



ASPEN
GROUP

ASPEN GROUP ANNUAL REPORT | 2009

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

Year in Review

- Strong focus on capital management and maintaining balance sheet strength of the Group and its Funds
- Reduction in overheads ensuring a disciplined cost structure
- Group gearing reduces to 30% through a combination of equity raisings and asset sales
- 100% of investment properties independently valued over the past six months
- Recurring rental income base up 32%
- Capital management initiatives have positioned Funds for future growth

Financial Summary

Key Financial Results

	2009	2008	2007	2006	2005
Operating Revenue*	\$70.2 m	\$77.3 m	\$60.4 m	\$41.1 m	\$20.9 m
Operