors and a maximum of eight directors.

One third of the directors must retire from office at the annual general meeting each year however will be eligible for re-election.

Directors appointed during the year to fill casual vacancies are required to submit to election at the next annual general meeting.

A process has been developed and adopted by the Board for the identification of persons suitable for consideration as a member of the Board. Key components of the process are:

- Consideration as to the skills and competencies of the Board and the necessary skills and competencies required to enhance the Board;
- Relevant experience in the industry or associated services to the industry in which Aspen Group conducts business;
- The extent of the candidates other commitments in both executive and non-executive roles;
- Conducting face to face interviews with members of a nomination committee and candidate to determine the candidates suitability to become a member of the Board;
- Conducting suitable reference checking of the candidate to determine their suitability to the role; and
- Recommendation by the nomination committee and approval at a Board meeting to the appointment of the new director.

The independence of directors follows the guidelines outlined in the ASX best practice guidance. In determining independence the Board considers that any director-related business relationship that is, or is likely in the future, to be more than 10 percent of the director-related business's revenue to be material.

4.2 Nomination Committee

The Nomination Committee is a committee appointed under the Boards of Aspen Group Limited and Aspen Funds Management Limited (as responsible entity of Aspen Property Trust).

The role of the Nomination Committee is to assist the Board in identifying, assessing and selecting Board members for the Group, and to review Board members on a regular basis.

The Nomination Committee is appointed by the Board and comprised the following members during the year:

Mr Reg Gillard (Chairperson) – Independent Non-Executive

Mr Gavin Hawkins – Executive

Mr Andrew Martin – Independent Non-Executive (Resigned 10 November 2006)

Mr Terry Budge – Independent Non-Executive (Appointed 11 November 2006)

The responsibilities of the Nomination Committee are as follows:

- Assess the competencies of proposed and current Board members, and make recommendations to update competencies where necessary;
- Develop and maintain a suitable succession plan for the composition of the Board;
- Evaluate the performance of the Board by developing and implementing a regular review process of the quality and quantity of input to the Board;
- Confirm and maintain a process for the appointment and removal of Board members;
- Provide a letter of appointment to a new director outlining their remuneration, term, expectations, conflict of interest policy, induction procedures, indemnity information, and disclosure obligation; and
- Ensure a new Board member is effectively inducted into the role at the earliest possible time and that the necessary information regarding the appointment or removal is disclosed to the market.

The Nomination Committee meets as necessary and records the minutes of any such meeting. The members of the Nomination Committee are entitled to seek independent legal advice in relation to their role as a member of the Committee. The Nomination Committee's charter is available on the Group's website, within the 'The Board of Directors' governance statement.

4.3 Remuneration Committee

The primary role of the Committee is to support and advise the Board in establishing the remuneration policy for the Group.

The key responsibilities of the Remuneration Committee are as follows:

- Ensure the remuneration policies and practices are consistent with Aspen Group's strategic direction;
- Ensure the policy is designed to secure and retain senior executives and Directors wholly competent in required fields of expertise;
- Review and approve executive remuneration policy;
- Determine the remuneration of executive directors; and
- Review and approve all equity based remuneration plans.

The Committee meets as required but not less than annually.

The members of the Remuneration Committee during the year were:

Mr Reg Gillard (Chairperson) – Independent Non-Executive

Mr Gavin Hawkins – Executive

Mr Terry Budge – Independent Non-Executive

The Remuneration Committee's charter is available on the Group's website.

4.4 Audit Committee

The purpose of the Committee is to assist the Board fulfil their corporate governance role in relation to the integrity of the Group's financial reporting, internal control structure, risk management systems and the internal and external audit functions of Aspen Group and its controlled entities. The Committee attempts to ensure the truthful and factual presentation of the Group's financial performance and position.

The members of the Audit Committee during the year were:

Mr Terry Budge (Chairperson) – Independent Non-Executive

Mr Reg Gillard – Independent Non-Executive

Mr Seng Fai Chan – Independent Non-Executive

The Audit Committee meets as frequently as required and at least semi-annually in line with external reporting requirements. The Chairman will call a meeting of the Audit Committee, if so requested by any committee member, the Chief Finance Officer, or the external auditors. Any director, if they wish, may attend any meeting. The Chief Finance Officer and the external auditors are given notice of all meetings and have the right to attend and speak at each meeting subject to concurrence of the Chairman of the Audit Committee. A quorum for a meeting shall be a minimum of two, which must include the Chairman.

The Chief Executive Officer and Chief Financial Officer declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the year ended 30 June 2007 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results. This statement is required annually.

The Audit Committee's charter is available on the Group's website along with procedures for the selection and appointment of external auditors.

Responsibilities

The Audit Committee's responsibilities include the following:

1 Financial Reporting

- Review, assess and monitor the financial reporting of the Group including:
 - a) published financial statements and reports;
 - b) accounting policies and disclosures including notes to the financial statements;
 - c) the response to any issues raised as a result of an external audit; and
 - d) compliance with accounting and financial reporting standards, stock exchange and legal requirements.

2 External Audit

- Recommend the appointment and removal of external auditors.
- Review the audit engagement letter.
- Review and assess:
 - a) external audit scope;
 - b) external audit reports;
 - c) external audit performance, including time of audit, fees, partner rotation and value added services;
 - d) materiality; and
 - e) auditor independence.

Directors' Report (continued)

4.4 Audit Committee (continued)

3 Internal Audit

- Review the requirements for an internal audit function and the scope;
- Review the performance of an internal audit and auditor, if any; and
- Recommend the appointment and removal of the internal auditor, if any.

4 Risk Management

- Oversee the formulation and implementation of a risk management strategy and policy in conjunction with the compliance committee; and
- Monitor and review annually the effectiveness of the risk management policy.

4.5 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 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, if any.

The Group's Risk Management Policy is available on the Group's website.

4.6 Compliance Committee

Aspen Fund Management (AFM), as part of its role as responsible entity of Aspen Property Trust, has in place a Compliance Committee. This committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan and function and in ensuring adherence to applicable laws and regulations including AFM's compliance with the terms and conditions of its Australian Financial Services Licence.

The members of the Compliance Committee during the year were:

Mr David Mortimer – Executive Member

Mr Keith Platel – External Independent Member

Mr Mark Atkinson – External Independent Member

The role of the Compliance Committee includes responsibility for the evaluation of the effectiveness of the Responsible Entity's compliance systems which are designed to protect the interest of security holders.

The Compliance Plan has been approved by ASIC and the Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which must report to ASIC any material breach of the Compliance Plan.

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.

The Group has developed a code of conduct which must be read and agreed at the commencement of employment, and at regular intervals thereafter. The Code of Conduct covers such matters as 'Service deliveries', 'Business records', 'Confidential information', 'Equal opportunity', 'Occupational health and safety', 'Dealing in Aspen Group securities' (discussed below), 'Office environment', 'Fax transmissions', 'Email', 'Internet security', 'Passwords', 'Aspen property' and 'Conflict of interest'.

Dealing in Aspen Group Stapled Securities by employees and directors

Aspen Group must continuously release information as required under the ASX Continuous Disclosure Rules. Such information becomes generally available after a reasonable period, for it to be disseminated among the public, has elapsed.

A person who acquires the information as a result of the ASX announcement can deal immediately and does not have to wait for a "reasonable period" to elapse.

A person who possessed the information before the ASX announcement is required to allow the information to be disseminated before they can deal.

Investor behavior regarding insider trading and market manipulation by employees or their associates is illegal and is forbidden by Aspen Group. Aspen employees are forbidden to short sell Aspen securities, regardless of whether it is an ASX approved short selling security.

The requirements regarding the behaviour of employees and their associates in the trading of securities is applicable to all staff. By signing the Code of Conduct, employees acknowledge that they have read, understood and have agreed to comply with the requirements.

Aspen Group directors and employees are made aware of the above information in relation to trading in Aspen Group securities. In addition to this, directors, certain senior executives, and other employees who have access to price sensitive information will not be able to deal in Aspen Group securities without the prior approval (written approval includes email) of the Company Secretary or in his absence the Chairman of Aspen Group.

The authorisation and dealing restrictions will apply to Aspen Group Securities and any derivative product related to Aspen Group securities.

Securities issued via the Distribution Re-investment Plan, Employee Share Scheme and any other such issue of a pro-rata nature are not required to be authorised.

Communication with Security Holders

The Board provides security holders with information using a comprehensive Disclosure and Communication Policy which includes identifying matters that may have a material effect on the price of the Group's securities, notifying them to the ASX, posting them on the Group's website and issuing media releases. More details of the policy are available on the Group's website.

In summary the Disclosure and Communication Policy operates as follows:

- The Board is committed to effectively communicating with its security holders and the investment market generally about all major business events that influence Aspen Group in a timely and straightforward manner.
- In line with its disclosure obligations under Chapter 3 of the Australian Stock Exchange Listing Rules, Aspen's policy is to immediately lodge with the ASX, any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of its securities. Aspen will also advise the market of any information that is currently known to the market which they believe to be false or misleading and which may be creating a false market.
- All ASX announcements are signed by a Director and provided to the Company Secretary. The Company Secretary is responsible for electronic lodgement of communications with ASX and must ensure that announcements are factual and do not omit material information. The Company Secretary will also be responsible for the security of the announcement prior to its release to the market. Announcements are circulated to the Board and available via the website.
- The website, www.aspengroup.com.au incorporates a direct link to the announcements page on the ASX website, background details of the Group including details of assets and fund management activities, investor information such as annual reports, security price information, newsletters, press releases, distribution history and other supporting links.
- In instances where briefings are provided to market analysts and major security holders, it may be impractical to present this to all security holders. In this instance a copy of the presentation material including the response to any significant questions will be made available on the Group's website where it contains new material which is not known to the market.
- Where the Group is to hold a security holder meeting, the full text of the notice of meeting will be provided in the Company announcement to the ASX.
- All directors and employees are educated on the importance of sensitive information and confidentially as part of an induction session. Employees must sign a copy of the Code of Conduct at the commencement of their employment, and by doing so agree to abide by its terms. A breach of the Code may lead to disciplinary action ranging from counselling to dismissal.

Security holders are encouraged to attend and participate in Aspen Group's Annual General Meeting which is usually held in October or November at a central location. An explanatory memorandum on the resolutions proposed is provided with the Notice of Meeting. Security holders unable to attend the AGM are able to lodge a proxy in accordance with the Corporations Act 2001.

Security holders can submit enquiries regarding Aspen Directors or complaints, via the website or email homemail@aspengroup.com.au. Aspen Group uses Computershare Investor Services Pty Ltd to administer the security holder register. Security holders can contact Computershare on 1800 804 985 or via their website www.computershare.com.au.

Directors' Report (continued)

5. 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. There was no significant change in the nature of the activity of the Group during the year.

6. Operating and financial review

The consolidated entity achieved a profit attributable to security holders calculated in accordance with Australian equivalents to International Financial Standards ("AIFRS") of \$73.81 million for the year ended 30 June 2007. 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 as assessed by the directors was \$33.49 million (\$18.47 million for the year ended 30 June 2006), reflecting an 81% increase from the previous corresponding period. Key financial results for Aspen Group during the period were as follows:

	2007 \$'000s	2006 \$'000s
Revenues	102,303	58,482
Net Profit after Tax	73,812	34,489
Revaluation gains on investment properties (net of tax)	(39,351)	(14,236)
Gain on revaluation of interest rate swaps	(2,038)	(2,481)
Fair value of equity instruments	1,068	701
Underlying Net Profit after Tax	33,491	18,473
Earnings per security (cents)	34.42	23.92
Underlying Earnings per security (cents)	15.62	12.81
Total Assets	536,670	352,421
Total Equity	331,820	168,107

Income distributions were as follows:

Quarter Ended	Record Date	Amount Per Stapled Security
September	29 September 2006	2.875 cents
December	29 December 2006	2.875 cents
March	30 March 2007	3.500 cents
June	29 June 2007	3.500 cents
Total		12.750 cents

Review of financial conditions

1. Liquidity and funding

At 30 June 2007 the Group's gearing level of 31% was at the lower end of the Group's long-term preferred range of 30%-40%. The positioning of gearing at the lower end of the preferred gearing range is considered prudent in the current interest rate environment and provides significant capacity for capitalising on future investment opportunities.

The Group's lower gearing position sees its undrawn or surplus debt facility capacity at \$69 million. The Group is reliant on funding through banking facilities to support ongoing investment decisions, both in relation to property acquisitions and supporting new funds management activities.

2. Cash flows from operations

With net cash flow from operating activities increasing 29% to \$23.5 million for the period, cash flow generated through operating activities continues to comfortably meet all operating and financing costs of the Group. The interest rate cover is well within the required levels allowed by the Group's loan facility arrangement.

3. Capital raising

Capital funds totaling \$104.5 million were raised during the year to finance the acquisition of investment properties, support funds management activities, and ensure debt levels were maintained within the Group's preferred gearing range.

The Group successfully undertook two fully underwritten equity placements to institutional and retail investors during the year.

- On 2 August 2006 following a general meeting of security holders, the Group announced the successful placement of 33,333,333 stapled securities raising \$50.0 million to institutional investors.
- On 8 February 2007 the Group announced a 1 for 7 non-renounceable entitlement issue at an issue price of \$1.80, resulting in the issue of 30,296,817 fully paid stapled securities to raise \$54.4 million.

Review of principal businesses

1. Property and Investment Portfolio

Aspen's business of property ownership and management was maintained during the year. Although no property acquisitions occurred during the period, sound asset management, refurbishment and strong property markets led to significant increases in portfolio values. Six properties were independently revalued and resulted in a net increase in investment property carrying value of \$46.1 million. The strength of the property portfolio continues to underpin growth in new business opportunities for the Group.

The Aspen strategy of holding a cornerstone investment in its funds management entities has seen investments increase from \$23.9 million to \$93.3 million. Aspen believes this strategy has been a contributor to the success of its funds management activities while also providing a diversified property investment exposure for the Group.

2. Funds Management

The Group has continued to focus on expansion of its fund management activities through both acquisitions within existing funds and the establishment of new entities during the year. The resulting increase in assets under management has been a key driver of revenue growth from funds management activities, with a strong contribution from asset acquisition fees and increased annual management fees. The following key activities occurred during the year:

(i) Aspen Parks (AP):

Aspen continued its acquisition and re-development strategy for AP with five additional properties acquired during the period at a total value of \$49.11 million. Following these acquisitions AP's initial target of \$150 million of parks resorts within 5 years had been achieved within 3 years. Further assets continue to be sought in line with AP's strategy to build a network of properties which support its position as a leading operator of holiday and accommodation parks in Australia.

(ii) Aspen Diversified (AD):

During the year AD acquired an industrial complex at sought after Mulgrave, 21km from the Melbourne CBD, for \$20.0 million (excluding transaction costs). Yield compression in key commercial property sectors limited acquisition opportunities during the year. AD maintained a prudent approach in its assessment of potential acquisitions, mindful of maintaining its current attractive monthly distribution yield. In addition, AD disposed of the Midland Cinema Complex during the year for \$5.5 million, given the property's status had changed from income producing to a redevelopment opportunity. As a result of these transactions AD had total assets of \$162.73 million as at 30 June 2007.

(iii) Aspen Living:

Aspen Living was established as a division during the year to manage all land development syndication activities of the Group. The division grew rapidly during the 2007 year with three new Estates acquired to increase the developable lot yield to in excess of 4000 lots. All these lots have appropriate urban zoning providing the Group with a pipeline of consistent project management income flow in the years ahead.

Aspen, through its subsidiary Aspen Property Developments Pty Ltd, receives fees on acquisition of assets and has established significant in-house project management expertise on which the Group generates income for corporate management, project management and sales and marketing activities.

(iv) Aspen Developments:

On 10 May 2007, a new vehicle, Aspen Development Fund No 1 Limited ("ADF No 1") was established to acquire Caversham Property Developments Pty Ltd and Caversham Properties Pty Ltd from Futuris Corporation Limited (Futuris) for \$233.7m. These entities own or have development rights over some 18 development projects which are at various stages of completion. The projects include residential land, retirement villages, private hospitals and commercial office developments spread across three states in Australia. With the Group's intention of holding a 25% cornerstone position in the syndicate, ADF No 1 was established as a closed end fund with an expected term of eight years.

The acquisition of Caversham, with significant development teams operating in three states, provides the Group with the capacity to seek further portfolios of assets to establish a series of Aspen Development Funds for syndication.

Directors' Report (continued)

6. Operating and financial review (continued)

(v) Aspen Villages:

Aspen continues to seek assets suitable for development into villages with relocatable homes as an alternative living option. Aspen Villages seeks to address the significant "affordability" issue in Australian housing, as well as providing a secure living community boasting resort standard facilities. A small number of properties with the potential for development have been secured and will cater for the retirement, tourism and resource industry sectors. It is anticipated that these assets will be syndicated into a fund during the 2008 financial year.

(vi) Aspen Communities:

Aspen has made clear its intention to enter the retirement sector through the development and on-going management of retirement communities around Australia. Along with the appointment of an experienced CEO for the division, a number of sites are currently either secured or under review. These assets are anticipated to seed a new retirement fund in 2008.

Significant changes in the state of affairs

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

7. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

8. Likely developments

Aspen Group will continue to pursue strategies aimed at increasing the profitability and market share of its principal activities during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

9. Remuneration report

9.1 Principles of compensation – audited

Remuneration of directors and executives is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and Consolidated Entity, including directors of the Company and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Company and Consolidated Entity.

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- (a) the capability and experience of the key management personnel;
- (b) the key management personnel's ability to control the relevant segment/s' performance;
- (c) the Group's performance including:
 - the Group's earnings
 - the growth in share price and delivery of constant returns on shareholder capital; and
- (d) the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

Performance appraisal system

A formalised performance appraisal system is in place and it requires all employees to complete an Employee Performance Review form. The Reviewer is then required to provide comments and feedback in written form and this then forms the basis for assessment as to the current year short term incentive payment and the following years base remuneration level.

The Remuneration Committee is responsible for the assessment of the performance of the executive directors, and this is carried out on both an informal and continuous basis, as well as formally at the end of each financial year.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Consolidated Entity. In addition external consultants may provide advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Short-term incentives

Bonuses to key management personnel may be paid depending on the outcomes of the formal Performance Appraisal System, which is described above. The level of bonus payments is dictated by the financial performance of the Group as well as the individual employee's business segment, the extent that they have met or exceeded their individual target objectives, length of service and their employment level.

Bonuses are paid to the executive directors within the Group based on predetermined milestones being achieved. These milestones have been determined and approved by the Remuneration Committee and ratified by the Board and are payable in cash. The benchmarks set by the Board are increases in the basic earnings per security on underlying earnings and the performance of the Aspen Group against the ASX/S&P Listed Property Trust 200 Index.

The following table describes the formula used in determining the annual bonus level for Executive Directors.

	Earnings per share growth	
	< 4%	> 4%
% of Total Fixed Remuneration (TFR)	Nil	10% for each rounded percentile above 0% – up to a 100% limit on TFR on achievement of 10% underlying EPS growth.

Out performance incentive

If for the reporting period underlying Earnings Per Share result is 20% or greater than the previous corresponding period, then a further short term incentive of 50% of TFR is earned for the period, subject to the following:

- The out performance incentive is only earned if a minimum annual 20% growth in underlying earnings per share has been achieved in at least two financial years within any three year financial year period; and
- The Group's "Total Shareholder Return" in that three year period is required to be in the top 75% quartile of the ASX/S&P Listed Property Trust 200 Accumulation Index.

Payment is only made once these conditions are achieved, otherwise the right to payment is forfeited.

The out performance incentive is designed to deliver a strong culture of high earnings and total shareholder return growth.

Long-term incentives

At the 2004 Annual General Meeting the shareholders approved the establishment of an Employee Stapled Security Incentive Plan (ESSIP). The ESSIP includes executive directors and specified executives and is designed to align the long term wealth creation objectives of its employees with that of the long term success and equity price growth of Aspen Group.

Under the ESSIP, the maximum number of stapled securities issued pursuant to the Plan cannot exceed 5% of the Group's total number of issued stapled securities. As at 30 June 2007, the number of stapled securities issued under the plan to all employees was 6.69 million, compared to the maximum number of stapled securities permitted under the Plan of 12.35 million.

The key features of the plan are as follows:

- The Remuneration Committee recommends to the Board the allocation of stapled securities to be offered annually to employees;
- Eligible employees are offered the opportunity to purchase stapled securities in Aspen Group at the market price;
- The market price is determined by calculating the weighted average market price of stapled securities over the 15 trading days preceding the date of the offer;
- An offer can be made once in each 12 month period, with the first offer to be made following 12 months of service, or shorter at the discretion of the Directors;
- The purchase of securities is funded by a loan provided by Aspen Group. Interest on the loan will be equivalent to the prevailing interest rate payable by Aspen Group on its loan facilities;

Directors' Report (continued)

9.1 Principles of compensation – audited (continued)

- The loan provided by Aspen Group is on a non-recourse basis, which means only the value of the securities can be used to repay the loan (employees are not personally liable to repay the loan);
- Distributions received from securities held under the plan are used to repay the interest and principal of the loan; and
- Plan securities are held under a trading lock for a period of two years and as such cannot be sold or dealt with by employees during that time, except within certain circumstances.

Executive director participation under the plan is subject to annual shareholder approval at the Group's AGM. Approval for the issue of 1.25 million stapled securities to each executive director was obtained at the 2006 Annual General Meeting.

The vesting of the securities was subject to the following performance hurdles and vesting period.

- Securities will vest if the Group's earning per security ("EPS") of Aspen Group increases by 10% or more over the 2 year vesting period; and
- Only 50% of the securities will vest if EPS increases by at least 5% over the first year of the vesting period, but by less than 10% over the 2 year vesting period.

If the above performance hurdles are not met then no securities will vest under the issue approval.

Service contracts

It is the Group's policy that service contracts for key management personnel, excluding executive directors, are unlimited in term but capable of termination on 1 months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to 1 months' pay in lieu of notice.

The Group has entered into service contracts with each key management person excluding the executive directors that provide for the payment of benefits, including statutory entitlements of accrued annual and long service leave, together with any superannuation benefits where the contract is terminated by the Group or the individual.

The service contract outlines the components of compensation paid to the key management personnel. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Mr Angelo Del Borrello, Managing Director, and Mr Gavin Hawkins, Executive Director, both have service contracts dated 11 September 2004 with the Company. The contracts specify the duties and obligations to be fulfilled by the executive directors.

Each service contract automatically terminates on the completion of the period of service, being 5 years from commencement of the agreement. At any time prior to the end of the service period the service contract can be terminated by the director providing 2 months' notice. The Company may immediately terminate the service agreement on the occurrence of specified events or on payment in lieu of notice of up to 3 years (or period of service whichever is the lesser) average annual remuneration.

Effective 1 January 2007, the Remuneration Committee set the total fixed remuneration level for each executive director at \$850,000 per annum.

The executive directors have no entitlement to termination payment in the event of removal for misconduct.

Non-executive directors

The total remuneration for non-executive directors for the 2007 financial period was \$352,372. The remuneration level is within the maximum remuneration level approved by security holders at the 2006 Annual General Meeting of \$500,000. Within this limit, the Remuneration Committee reviews the remuneration packages of all non-executive directors on an annual basis and makes recommendations to the Board. In making its recommendations, the Remuneration Committee gives due regard to the current market conditions for the supply of these services and the duties and responsibilities of each member. Remuneration levels are directly compared to that of competitors and advice sought from external consultants as required.

Non-executive directors do not receive performance based remuneration such as cash bonuses or the ability to participate in the Group's employee stapled security incentive plan.

9.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited

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

	Year	Short-term			Total	Post-employment			Share-based payments	Total \$	S300A (1)(e)(i) proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %	
		Salary & fees \$	STI cash bonus \$(A)	Non-monetary benefits \$		Super-annuation benefits \$	Other long term \$	Termination benefits					Options and rights (B) \$
Key Management Personnel													
Non-executive Directors													
Reg Gillard (Chairperson)	2007	151,583	-	-	151,583	13,642	-	-	-	165,225	-	-	
	2006	79,000	-	-	79,000	7,110	-	-	-	86,110	-	-	
Terry Budge	2007	84,700	-	-	84,700	-	-	-	-	84,700	-	-	
	2006	56,000	-	-	56,000	-	-	-	-	56,000	-	-	
Seng Fai Chan	2007	82,500	-	-	82,500	-	-	-	-	82,500	-	-	
	2006	54,000	-	-	54,000	-	-	-	-	54,000	-	-	
Andrew Martin (resigned 10th November 2006)	2007	19,947	-	-	19,947	-	-	-	-	19,947	-	-	
	2006	51,000	-	-	51,000	-	-	-	-	51,000	-	-	
Executive Directors													
Angelo Del Borrello, Managing Director	2007	634,519	850,000	-	1,484,519	57,107	-	-	337,511	1,879,137	63.2	17.9	
	2006	484,303	405,000	-	889,303	30,087	-	-	156,018	1,075,408	52.2	14.5	
Gavin Hawkins, Company Secretary	2007	634,519	850,000	-	1,484,519	57,107	-	-	337,511	1,879,137	63.2	17.9	
	2006	484,303	405,000	-	889,303	30,087	-	-	156,018	1,075,408	52.2	14.5	
Consolidated Entity Executives													
Stuart Price	2007	150,000	35,000	-	185,000	13,500	-	-	42,969	241,469	32.2	17.8	
	2006	120,000	20,000	-	140,000	10,800	-	-	33,326	184,126	29.0	18.1	
Brendan Acott	2007	255,577	100,000	-	355,577	23,002	-	-	60,098	438,677	36.5	13.7	
	2006	145,115	230,000	-	375,115	31,060	-	-	18,068	424,243	58.5	4.3	
Murray Rance *	2007	164,423	20,000	-	184,423	14,798	-	-	5,825	205,046	12.6	2.8	
	2006	-	-	-	-	-	-	-	-	-	-	-	
Reon Botha *	2007	154,182	10,000	-	164,182	13,876	-	-	5,825	183,883	8.6	3.2	
	2006	-	-	-	-	-	-	-	-	-	-	-	
Graeme Morris *	2007	107,692	20,000	-	127,692	6,750	-	-	11,650	146,092	21.6	8.0	
	2006	-	-	-	-	-	-	-	-	-	-	-	
Total Key Management Personnel													
	2007	2,439,642	1,885,000	-	4,324,642	199,782	-	-	801,389	5,325,813	50.4	15.0	
(Consolidated and Company)	2006	1,473,721	1,060,000	-	2,533,721	109,144	-	-	363,430	3,006,295	47.3	12.0	

* commenced employment during the financial year

Directors' Report (continued)

9.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (continued)**Notes in relation to the table of key management personnel remuneration**

- A. The short-term incentive bonus is for performance during the 30 June 2007 financial year. The amount was finally determined on 29 June 2007 after performance reviews were completed and then approved by the Remuneration Committee.
- B. The fair value of the options is calculated at the date of grant using a binominal option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Vesting Date	Fair value per option	Exercise price	Price of shares on grant date	Risk free interest rate	Dividend yield
1 December 2004	1 December 2006	\$0.592	\$1.005	\$1.005	5.13%	8.26%
1 December 2005	1 December 2007	\$0.619	\$1.090	\$1.090	5.13%	8.96%
19 December 2006	19 December 2008	\$0.421	\$1.767	\$1.767	6.25%	9.51%

9.3 Analysis of bonuses included in remuneration – unaudited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the five named Company executives and relevant group executives are detailed below.

	Included in remuneration \$ ⁽¹⁾	Short term incentive bonus % vested in year	% forfeited in year ⁽²⁾
Directors			
A Del Borrello	850,000	100%	—
G Hawkins	850,000	100%	—
Consolidated Entity Executives			
Stuart Price	35,000	100%	—
Brendan Acott	100,000	100%	—
Murray Rance	20,000	100%	—
Reon Botha	10,000	100%	—
Graeme Morris	20,000	100%	—

(1) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2007 financial year.

(2) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

9.4 Options and rights over equity instruments granted as compensation – audited

Details on options over ordinary shares in the Company that were granted as compensation to each of the key management personnel during the reporting period and details on options that were vested during the reporting year are as follows:

	Number of options granted during 2007	Grant Date	Number of options vested during 2007	Fair value per option at grant date	Exercise price per Option (\$)	Expiry Date
Directors						
A Del Borrello	1,250,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
G Hawkins	1,250,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
Consolidated Entity Executives						
S Price	50,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
B Acott	250,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
M Rance	50,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
R Botha	50,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013
G Morris	100,000	19 December 2006	–	\$0.421	\$1.767	18 December 2013

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable on an annual basis two years from grant date. Details of the performance criteria are included in the long-term incentives discussion on page 53. For options granted in the current year, the earliest exercise date is 19 December 2008.

Further details, including grant dates and exercise dates regarding options granted to executives under the ESSIP are in note 34 to the financial statements.

9.5 Analysis of options and rights over equity instruments granted as compensation – unaudited

Details of vesting profile of the options granted as remuneration to each director of the company and each of the relevant group executives is detailed below:

	Options granted		% vested in year	Forfeited in year (A)	Financial year in which grant vests	Value yet to vest (\$)	
	Number	Date				Min (B)	Max (C)
Directors							
A Del Borrello	300,000	1 December 2004	100%	0%	1 July 2006	n/a	n/a
	500,000	1 December 2005	0%	0%	1 July 2007	Nil	64,529
	1,250,000	19 December 2006	0%	0%	1 July 2008	Nil	380,630
G Hawkins	300,000	1 December 2004	100%	0%	1 July 2006	n/a	n/a
	500,000	1 December 2005	0%	0%	1 July 2007	Nil	64,529
	1,250,000	19 December 2006	0%	0%	1 July 2008	Nil	380,630
Consolidated Entity Executives							
S Price	50,000	1 December 2004	100%	0%	1 July 2006	n/a	n/a
	100,000	1 December 2005	0%	0%	1 July 2007	Nil	12,906
	50,000	19 December 2006	0%	0%	1 July 2008	Nil	15,225
B Acott	100,000	1 December 2005	0%	0%	1 July 2007	Nil	12,906
	250,000	19 December 2006	0%	0%	1 July 2008	Nil	76,126
M Rance	50,000	19 December 2006	0%	0%	1 July 2008	Nil	15,225
R Botha	50,000	19 December 2006	0%	0%	1 July 2008	Nil	15,225
G Morris	100,000	19 December 2006	0%	0%	1 July 2008	Nil	30,450

Directors' Report (continued)

9.5 Analysis of options and rights over equity instruments granted as compensation – unaudited (continued)

- A. The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the service criteria not being achieved.
- B. The minimum value of options yet to vest is \$nil as the service criteria has not yet been met and consequently the option may not vest.
- C. The maximum value of the options yet to vest is not determinable as it depends on the market price of the shares of the company on the Australian Securities Exchange at the date the option is exercised. The maximum values presented above represent the fair value of the options that have not vested at 30 June 2007.

9.6 Analysis of movements in options – unaudited

The movement during the reporting period, of options over securities in the Group held by each director and each of the named executives is detailed below.

	Granted in year \$ (A)	Value of Options		Total option movement in year \$
		Exercised in year \$ (B)	Forfeited in year \$ (C)	
Directors				
A Del Borrello	526,250	–	–	526,250
G Hawkins	526,250	–	–	526,250
Consolidated Entity Executives				
S Price	21,050	–	–	21,050
B Acott	105,250	–	–	105,250
M Rance	21,050	–	–	21,050
R Botha	21,050	–	–	21,050
G Morris	42,100	–	–	42,100

- A. The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- B. The value of options exercised during the year is calculated as the market price of the securities of the Group on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- C. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

10. Directors' interests

The relevant interest of each director in the stapled securities and rights or options over such instruments issued by the Group as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Fully Paid Stapled Securities	Options over Stapled Securities ⁽¹⁾
R Gillard	1,188,572	–
A Del Borrello	3,429,104	2,050,000
G Hawkins	3,149,523	2,050,000
T Budge	138,499	–
S F Chan	1,439,664	–
M McCann	–	–
A Martin (resigned 10 November 2006)	–	–

(1) Relates to options issued under the Employee Stapled Security Incentive Plan.

11. Indemnification of officers and auditors

During the financial year the Group paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2007 and since year end, the Group has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2008. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

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

12. Non-audit services

The Company's auditor, KPMG, did not provide any non audit services during the financial year.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2007 \$	2006 \$
Audit services:		
Audit and review of financial reports :		
Deloitte	—	7,000
KPMG	128,000	90,000
	128,000	97,000
Services other than statutory audit:		
Other audit services (KPMG)	—	4,000

13. 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 60 and forms part of the Directors' Report.

14. Rounding off

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.

Signed in accordance with a resolution of the directors



Gavin Hawkins
Executive Director
PERTH, 24 August 2007



Angelo Del Borrello
Executive Director
PERTH, 24 August 2007

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 387C of the Corporations Act 2001

To: the directors of Aspen Group Limited and the directors of Aspen Funds Management Limited,
the responsible entity of Aspen Property Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

B C FULLARTON
Partner

Perth
24 August 2007

Independent Auditor's Report



Independent auditor's report to the security holders of Aspen Group

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

Aspen Group comprises the consolidation of Aspen Group Limited ("the Company") and its controlled entities, including Aspen Property Trust, which form the consolidated entity ("Aspen Group" or "the consolidated entity").

We have audited the accompanying financial report of Aspen Group, which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 9.1, 9.2 and 9.4 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of Aspen Group Limited and the directors of the responsible entity of Aspen Property Trust, Aspen Funds Management Limited (collectively referred to as "the directors") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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.

The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit

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Independent Auditor's Report (continued)



procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion,

- (a) the financial report of Aspen Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 11a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 9.1, 9.2 and 9.4 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

B C FULLARTON

Partner

Perth

24 August 2007

Financial Report

**Financial Report for the year ended
30 June 2007**

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ASPEN
GROUP

Income statements

for the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	2,3	56,032	35,980	429	207
Property expenses		(8,727)	(4,741)	(265)	(201)
Gross profit		47,305	31,239	164	6
Other income	3	46,271	22,502	2,170	–
Administrative expenses		(11,657)	(6,982)	(11,207)	(6,280)
Other expenses	4	(1,006)	(1,804)	(116)	(60)
Profit/(loss) before financing costs		80,913	44,955	(8,989)	(6,334)
Financial income	7	6,859	5,089	4,547	4,078
Financial expenses	7	(9,539)	(7,769)	(15,482)	(6,014)
Net financing costs		(2,680)	(2,680)	(10,935)	(1,936)
		78,233	42,275	(19,924)	(8,270)
Share of profit/(loss) of equity accounted investees	15	3,143	(1,053)	–	–
Profit/(loss) before tax		81,376	41,222	(19,924)	(8,270)
Income tax (expense)/benefit	8	(7,564)	(6,733)	5,713	2,459
Profit/(loss) for the year		73,812	34,489	(14,211)	(5,811)
Attributable to:					
Security holders of Aspen Group		73,812	34,489	(14,211)	(5,811)
Profit/(loss) for the year		73,812	34,489	(14,211)	(5,811)
Earnings per security for profit attributable to the Security holders of Aspen Group					
Basic earnings per stapled security (cents)	9	34.42	23.92	–	–
Diluted earnings per stapled security (cents)	9	34.17	23.81	–	–

(The income statements are to be read in conjunction with the accompanying notes to the financial statements)



Balance sheets

as at 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assets					
Cash and cash equivalents	10	4,373	2,290	3,675	883
Trade and other receivables	11	75,181	35,975	84,059	43,713
Other financial assets	12	4,819	2,151	–	–
Other	13	2,859	3	119	–
Total current assets		87,232	40,419	87,853	44,596
Property, plant and equipment	14	851	235	757	235
Investments in equity accounted investees	15	93,303	23,957	–	–
Investment property	16	335,841	284,316	–	–
Inventories	17	12,827	2,310	–	–
Intangible assets	18	6,226	–	226	–
Deferred tax assets	25	–	–	–	186
Other investments	19	20	1,184	101,291	31,642
Other	20	370	–	–	–
Total non-current assets		449,438	312,002	102,274	32,063
Total Assets		536,670	352,421	190,127	76,659
Liabilities					
Trade and other payables	21	14,719	3,871	192,998	66,204
Income tax payable	22	(254)	834	(254)	834
Interest-bearing loans and borrowings	23	28	8,718	–	–
Provisions	24	8,860	4,850	212	–
Employee benefits	26	622	247	618	239
Other	27	1,178	1,725	–	–
Total current liabilities		25,153	20,245	193,574	67,277
Interest-bearing loans and borrowings	23	166,467	158,832	–	–
Deferred tax liabilities	25	13,230	5,237	397	–
Total non-current liabilities		179,697	164,069	397	–
Total Liabilities		204,850	184,314	193,971	67,277
Net Assets		331,820	168,107	(3,844)	9,382
Security holders' funds					
Issued capital	28	290,074	172,465	44,874	44,874
Reserves	28	(426)	(580)	–	–
Retained earnings		42,172	(3,778)	(48,718)	(35,492)
Total security holders' funds		331,820	168,107	(3,844)	9,382

(The balance sheets are to be read in conjunction with the accompanying notes to the financial statements)

Statement of changes in equity of the Consolidated Entity

for the year ended 30 June 2007

Consolidated	Note	Issued Capital \$'000	Hedge Reserves \$'000	Net Profits/ (Accumulated Losses) \$'000	Total Security Holders' Funds \$'000
Balance at 1 July 2006		172,465	(580)	(3,778)	168,107
Equity settled transactions		–	–	1,068	1,068
Cash flow hedge loss transferred to income statement	28	–	154	–	154
Other		–	–	(295)	(295)
Net profit for the period		–	–	73,812	73,812
Equity issued for the period	28	117,609	–	–	117,609
Distributions to security holders		–	–	(28,635)	(28,635)
Balance at 30 June 2007		290,074	(426)	42,172	331,820

(The statement of changes of equity holders is to be read in conjunction with the accompanying notes to the financial statements)

Consolidated	Note	Issued Capital \$'000	Hedge Reserves \$'000	Net Profits/ (Accumulated Losses) \$'000	Total Security Holders' Funds \$'000
Balance at 1 July 2005		107,508	–	(24,109)	83,399
Effect of change of accounting policy:					
– Fair value of cash flow hedge	28	–	(747)	–	(747)
– Unit holders capital classified as a liability under application of AASB132 and 139 effective 1 July 2005	28	(61,266)	–	–	(61,266)
– Reclassification of Aspen Property Trust units from liabilities to equity	28	61,266	–	–	61,266
Total non-profit items recognised directly in equity		107,508	(747)	(24,109)	82,652
Equity settled transactions		–	–	701	701
Cash flow hedge loss transferred to income statement	28	–	167	–	167
Total non-profit items recognised directly in equity		–	167	701	868
Net profit for the period		–	–	34,489	34,489
Total recognised income and expense for period		–	167	35,190	35,357
Equity issued for the period	28	64,957	–	–	64,957
Distributions to security holders		–	–	(14,862)	(14,862)
Rounding Adjustment		–	–	3	3
Balance at 30 June 2006		172,465	(580)	(3,778)	168,107

(The statement of changes of equity holders is to be read in conjunction with the accompanying notes to the financial statements)

Statement of changes in equity of the Company

for the year ended 30 June 2007

Company	Issued Capital	Accumulated Losses	Total Security holders' funds
Balance at 1 July 2006	44,874	(35,492)	9,382
Net loss for the period	–	(14,211)	(14,211)
Equity settled transactions	–	1,068	1,068
Other	–	(83)	(83)
Balance at 30 June 2007	44,874	(48,718)	(3,844)
Balance at 1 July 2005	44,874	(30,383)	14,491
Net loss for the period	–	(5,811)	(5,811)
Equity settled transactions	–	701	701
Total recognised income and expense for the year	–	(5,110)	(5,110)
Rounding adjustment	–	1	1
Balance at 30 June 2006	44,874	(35,492)	9,382

(The statement of changes of equity holders is to be read in conjunction with the accompanying notes to the financial statements)



Statements of cash flows

for the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Cash receipts from customers		43,119	32,929	–	–
Cash payments to suppliers and employees		(15,216)	(9,141)	(6,106)	(3,636)
Cash generated from operations		27,903	23,788	(6,106)	(3,636)
Dividend received		1,954	–	1,954	1,544
Interest received		4,044	2,624	4,020	2,556
Interest and other costs of finance paid		(9,385)	(7,687)	(10,482)	(6,014)
Income tax paid		(995)	(563)	(995)	(513)
Net cash from/(used in) operating activities	33	23,521	18,162	(11,609)	(6,063)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(634)	(160)	(535)	(160)
Acquisition of inventory		(5,017)	–	–	–
Acquisition of investment properties		–	(72,633)	–	–
Acquisition of intangible assets		(6,226)	–	(226)	–
Payment for property fit-out		(5,442)	–	–	–
Acquisition of funds management equity investments		(70,338)	(24,822)	(68,636)	(10,772)
Proceeds from sale of investments		1,825	–	1,575	–
Proceeds from sale of investment property		–	13,753	–	–
Net cash used in investing activities		(85,832)	(83,862)	(67,822)	(10,932)
Cash flows from financing activities					
Proceeds from issue of equity securities		108,059	62,004	–	–
Payment for equity securities issue costs		(2,537)	(1,376)	–	–
Proceeds from borrowings		120,050	119,900	–	–
Repayments of borrowings		(121,350)	(86,210)	–	–
Loans to associates		(26,884)	(19,338)	–	–
Net funds received for fund management activities		–	–	82,223	17,294
Distributions paid		(12,944)	(7,858)	–	–
Net cash from financing activities		64,394	67,122	82,223	17,294
Net increase in cash and cash equivalents		2,083	1,422	2,792	299
Cash and cash equivalents at 1 July		2,290	868	883	584
Cash and cash equivalents at 30 June	10	4,373	2,290	3,675	883

(The statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements)

Notes to the consolidated financial statements

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Notes to the consolidated financial statements (continued)

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 on the Australian Securities Exchange. Both the Trust, Aspen Group Limited and its controlled entities 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 time 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 ("the Group" or "consolidated entity").

This consolidated Financial Report for the financial year ended 30 June 2007 has been prepared based upon a business combination of the parent entity, Aspen Group Limited and Aspen Property Trust, and their controlled entities, in accordance with UIG1013 "Consolidated Financial Reports in relation to the Pre Date-of-Transition Stapling Arrangements".

The Financial Report was authorised for issue by the directors on 24 August 2007.

(a) Statement of compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated Financial Report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

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 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 financial statements requires management to make judgements, estimates and assumptions that effect 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in note (u).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The impact of new accounting standards and amendments issued but not yet adopted is still being assessed by the directors and are detailed at accounting policy note (v).

(c) Basis of consolidation

This Financial Report has been prepared upon a business combination of the parent entity, the Company, and the Aspen Property Trust and their controlled entities, in accordance with UIG1013 "Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements".

(i) Subsidiaries

Subsidiaries are entities controlled by either Aspen Group Limited or Aspen Property Trust. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at cost in the Company's financial statements.

(ii) Associates

Associates are those entities in which the Aspen Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees).

The consolidated financial statements include the Group's share of income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of investees.

Investments in associates are carried at cost in the Company's financial statements.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the equity accounted investees, when the consolidated entity's interest in such entities is disposed of.

(d) Derivative and non derivative financial instruments

(i) Derivative financial instruments

The consolidated entity uses derivative financial instruments to economically hedge its exposure to interest rate risks arising from financing activities. Hedge accounting is not applied to derivative financial instruments.

In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in the Income Statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Notes to the consolidated financial statements (continued)

Trade and other receivables are measured at their cost less impairment losses. The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful advances.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables are measured at their amortised cost using the effective interest method, less any impairment losses.

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

(iii) Available-for-sale financial assets

Investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iv) Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(e) Financial guarantee contracts

The Group recognises and measures financial guarantee contracts in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". The Group initially recognises and measures a financial guarantee contract at its fair value. At each subsequent reporting date, the Group measures the financial guarantee contract at the higher of the initial fair value recognised, less when appropriate, the cumulative amortisation recognised in accordance with AASB 118 "Revenue" and the best estimate of the expenditure required to meet the obligations under the contract at the reporting date.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including the cost of day-to-day servicing or property, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

(e) Leasehold improvements	0 – 25 years
(f) Plant and equipment	3 – 15 years
(g) Office furniture and fittings	3 – 10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, and at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

(g) Investment property

Investment properties are properties which are held either to earn rental income or capital appreciation or both. Land and buildings, comprising investment properties, are regarded as composite assets and are disclosed as such in the financial statements.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently measured at fair value at each balance date with any gains or losses arising from a change in fair value recognised in the Income Statement.

When the use of a property changes such that it is reclassified as property, plant or equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting as property, plant or equipment. Investment properties are not depreciated.

Investment property held under an operating lease is recognised on the Group's balance sheet at its fair value.

Fair Value

When assessing fair value, the directors will consider the discounted cash flow of the investment property, the highest and best use of the investment property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation assuming:

- a) A willing, but not anxious, buyer and seller on an arm's length basis;
- b) A reasonable period in which to negotiate the sale, having regard to the nature and situation of the investment property and the state of the market for property of the same kind;
- c) That the investment property will be reasonably exposed to that market;
- d) That no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and
- e) That it is based on all information that the valuer needs for the purposes of the valuation being made available by, or on behalf of the consolidated entity.

At reporting dates occurring between obtaining independent valuations, the Directors review the carrying value of the Group's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties is not materially different to their fair value of the investment properties at that date.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy (n).

(h) Inventories

Development properties are stated at the lower of cost and net realisable value.

Cost includes the costs of acquisition and development and holding costs, including such costs as borrowing costs and rates and taxes. Holding costs incurred after completion of development are expensed.

Net realisable value is determined on the basis of each class of inventory's estimated selling price in the ordinary course of business. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated impairment losses. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangibles are amortised on a straight line basis over their estimated useful lives.

(j) Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by Aspen Group. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Distributions on stapled securities are recognised as a liability in the period in which they are declared.

Notes to the consolidated financial statements (continued)

(k) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iv) Share-based payments

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(n) Revenue**(i) Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease on a straight-line basis, as a reduction of rent.

Rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property. These amounts are capitalised and amortised over the periods to which the rental guarantees apply, either using straight line basis, or a basis which is representative of the pattern of benefits.

(o) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense and are recognised on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, amortisation of the hedge reserve, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Financing costs are expensed as incurred except to the extent they are directly attributable to the acquisition of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale.

Notes to the consolidated financial statements (continued)

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(r) Income taxes

Aspen Group Limited

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

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

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

As a tax funding agreement has not yet been established within the tax-consolidated group, the tax liability assumed by the head entity for the other group members is recognised as an investment in the subsidiaries. The subsidiary entities recognise the corresponding amount as a contribution of equity from the parent.

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

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

Aspen Property Trust

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

(s) Goods and Services Tax

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

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

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

(t) Earnings per stapled security

The Group presents basic and diluted earnings per stapled security (EPS) data for its stapled securities. Basic EPS is calculated by dividing the profit or loss attributable to stapled security holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to stapled security holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which compromise share options granted to employees.

(u) Accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Key sources of estimation uncertainty

Estimates of fair value of investment properties

The best evidence of fair value is current price in an active market for similar investment properties. Where such information is not available, the consolidated entity determines a property value within a range of reasonable fair value estimates. In making its judgment, the consolidated entity considers information from a variety of sources including:

- a) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- b) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- c) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of uncertainty in the amount and timing of cash flows; and
- d) Capitalised income projections based upon a property's estimated net market income, which is assumed to be level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income figure.

(ii) Assumptions underlying management's estimates of fair value

The discounted cash flow approach applied for investment properties usually includes assumptions in relation to current and recent investment property prices. If such prices are not available, then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the consolidated entity and those reported by the market.

The expected future market rentals are determined on the basis of current markets for similar properties in the same location and condition.

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this Financial Report:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the Financial Report.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the Financial Report.
- Interpretation 11 AASB 2 Share-based Payment — Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report. The potential effect of the Interpretation on the Group's Financial Report has not yet been determined.

Notes to the consolidated financial statements (continued)

- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.
- Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively).
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets held for Sale and Discontinued Operations, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures in the Financial Report.

2. Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

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 – Property funds management includes fees and other income from unlisted property funds that Aspen Group establishes and manages.

Geographical segments

Aspen Group is an Australian based Company, and as such has its current operating activities spread throughout Australia. No other geographical segments are currently evident.

2. Segment reporting (continued)

Business segments

	Property Investment			Funds Management			Unallocated/Eliminations			Consolidated		
	2007 \$'000	2006 \$'000		2007 \$'000	2006 \$'000		2007 \$'000	2006 \$'000		2007 \$'000	2006 \$'000	
Segment Revenue	31,625	20,411		24,311	15,569		96	–		56,032	35,980	
Segment profit before financing costs	22,246	14,874		18,833	13,029		(8,286)	(7,931)		32,793	19,972	
Net financing costs	–	–		–	–		(2,680)	(2,680)		(2,680)	(2,680)	
Gain on revaluation of properties	46,082	22,502		–	–		–	–		46,082	22,502	
Change in fair value of derivative	–	–		–	–		2,038	2,481		2,038	2,481	
Share of profit/(loss) of associates	–	–		–	–		3,143	(1,053)		3,143	(1,053)	
Income tax expense	–	–		–	–		(7,564)	(6,733)		(7,564)	(6,733)	
Profit for the year	68,328	37,376		18,833	13,029		(13,349)	(15,916)		73,812	34,489	
Segment Assets	357,479	291,262		15,085	3,268		–	–		372,564	294,530	
Investment in associates	–	–		–	–		93,303	23,957		93,303	23,957	
Unallocated assets	–	–		–	–		70,803	33,934		70,803	33,934	
Total Assets	357,479	291,262		15,085	3,268		164,106	57,891		536,670	352,421	
Segment Liabilities	197,081	174,970		2,282	963		–	–		199,363	175,933	
Unallocated liabilities	–	–		–	–		5,487	8,381		5,487	8,381	
Total Liabilities	197,081	174,970		2,282	963		5,487	8,381		204,850	184,314	

7. Net financing costs

Financial income

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest income	4,044	2,570	4,020	2,502
Gain on revaluation of interest rate swaps	2,038	2,481	–	–
Dividend income	136	38	136	1,576
Net profit on sale of investment	641	–	391	–
	6,859	5,089	4,547	4,078
Financial expenses				
Interest expense	(9,385)	(7,579)	(15,482)	(6,014)
Amortisation of hedge reserve	(154)	(167)	–	–
Net loss on disposal of investment	–	(23)	–	–
	(9,539)	(7,769)	(15,482)	(6,014)
Net financing costs	(2,680)	(2,680)	(10,935)	(1,936)

8. Income tax expense

Recognised in the income statement

Current tax expense

Current year	(93)	1,397	(6,016)	(2,526)
Adjustments for prior years	–	221	–	221
	(93)	1,618	(6,016)	(2,305)

Deferred tax expense

Origination and reversal of temporary differences	7,657	5,241	303	(154)
Benefit of tax losses recognised	–	(126)	–	–
	7,657	5,115	303	(154)

Total income tax expense/(benefit) in income statement

	7,564	6,733	(5,713)	(2,459)
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Numerical reconciliation between tax expense and pre-tax net profit

Profit before income tax	81,376	41,222	(19,924)	(8,270)
Prima facie income tax calculated at 30%	24,413	12,367	(5,977)	(2,481)
Less prima facie income tax on profit from Trust	(16,864)	(6,314)	–	–
Increase in income tax expense due to:				
Non-deductible expenses	326	1,084	326	229
Decrease in income tax expense due to:				
Tax exempt revenues	(311)	(456)	(62)	(401)
Tax losses recognised	–	(126)	–	–
Tax incentives not recognised in the income statement	–	(43)	–	(27)
	7,564	6,512	(5,713)	(2,680)
Under/(over) provided in prior years	–	221	–	221
Income tax expense on pre-tax net profit	7,564	6,733	(5,713)	(2,459)

Aspen Group Limited and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Aspen Group Limited. The members of the tax consolidated group are identified at note 31. There is no financial impact in terms of the Group's financial statements.

No Tax Sharing Agreement has been established between Aspen Group Limited and its wholly owned Australian resident entities. Aspen Group Limited recognises the tax payable or receivables on behalf of the consolidated group's wholly own Australian resident entities.

Notes to the consolidated financial statements (continued)

9. Earnings per stapled security**Consolidated**

Basic earnings per stapled security

Diluted earnings per stapled security

Basic earnings per stapled security

The calculation of basic earnings per stapled security at 30 June 2007 was based on the profit attributable to ordinary stapled security holders of \$73.81m (2006: \$34.49m) and a weighted average number of ordinary stapled securities outstanding during the financial year ended 30 June 2007 of 214.427m (2006: 144.176m), calculated as follows:

Profit attributable to ordinary stapled security holders

Consolidated

Profit for the year

Profit attributable to ordinary stapled security holders

Weighted average number of ordinary stapled securities

Consolidated

Issued stapled securities 1 July

Effect of shares issued in Aug 06/Aug 05

Effect of shares issued in September 06/September 05

Effect of shares issued in October 06/October 05

Effect of shares issued in November 06

Effect of shares issued in December 06/December 05

Effect of shares issued in January 07/January 06

Effect of shares issued in February 07

Effect of shares issued in March 07

Effect of shares issued in April 07/April 06

Effect of shares issued in June 07

Weighted average number of ordinary stapled securities at 30 June

Diluted earnings per stapled security

The calculation of diluted earnings per stapled security at 30 June 2007 was based on the profit attributable to ordinary stapled security holders of \$73.81m (2006: \$34.49m) and a weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted EPS during the financial year ended 30 June 2007 of 215.988m (2006: 144.829m), calculated as follows:

Profit attributable to ordinary stapled security holders (diluted)

Consolidated

Profit attributable to ordinary stapled security holders

Profit attributable to ordinary stapled security holders (diluted)

Weighted average number of ordinary stapled securities (diluted)

Consolidated

Weighted average number of stapled securities at 30 June

Effect of stapled security options on issue

Weighted average number of ordinary stapled securities (diluted) at 30 June

2007 cents per stapled security	2006 cents per stapled security
34.42	23.92
34.17	23.81

2007 \$'000	2006 \$'000
73,812	34,489
73,812	34,489

2007 No.'000	2006 No.'000
168,772	103,313
31,387	582
1,241	–
1,016	29,331
36	–
1,914	10,279
547	417
670	–
8,467	–
364	254
13	–
214,427	144,176

2007 \$'000	2006 \$'000
73,812	34,489
73,812	34,489

2007 No. '000	2006 No. '000
214,427	144,176
1,561	653
215,988	144,829

10. Cash and cash equivalents

Cash at bank and in hand

11. Trade and other receivables**Current**

Amount due from associates

Amount due from controlled entities

Other trade receivables and prepayments

12. Other financial assets

Rent guarantees

Variable outgoings receivables

Interest rate derivatives

13. Other current assets

Prepayments

Other

	Consolidated		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	4,373	2,290	3,675	883
Amount due from associates	56,493	29,753	56,493	29,610
Amount due from controlled entities	–	–	25,988	12,965
Other trade receivables and prepayments	18,688	6,222	1,578	1,138
	75,181	35,975	84,059	43,713
Rent guarantees	786	391	–	–
Variable outgoings receivables	108	26	–	–
Interest rate derivatives	3,925	1,734	–	–
	4,819	2,151	–	–
Prepayments	991	3	119	–
Other	1,868	–	–	–
	2,859	3	119	–



Notes to the consolidated financial statements (continued)

14. Property, plant and equipment

	Plant and equipment \$'000	Consolidated Leasehold improve- ments \$'000	Office equipment & fittings \$'000	Total \$'000	Plant and equipment \$'000	Company Leasehold improve- ments \$'000	Office equipment & fittings \$'000	Total \$'000
Cost								
Balance at 1 July 2005	256	31	40	327	155	27	12	194
Additions	49	–	291	340	49	1	287	337
Disposals	(250)	(21)	(32)	(303)	(149)	(18)	–	(167)
Balance at 30 June 2006	55	10	299	364	55	10	299	364
Additions	126	425	177	728	27	425	177	629
Disposals	–	–	–	–	–	–	–	–
Balance at 30 June 2007	181	435	476	1,092	82	435	476	993
Depreciation and impairment losses								
Balance at 1 July 2005	145	3	19	167	46	1	2	49
Depreciation charge for the year	2	–	104	106	2	2	121	125
Disposals	(144)	–	–	(144)	(45)	–	–	(45)
Balance at 30 June 2006	3	3	123	129	3	3	123	129
Depreciation charge for the year	11	6	95	112	6	6	95	107
Disposals	–	–	–	–	–	–	–	–
Balance at 30 June 2007	14	9	218	241	9	9	218	236
Carrying amounts								
At 1 July 2005	111	28	21	160	109	26	10	145
At 30 June 2006	52	7	176	235	52	7	176	235
At 1 July 2006	52	7	176	235	52	7	176	235
At 30 June 2007	167	426	258	851	73	426	258	757



15. Investments in equity accounted investees

In the financial statements of the Company, investments in equity accounted investees are accounted for at cost. The consolidated entity accounts for investments in associates using the equity method.

	2007 \$'000	2006 \$'000
Consolidated		
Share of associate profit/(loss) before income tax	3,938	(756)
Additions on assuming significant influence	853	–
Share of income tax expense	(1,648)	(297)
Share of associates net profit/(loss) accounted for using the equity method	3,143	(1,053)

The consolidated entity has the following investments in equity accounted investees:

Principal activities		Ownership	
		2007	2006
Aspen Parks Property Fund	Tourist park investment	17.5%	15.6%
Aspen Diversified Property Fund	Commercial property investment	28.2%	30.7%
Aspen Dunsborough Lakes Limited	Property development	20.0%	20.0%
Aspen Whitsunday Shores Pty Ltd	Property development	25.0%	–
Fern Bay Seaside Village Ltd	Property development	44.4%	–
West Swan Estate Pty Ltd	Property development	9.60%	–
Aspen Development Fund No 1 Ltd	Property development	49.9%	–

	Revenues (100%) \$'000	Profit/ (loss) (100%) \$'000	Share of associates net profit /(loss) recognised \$'000	Total Assets (100%) \$'000	Total Liabilities (100%) \$'000	Net assets as reported by associates (100%) \$'000	Share of associate's net assets equity accounted \$'000
2007							
Aspen Parks Property Fund	25,997	6,296	1,103	162,804	108,418	54,386	11,244
Aspen Diversified Property Fund	14,423	5,078	1,430	162,730	120,687	42,043	16,042
Aspen Dunsborough Lakes Limited	22,283	4,707	941	93,380	53,589	39,791	7,952
Aspen Whitsunday Shores Pty Ltd	168	(280)	(70)	28,205	8,650	19,555	4,930
Fern Bay Seaside Village Ltd	5,266	1,670	742	86,822	71,759	15,063	6,742
West Swan Estate Pty Ltd	–	(42)	(4)	50,383	25,692	24,691	2,395
Aspen Development Fund No1 Ltd	19,924	2,891	1,445	265,256	163,986	101,270	46,442
	88,061	20,320	5,587	849,580	552,781	296,799	95,747
Elimination of unrealised gains	–	–	(2,444)	–	–	–	(2,444)
	88,061	20,320	3,143	849,580	552,781	296,799	93,303
2006							
Aspen Parks Property Fund	17,825	(633)	(99)	96,270	62,416	33,854	5,395
Aspen Diversified Property Fund	10,438	(5,036)	(1,546)	137,160	107,827	29,333	10,576
Aspen Dunsborough Lakes Limited	21,625	2,961	592	99,833	59,927	39,906	7,986
	49,888	(2,708)	(1,053)	333,263	230,170	103,093	23,957

Notes to the consolidated financial statements (continued)

16. Investment Property

	Consolidated		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At 1 July	284,316	201,525	–	–
Acquisitions and additions	5,442	74,041	–	–
Disposals	–	(13,752)	–	–
Fair value adjustments	46,083	22,502	–	–
At 30 June	335,841	284,316	–	–

Investment properties are measured at fair value. 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 two years. Independent valuations were performed by 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.

Investment property comprises a number of commercial properties that are leased to third parties. Subsequent renewals are negotiated with the lessee. Property interests held under operating leases are classified as investment properties. No contingent rents are charged.

Property	Original Acquisition Date	Original Acquisition Costs \$ '000	Latest Independent Valuation Date	Latest Independent Valuation \$ '000	Book Value at 30 June 2007 \$ '000	Book Value at 30 June 2006 \$ '000
256 Adelaide Tce (Septimus Roe) – WA	Oct 2002	29,648	Dec 2006	76,000	76,560	50,209
Phoenix Rd, Bibra Lake (Elders) – WA	Aug 2003	37,483	Dec 2006	57,500	57,504	45,000
Davy St, Booragoon (Alcoa) – WA	Aug 2003	18,329	Oct 2006	22,600	22,921	18,460
51 Heaton St, Rocklea – Qld	Oct 2004	9,184	May 2006	11,000	11,005	11,000
215 Browns Rd, Noble Park – Vic	Oct 2004	22,625	May 2006	25,000	25,000	25,000
564 St Kilda Road – Vic	Dec 2004	26,426	May 2006	27,600	27,639	27,600
222 Margaret St Toowoomba- Qld	April 2005	38,103	Jun 2007	35,000	35,000	36,884
5/33 York St – NSW	June 2005	3,169	Jun 2007	3,200	3,200	3,183
55 Currie St – SA	June 2006	66,980	Dec 2006	77,000	77,012	66,980
					335,841	284,316

- (i) During the financial year ended 30 June 2007, \$31.6 million was recognised as rental income in the income statement (2006: \$20.41 million) and \$8.72 million in respect of property expenses was recognised as an expense in the income statement relating to investment property (2006: \$4.74 million).

17. Inventories

Property Development

Land

Consolidated		Company	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
12,827	2,310	–	–
12,827	2,310	–	–

18. Intangible Assets

Carrying amount at the beginning of the year

Acquisition of development rights

Other

Carrying amount at the end of the year

–	–	–	–
6,000	–	–	–
226	–	226	–
6,226	–	226	–

19. Other investments

Investments in associates

Investments in controlled entities

Investments in listed entities

–	–	90,367	21,731
–	–	10,924	8,727
20	1,184	–	1,184
20	1,184	101,291	31,642

20. Other non-current assets

Capitalised leasing costs

370	–	–	–
370	–	–	–

21. Trade and other payables

Trade payables and accrued expenses

Loans from controlled entities

14,719	3,871	7,928	3,293
–	–	185,070	62,911
14,719	3,871	192,998	66,204

22. Current tax assets/liabilities

The current tax asset for Aspen Group and the Company of \$254,000 (2006: liability of \$834,000) represents the amount of income taxes receivable/payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability/(asset) initially recognised by the members in the tax consolidated group.



Notes to the consolidated financial statements (continued)

23. Interest-bearing loans and borrowings**Current liabilities**

Current portion of secured bank loans

Hire Purchase liability

Non-current liabilities

Secured bank loans

Bond

Hire Purchase liability

Consolidated		Company	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
–	8,718	–	–
28	–	–	–
28	8,718	–	–
166,250	158,832	–	–
174	–	–	–
43	–	–	–
166,467	158,832	–	–
166,495	167,550	–	–

Financing arrangements

In June 2007, the Group increased its loan facility provided by National Australia Bank by \$36.7m. The facility, which has a maturity date of 31 October 2011, has a maximum limit of 70% Loan to Value Ratio ("LVR"). The loan facility is secured over the Investment Property (refer to note 16). As at the year end the LVR maximum facility value was \$235.39m (2006: \$198.13m). The Group has undrawn facility capacity of \$69.14m (2006: \$30.59m) in addition to the cash holding of \$4.37m (2006: \$2.29m) which will be used to retire debt or for future property purchases. The LVR is based on the fair value of the Group's freehold land and building, as assessed by the financiers, of \$336.27m (2006: \$284.32m).

Financing facilities

Secured bank loans

Unsecured bank facility

Facilities utilised at reporting date

Secured bank loans

Unsecured bank facility

Facilities not utilised at reporting date

Secured bank loans

Unsecured bank facility

24. Provisions

Distributions

Movement in provisions during the financial year:

Distributions

Carrying amount at the beginning of the year

Additional provisions recognised

Payments

Carrying amount at the end of the year

Consolidated		Company	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
235,389	191,884	–	–
–	6,251	–	–
235,389	198,135	–	–
166,250	167,550	–	–
–	–	–	–
166,250	167,550	–	–
69,139	24,334	–	–
–	6,251	–	–
69,139	30,585	–	–
8,860	4,850	212	–
4,850	2,177	–	–
28,827	14,862	212	–
(24,817)	(12,189)	–	–
8,860	4,850	212	–

25. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Consolidated						
Trade and other receivables	–	–	343	–	343	–
Other financials	–	–	–	182	–	182
Other	(15)	–	151	–	136	–
Equity accounted investments	–	–	783	–	783	–
Investment property	–	–	12,290	5,426	12,290	5,426
Trade and other payables	(136)	(285)	–	–	(136)	(285)
Provisions	(186)	(12)	–	–	(186)	(12)
Employee Benefits	–	(74)	–	–	–	(74)
Tax (assets)/liabilities	(337)	(371)	13,567	5,608	13,230	5,237
Company						
Other	–	–	4	–	4	–
Equity accounted investments	–	–	596	–	596	–
Trade and other payables	(18)	(127)	–	–	(18)	(127)
Provisions	(185)	–	–	–	(185)	–
Employee benefits	–	(59)	–	–	–	(59)
Tax (assets)/liabilities	(203)	(186)	600	–	397	(186)



Notes to the consolidated financial statements (continued)

26. Employee benefits

Current

Salaries and wages accrued

Liability for annual and long service leave

Total employee benefits

Consolidated		Company	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
70	70	67	65
552	177	551	174
622	247	618	239

Share based payments

On 26 November 2004 the consolidated entity established the Employee Stapled Security Incentive Plan ("ESSIP"), a share option programme that entitles key management personnel and other employees to purchase stapled securities in the entity. In accordance with this programme options are exercisable at the market price of the stapled securities at the date of the grant.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of securities:

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of options
1 December 2004 (i)	960,000	2 years of service	7 years
1 December 2005	2,130,000	2 years of service	7 years
19 December 2006	3,602,000	2 years of service	7 years
Total stapled security options	6,692,000		

Number of Options Granted	Type of Options	Number of Stapled Securities under option	Expiry Date of Option	Exercise Price
960,000 (i)	ESSIP	960,000	30 November 2011	\$1.005
2,130,000	ESSIP	2,130,000	30 November 2012	\$1.090
3,602,000	ESSIP	3,602,000	18 December 2013	\$1.767

(i) Disclosed post 1 for 5 security consolidation

Under AASB 2 "share-based payments", the ESSIP securities are options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the period	\$1.064	3,090,000	\$1.005	960,000
Granted during the period	\$1.767	3,602,000	\$1.090	2,130,000
Outstanding at the end of the period	\$1.527	6,692,000	\$1.064	3,090,000
Exercisable at the end of the period	\$1.527	6,692,000	\$1.064	3,090,000

The options outstanding at 30 June 2007 have an exercise price in the range of \$1.005 to \$1.767 (2006: \$1.005 to \$1.090) and a weighted average contractual life of 5.8 (2006: 7) years.

The fair value of services received in return for stapled security options granted are measured by reference to the fair value of stapled security options granted. The estimate of the fair value of the services received is measured based on the binominal option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal option-pricing model.

	2007	2006
Fair value at measurement date	\$0.421	\$0.619
Stapled security price	\$1.767	\$1.09
Exercise price	\$1.767	\$1.09
Expected volatility	36.7%	36.7%
Option life	7 Years	7 Years
Expected dividends (life)	5.84 Years	7.11 Years
Risk-free interest rate (based on national government bonds)	6.25%	5.13%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the stapled security options), adjusted for any expected changes to future volatility due to publicly available information.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share based payments				
Employee expenses				
Stapled security options granted in 2005- equity settled	100	380	100	380
Stapled security options granted in 2006- equity settled	536	321	536	321
Stapled security options granted in 2007- equity settled	432	–	432	–
Total expense recognised as employee costs	1,068	701	1,068	701

27. Other current liabilities

Unearned rental income	1,178	1,725	–	–
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28. Capital and reserves

Issued capital

	Stapled securities	
	2007 No.	2006 No.
Company		
On issue at 1 July	168,772,018	103,312,987
Issued during the year	78,318,475	65,459,031
On issue at 30 June – fully paid	247,090,493	168,772,018

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at security holder meetings. The liability of a member is limited to any remaining unpaid amount relation to a member's subscription for securities.

Effect of Stapling Arrangement

Under UIG 1013, this Financial Report has been prepared based upon a business combination of the Company and its controlled entities and the Aspen Property Trust. Therefore, there is a difference between the consolidated and Company issued capital as a result of this stapling arrangement.

Notes to the consolidated financial statements (continued)

28. Capital and reserves (continued)

Unlisted options

At 30 June 2007, 188,060 unlisted options exist with an exercise price of \$1.25 and an expiry date of 20 March 2008.

Movements in unlisted options during the year were as follows:

	No.
On issue at 1 July	3,792,200
Exercised during the year	(3,604,140)
Issued during the year	–
On issue at 30 June	188,060

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary stapled securities.

For the year ended 30 June 2007

	Consolidated		Company	
	No. '000	\$'000	No. '000	\$'000
Issued Capital				
On issue at 1 July 2006	165,682	172,465	165,682	44,874
Stapled securities issued at \$1.50 (ii)	33,333	50,000	33,333	–
Stapled securities issued at \$1.47 (i)	1,738	2,565	1,738	–
Stapled securities issued at \$0.94 (iv)	1,600	1,500	1,600	–
Stapled securities issued at \$1.69 (i)	1,460	2,470	1,460	–
Stapled securities issued at \$1.25 (v)	60	75	60	–
Stapled securities issued at \$1.78 (i)	1,272	2,270	1,272	–
Stapled securities issued at \$0.94 (vi)	240	225	240	–
Stapled securities issued at \$1.80 (iii)	30,297	54,479	30,297	–
Stapled securities issued at \$1.25, \$1.00, and \$0.94 (vii)	1,704	1,780	1,704	–
Stapled securities issued at \$2.34 (i)	2,012	4,782	2,012	–
Less: stapled securities issue costs	–	(2,537)	–	–
On issue at 30 June 2007 – fully paid	239,398	290,074	239,398	44,874
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options				
1 July 2006 – Balance	3,090	–	3,090	–
19 December 2006 – Employee Security Plan	3,602	–	3,602	–
30 June 2007 – Balance	6,692	–	6,692	–
Other				
Stapled securities issued at \$1.80 (viii)	1,000	–	1,000	–
Total securities issued on ASX	247,090	–	247,090	–

Fully paid Stapled Securities carry one vote per security and carry the right to distributions.

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

(ii) Relates to the issue of securities to institutional investors on 2 August 2006.

(iii) Relates to entitlement issue of one stapled security for every seven held on 30 March 2007.

(iv) 1,600,000 options exercised at \$0.94 on 21 September 2006.

(v) 60,000 options exercised at \$1.25 on 23 November 2006.

(vi) 240,000 options exercised at \$0.94 on 6 February 2007.

(vii) 504,140 options exercised at \$1.25, 400,000 options exercised at \$1.00 and 800,000 options exercised at \$0.94 on 28 February 2007.

(viii) 1,000,000 stapled securities issued at \$1.80.

For the year ended 30 June 2006

	Consolidated		Company	
	No. '000	\$'000	No. '000	\$'000
Issued Capital				
On issue at 1 July 2005	516,562	107,508	516,562	44,874
Reclassification of Aspen Property Trust Units to liabilities under AASB132 (i)	–	(61,266)	–	–
Reclassification of Aspen Property Trust Units from liabilities into equity following amendment to Trust constitution (i)	–	61,266	–	–
Stapled securities issued at \$0.20 (ii)	3,327	663	3,327	–
Stapled securities issued at \$0.21 (iii)	195,122	40,000	195,122	–
Stapled securities issued at \$0.25 (iv)	15	4	15	–
Stapled securities issued at \$0.20 (ii)	3,332	669	3,332	–
Capital reduction due to 1 for 5 reorganisation	(574,686)	–	(574,686)	–
Balance on issue after capital reorganisation	143,672	148,844	143,672	–
Stapled securities issued at \$1.12 (iii)	19,643	22,000	19,643	–
Stapled securities issued at \$1.21 (ii)	1,002	1,216	1,002	–
Stapled securities issued at \$1.30 (ii)	1,365	1,776	1,365	–
Less: stapled securities issue costs	–	(1,371)	–	–
On issue at 30 June 2006 – fully paid	165,682	172,465	165,682	44,874
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options				
1 July 2005 – Balance	4,800	–	4,800	–
29 November 2005 – capital reorganisation	(3,840)	–	(3,840)	–
1 December 2005 – Employee Security Plan	2,130	–	2,130	–
30 June 2006 – Balance	3,090	–	3,090	–
Total securities issued on ASX	168,772	172,465	168,772	44,874

Fully paid Stapled Securities carry one vote per security and carry the right to distributions.

- (i) For the period 1 July 2005 to 14 September 2005, AIFRS required Aspen Property Trust unitholders' issued capital to be classified as a liability. On 14 September 2005, the Aspen Property Trust Deed was amended, which meant that the unitholders' issued capital from that date would be treated as equity in accordance with accounting standard AASB 132 "Financial Instruments; Disclosure and Presentation". Therefore, the value of the units on issue at 1 July 2005, being \$61.266 million was reclassified as a liability for the period 1 July 2005 to 14 September 2005. AASB132 was effective from 1 July 2005 and therefore does not affect prior year comparatives.
- (ii) Relates to the issue of stapled securities under the Distribution Reinvestment Plan (DRP).
- (iii) Relates to the issue of securities to institutional investors.
- (iv) 15,000 options exercised at \$0.25 on 20 October 2005.



Notes to the consolidated financial statements (continued)

28. Capital and reserves (continued)

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Reserves				
<i>Hedge Reserve</i>	(426)	(580)	–	–
Movement in reserves				
Balance at the beginning of the financial year	580	–	–	–
Application of AASB132 and 139 effective 1 July 2005	–	747	–	–
Effective portion of changes in the fair value of cash flow hedges during the year	(154)	(167)	–	–
Balance at the end of the financial year	426	580	–	–

Distributions

The following distributions were paid or provided for by the consolidated entity:

2007	Cents per security	Total Amount \$'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	–	–	–	–
Aspen Property Trust				
July 06 – Sept 06	2.875	5,817	20 October 2006	–
Oct 06 – Dec 06	2.875	5,861	25 January 2007	–
Jan 07 – Mar 07	3.500	8,307	26 April 2007	–
Apr 07 – Jun 07	3.500	8,648	16 August 2007	–
	12.750	28,633		23
2006				
Aspen Group Limited (the Company)				
Nil	–	–	–	–
Aspen Property Trust				
July 05 – Sept 05	2.250	2,361	17 October 2005	–
Oct 05 – Dec 05	2.250	3,255	19 January 2006	–
Jan 06 – Mar 06	2.625	4,394	20 April 2006	–
Apr 06 – Jun 06	2.875	4,852	15 August 2006	–
Total	10.000	14,862		46

Dividends

Dividend franking account

30 per cent franking credits available to security holders of Aspen Group Limited for subsequent financial years

2007 (\$'000)	2006 (\$'000)
1,808	668

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

29. Financial instruments

Exposure to interest rate risk and credit risk arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to economically hedge exposure to fluctuations in interest rates.

Interest rate risk

The consolidated entity adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Combined with fixed rate securities, interest rate swaps denominated in Australian dollars have been entered into to achieve an appropriate mix of fixed and floating rate interest rate exposures within the consolidated entity's policy.

Interest rate risk – Hedging

Interest rate swap contracts have been recorded on the balance sheet at their fair value in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the Income Statement.

During 2005, interest rate swaps were treated as hedges to the extent they were effective for accounting purposes under previous AGAAP. The fair value of these hedges at 1 July 2005 was recognised in the hedge reserve and is being amortised over the life of the hedged transaction.

The swaps have an average maturity of 2.62 years and have fixed swap rates ranging from 5.76% to 5.93% (2006: 5.68% to 5.87%). At 30 June the Group had interest rate swaps with a notional contract amount of \$129.6 million.

The net fair value of interest rate swaps at 30 June 2007 was \$3,924,487 (2006: \$1,734,000).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated 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 consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty outside the group or associated entities, 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 consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Estimation of fair value

The entity's financial assets and liabilities are stated at cost and these assets are not traded in an organised financial market.

The carrying amount of financial assets and financial liabilities recorded in the financial statements reasonably approximate their net fair values.

The methods used in determining the fair values of financial instruments are discussed in note 1(d).



Notes to the consolidated financial statements (continued)

29. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the contractual maturity, whichever is earlier.

	Effective interest rate %	Variable Interest \$'000	6 months or less \$'000	Fixed Interest Rate Maturity 6 to 12 months \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Consolidated 2007								
Cash	6.1%	4,373	—	—	—	—	—	4,373
Amount due from associates	8.5%	—	—	56,493	—	—	—	56,493
Effect of interest rate swaps		—	3,925	—	—	—	—	3,925
Interest bearing loans	6.6%	—	—	—	—	(166,250)	—	(166,250)
Hire purchase liability	8.4%	—	(14)	(14)	(28)	(15)	—	(71)
		4,373	3,911	56,479	(28)	(166,265)	—	(101,530)
Consolidated 2006								
Cash	5.5%	2,290	—	—	—	—	—	2,290
Amount due from Aspen Parks Property Fund	6.5%	—	—	5,018	—	—	—	5,018
Amount due from other associates	8.5%	—	—	24,738	—	—	—	24,738
Interest bearing loans	6.5%	—	(8,718)	—	—	(158,832)	—	(167,550)
Effect of interest rate swaps		—	1,734	—	—	—	—	1,734
		2,290	(6,984)	29,756	—	(158,832)	—	(133,770)
Company 2007								
Cash	6.1%	3,675	—	—	—	—	—	3,675
Amount due from associates	8.5%	—	—	56,493	—	—	—	56,493
Amount due to controlled entities		—	—	(159,082)	—	—	—	(159,082)
		3,675	—	(102,589)	—	—	—	(98,914)
Company 2006								
Cash	5.5%	883	—	—	—	—	—	883
Amount due from Aspen Parks Property Fund	6.5%	—	—	5,018	—	—	—	5,018
Amount due from other associates	8.5%	—	—	24,591	—	—	—	24,591
Amount due to controlled entities		—	—	(49,946)	—	—	—	(49,946)
		883	—	(20,337)	—	—	—	(19,454)

30. Operating leases

Leases as lessor

The consolidated entity leases out its investment property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Less than one year	23,352	22,161	–	77
Between one and five years	70,684	72,134	–	–
More than five years	16,888	22,777	–	–
	110,924	117,072	–	77

31. Consolidated entities

Parent entity

Aspen Group Limited (stapled entity – Aspen Property Trust)

Subsidiaries

Aspen (Septimus Roe) Pty Ltd
 Aspen Property Developments Pty Ltd
 Aspen (Midland Cinemas) Pty Ltd
 Aspen Funds Management Ltd
 Aspen Living Villages Pty Ltd No.1
 Aspen Villages Ltd
 Aussie.com.au (2000) Pty Ltd

	Ownership interest 2007 %	Ownership interest 2006 %
	100	100
	100	100
	100	100
	100	100
	100	100
	100	–
	100	100

In the financial statements of the Company, investments in controlled entities and investments in associates are measured at cost. The Company has no jointly controlled entities.

All subsidiary entities were formed/incorporated in Australia.

32. Capital commitments

As at the date of this report, the consolidated entity had no significant capital commitments.



Notes to the consolidated financial statements (continued)

33. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit for the period	73,812	34,489	(14,211)	(5,811)
Adjustments for:				
Depreciation	112	107	107	70
Provision for Doubtful Debts	22	64	–	14
Change in value of investment property	(46,083)	(22,502)	–	–
Change in value of cash flow hedges	(2,038)	(2,481)	–	–
Share of loss/(profit) of associates net of dividends received	–	(1,326)	1,053	–
Share-based payment expenses	1,068	701	1,068	701
Income tax (expense)/benefit	7,564	6,733	(5,713)	(2,459)
Amortisation of derivative reserve	154	167	–	–
Operating profit before changes in working capital and provisions	33,285	18,331	(18,749)	(7,485)
Increase in trade and other receivables	(12,466)	(5,808)	(440)	(932)
Increase in inventories	–	(1,310)	–	–
(Increase)/decrease in other assets	(11,984)	1,370	2,354	–
Increase in trade and other payables	10,848	2,320	4,635	2,197
Increase/(decrease) in other liabilities	(547)	421	–	–
Increase in provisions and employee benefits	4,385	2,838	591	157
Net cash from operating activities	23,521	18,162	(11,609)	(6,063)



34. Key management personnel disclosures

The following were key management personnel ("KMP") of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive directors:	R Gillard, T Budge, S F Chan, A Martin (resigned 10 November 2006)
Executive directors:	A Del Borrello, G Hawkins
Senior Executives:	S Price, B Acott, G Morris (commenced 27 November 2006), R Botha (commenced 27 November 2006), M Rance (commenced 2 October 2006)

The key management personnel compensation included in 'personnel expenses' are as follows:

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term employee benefits	4,325	2,997	4,325	2,997
Other long term benefits	—	—	—	—
Post-employment benefits	200	147	200	147
Termination benefits	—	—	—	—
Equity compensation benefits	801	397	801	397
	5,326	3,541	5,326	3,541

Information regarding individual directors' and executives' remuneration is provided in the Remuneration Report section of the Directors' Report.

Basis of disclosures included as remuneration

The equity remuneration provided by Aspen Group under the Employee Stapled Security Incentive Plan ("ESSIP") involves a benefit to the recipients of the issue, which is disclosed as remuneration and calculated in accordance with Australian Accounting Standards.

Measurement – ESSIP

The value of equity remuneration issued to KMP is determined at grant date. Aspen stapled securities are allotted to the individuals; though the ultimate beneficial ownership is dependant on meeting predetermined service criteria refer to Director's Report for further information. The fair value of these equity instruments is determined by the application of the Binomial option pricing model, incorporating the terms and conditions upon which the equity instruments were issued. Refer Note 26 for further details regarding the calculation of fair values.

The remuneration to the individuals is the fair value multiplied by the number of equity instruments issued to the individual to determine the total value of the remuneration benefit for each issue.

Refer to note 1(l) (iv) for further details regarding the accounting policy for securities issued under this plan.

Allocation

Where the benefit from equity remuneration is expected to be earned over several reporting periods, the total benefit determined at the grant date of the equity remuneration is apportioned on a straight-line basis over the periods in which it is expected to be earned.

Loans issued under the ESSIP

Loans made to individuals by Aspen Group to fund the purchase of securities issued under the ESSIP are not disclosed in the Balance Sheet as they are considered options for accounting purposes.

Notes to the consolidated financial statements (continued)

34. Key management personnel disclosures (continued)

The movement during the period in the number of stapled securities held, directly, indirectly or beneficially, by KMP, including parties related to them, is as follows:

Options and rights over equity instruments – Unlisted Options

	Balance at 1 July 2006	Granted as Remuneration ¹	Other	Expired/ Forfeited	Balance at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors							
R Gillard	–	–	–	–	–	–	–
A Del Borrello ²	800,000	–	–	–	–	800,000	–
A Del Borrello ¹	800,000	1,250,000	–	–	2,050,000	300,000	300,000
G Hawkins ²	800,000	–	–	–	–	800,000	–
G Hawkins ¹	800,000	1,250,000	–	–	2,050,000	300,000	300,000
S F Chan	–	–	–	–	–	–	–
T Budge	–	–	–	–	–	–	–
Senior Executives							
S Price ¹	150,000	50,000	–	–	200,000	–	–
B Acott ¹	100,000	250,000	–	–	350,000	–	–
G Morris ¹	–	100,000	–	–	100,000	–	–
R Botha ¹	–	50,000	–	–	50,000	–	–
M Rance ¹	–	50,000	–	–	50,000	–	–
Total	3,450,000	3,000,000	–	–	4,850,000	2,200,000	600,000

	Balance at 1 July 2005	Granted as Remuneration ¹	Reconstruction adjustment	Expired/ Forfeited	Balance at 30 June 2006	Vested during the year	Vested and exercisable at 30 June 2006
Directors							
R Gillard	250,000	–	(200,000)	(50,000)	–	–	–
A Del Borrello ²	4,000,000	–	(3,200,000)	–	800,000	–	800,000
A Del Borrello ¹	1,500,000	500,000	(1,200,000)	–	800,000	–	–
G Hawkins ²	4,000,000	–	(3,200,000)	–	800,000	–	800,000
G Hawkins ¹	1,500,000	500,000	(1,200,000)	–	800,000	–	–
S F Chan	250,000	–	(200,000)	(50,000)	–	–	–
T Budge	–	–	–	–	–	–	–
Senior Executives							
S Price ¹	250,000	100,000	(200,000)	–	150,000	–	–
B Acott ¹	–	100,000	–	–	100,000	–	–
S Martin ¹	500,000	200,000	(400,000)	(300,000)	–	–	–
P Barker ¹	250,000	100,000	(200,000)	(150,000)	–	–	–
D Mortimer ¹	250,000	100,000	(200,000)	–	150,000	–	–
Total	12,750,000	1,600,000	(10,200,000)	(550,000)	3,600,000	–	1,600,000

1. Relates to options granted as part of the Employee Stapled Security Incentive Plan (ESSIP)

2. Exercise price of \$0.9375 with an expiry date of 2 February 2007

Listed Options

	Balance at 1 July 2005	Granted as Remuneration	Other	Expired	Balance at 30 June 2006	Vested during the year	Vested and Exercisable at 30 June 2006
Directors							
R Gillard ¹	25,000	–	–	(25,000)	–	–	–
Total	25,000	–	–	(25,000)	–	–	–

1. Exercise price of \$1.00 with an expiry of 10 October 2005

No unlisted options were granted during the financial year ended 30 June 2007. No options were held by key management person related parties.

Movements in securities

The movement during the reporting period in the number of ordinary securities in Aspen Group held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at 1 July 2006	Purchases	Granted as Remuneration	Balance at 30 June 2007
Directors				
R Gillard	962,648	225,924	–	1,188,572
T Budge	70,781	67,718	–	138,499
SF Chan	1,259,706	179,958	–	1,439,664
A Del Borrello	1,874,215	1,554,889	–	3,429,104
G Hawkins	1,668,081	1,481,442	–	3,149,523
Senior Executives				
S Price	326,331	75,190	–	401,521
B Acott	36,196	55,316	–	91,512
G Morris	–	14,496	–	14,496
R Botha	–	13,670	–	13,670
M Rance	–	35,143	–	35,143
Total	6,197,958	3,703,746	–	9,901,704

	Balance at 1 July 2005	Reconstruction adjustment	Granted as Remuneration	Purchases	Balance at 30 June 2006
Directors					
R Gillard	2,213,238	(1,770,590)	–	520,000	962,648
A Martin	47,600	(38,080)	–	200,000	209,520
T Budge	250,000	(200,000)	–	20,781	70,781
SF Chan	6,298,530	(5,038,824)	–	–	1,259,706
A Del Borrello	8,871,076	(7,096,861)	–	100,000	1,874,215
G Hawkins	8,090,407	(6,472,326)	–	50,000	1,668,081
Senior Executives					
S Price	1,631,651	(1,305,320)	–	–	326,331
B Acott	–	–	–	36,196	36,196
S Martin	183,862	(147,090)	–	(36,772)	–
P Barker	571,026	(456,821)	–	41,858	156,063
D Mortimer	30,883	(24,706)	–	–	6,177
Total	28,188,273	(22,550,618)	–	932,063	6,569,718

Notes to the consolidated financial statements (continued)

34. Key management personnel disclosures (continued)

No stapled securities were granted to key management personnel during the reporting period as compensation, other than the stapled securities under the Employee Stapled Security Incentive Plan. No shares were held by key management personnel related parties.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section 9 of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Transactions with Key Management Personnel

Chan Galic, a personally related entity of Mr S F Chan, received legal fees during the year of \$5,224 (2006: \$76,820) for legal services relating to the Group's commercial property transactions on normal terms and conditions.

During the 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, 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 Group has acquired from this entity the rights to manage the project for a cash consideration of \$6 million.

During the year, corporate advisory and securities firm SageCorp Securities Pty Ltd, a director related entity of Mr G Hawkins and Mr A Del Borrello, received net commission totalling \$258,027 (2006: \$89,559), for capital raising on behalf of Aspen Group. The gross fee earned by the Company was a maximum of 4% (2006: 4%) of funds raised by SageCorp's agency advisors, and on the same term and conditions as generally offered to external advisors.

Share-based payment loans to KMP

Loans made to individuals by Aspen Group to fund the purchase of securities issued under the ESSIP are not disclosed in the Balance Sheet under AIFRS because they are considered options for accounting purposes.

Under AASB2 "Share-based payment", the loans on ESSIP securities are considered options for accounting purposes, the fair value of the options is recognised as an employee expense with a corresponding increase in reserves and the loans are no longer recorded on the Balance Sheet. The fair value is expensed on a straight line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

35. Related Party Transactions**Identity of related parties**

The consolidated entity has a related party relationship with its subsidiaries (see note 31), associates (see note 15) and with its key management personnel (see note 34).

Other related party transactions**Subsidiaries**

The following at call loans are outstanding between group entities at year end.

	Company	
	30 June 2007 (\$'000)	30 June 2006 (\$'000)
Aspen (Septimus Roe) Pty Ltd	14,540	10,740
Aspen Property Development Pty Ltd	(8,822)	(3,069)
Aspen (Midland) Pty Ltd	(829)	(827)
Aspen Property Trust	(167,683)	(53,116)
Aspen Funds Management Pty Ltd	(7,734)	(5,899)
Aspen Living Villages No 1 Pty Ltd	1,832	2,134
Aspen Villages Ltd	5,682	–
Aussie.com.au (2000) Pty Ltd	–	91
Total	(163,014)	(49,946)

Associates

All associates borrowed funds from Aspen Group Limited at an interest rate of 8.5% (2006: 8.5%) per annum. The following at call loans are from the Group and are outstanding at year end.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Aspen Parks Property Fund	1,500	5,018	1,500	5,018
Aspen Diversified Property Fund	21,983	21,329	21,983	21,329
Aspen Dunsborough Lakes Ltd	2,880	3,406	2,880	3,262
Aspen Whitsunday Shores Pty Ltd	2,113	–	2,113	–
Fern Bay Seaside Village Ltd	23,843	–	23,843	–
West Swan Estate Pty Ltd	4,171	–	4,171	–
	56,490	29,753	56,490	29,609

Aspen Group manages the funds for the Aspen Parks Property Fund, Aspen Diversified Property Fund, Aspen Dunsborough Lakes Limited, Aspen Whitsunday Shores Pty Ltd, Fern Bay Seaside Village Ltd, West Swan Estate Pty Ltd and the Aspen Development Fund No 1 Ltd. During the year Aspen Group received the following management fees and interest income:

	Consolidated	
	30 June 2007 (\$'000)	30 June 2006 (\$'000)
Management Fees		
Aspen Parks Property Fund	5,402	2,893
Aspen Diversified Property Fund	1,675	6,791
Aspen Dunsborough Lakes Limited	5,148	5,885
Aspen Whitsunday Shores Pty Ltd	1,842	–
Fern Bay Seaside Village Ltd	4,469	–
Aspen Development Fund No 1 Ltd	5,775	–
	24,311	15,569
Interest Income		
Aspen Parks Property Fund	62	184
Aspen Diversified Property Fund	1,632	1,639
Aspen Dunsborough Lakes Limited	146	525
Aspen Whitsunday Shores Pty Ltd	180	–
Fern Bay Seaside Village Ltd	531	–
West Swan Estate Pty Ltd	101	–
Aspen Development Fund No 1 Ltd	158	–
	2,810	2,348

36. Contingencies

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

37. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

- 1 In the opinion of the directors of Aspen Group Limited ('the Company') and Aspen Fund Management Limited (as responsible entity for the Aspen Property Trust):
 - (a) the financial statements and notes (including the remuneration disclosures that are contained in the Remuneration report in sections 9.1, 9.2 and 9.4 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) the remuneration disclosures that are contained in sections 9.1, 9.2 and 9.4 of the Remuneration report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors



Gavin Hawkins
Executive Director
PERTH, 24 August 2007



Angelo Del Borrello
Executive Director
PERTH, 24 August 2007



Additional Securities Exchange Information

Capital Structure

As at 17 September 2007 Aspen Group had on issue 248,820,195 ordinary securities, and 114,060 unlisted options.

(a) Distribution of Securities

Analysis of numbers of holders by size of holding.

Size of Holding	Number of Securityholders
Less than 1,001	783
1,001 to 5,000	832
5,001 to 10,000	561
10,001 to 100,000	1,270
More than 100,001	108
	3,554

There were 366 holders of less than marketable parcels of securities (Minimum \$500 parcel at \$2.53 per stapled security).

(b) Substantial Securityholders

The Company has received notification of the following Substantial Securityholders (5% or more of the issued capital of the Company).

Securityholder	No. of stapled securities
UBS Global Asset Management (Australia) Ltd	36,214,944
Deutsche (Institutional Group)	33,072,813
Acorn Capital Limited	18,831,459
AMP Capital Investors	15,985,928
SG Hiscock & Company	12,528,897

Additional Securities Exchange Information (continued)

(c) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of stapled securities as at 17 September 2006 are listed below:

Name	No. of Stapled Securities	Percentage Held of Stapled Securities
NATIONAL NOMINEES LIMITED	62,540,475	25.13%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,209,849	16.96%
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,460,699	7.42%
COGENT NOMINEES PTY LIMITED	8,773,527	3.53%
ANZ NOMINEES LIMITED<INCOME REINVEST PLAN A/C>	7,560,416	3.04%
CITICORP NOMINEES PTY LTD – <CFSIL CWLTH PROPERTY 6 A/C>	5,859,436	2.35%
ANZ NOMINEES LIMITED <CASH INCOME A/C>	5,280,732	2.12%
COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	5,224,277	2.10%
AMP LIFE LIMITED	4,727,722	1.90%
CITICORP NOMINEES PTY LTD <CFSIL CWLTH PROPERTY 1 A/C>	4,710,366	1.89%
CITICORP NOMINEES PTY LTD	3,876,046	1.56%
MR ANGELO DEL BORRELLO <THE ADB A/C>	3,056,247	1.23%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,470,053	0.99%
CITICORP NOMINEES PTY LTD <CWLTH BANK OFF SUPER A/C>	1,897,340	0.76%
ZERO NOMINEES PTY LTD	1,500,000	0.60%
CBH SUPERANNUATION HOLDINGS PTY LTD <CBH SUPER A/C>	1,446,002	0.58%
PINEROSS PTY LTD <PINEROSS A/C>	1,376,785	0.55%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSJBW A/C>	1,273,744	0.51%
MR ANGELO DEL BORRELLO <ADB FAMILY A/C>	1,250,000	0.50%
GAVIN HAWKINS <HAWKINS FAMILY A/C>	1,250,000	0.50%
Total Top 20	184,743,716	74.22%
Total Stapled Securities on Issue	248,820,195	100.00%

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

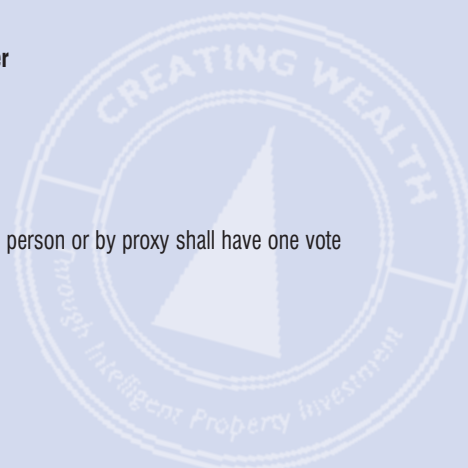
The Integrated Financial Group Pty Ltd

Number

58,500

(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.



Directory

Board of Directors:

Reg Gillard	Non-Executive Chairman
Angelo Del Borrello	Executive Director
Gavin Hawkins	Executive Director
Terry Budge	Non-Executive Director
Seng Fai Chan	Non-Executive Director (Aspen Group Limited)
Matthew McCann	Non-Executive Director

Registered office:

Level 8, Septimus Roe Square
256 Adelaide Terrace
Perth WA 6000
T (08) 9220 8400
F (08) 9220 8401
E homemail@aspengroup.com.au

Group Secretary:

Gavin Hawkins

Share Registry:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
T (61 8) 9323 2000
F (61 8) 9323 2033

Auditor:

KPMG
Central Park
152-158 St Georges Terrace
Perth WA 6000

Investor Enquiries
Freecall: **1800 220 840**
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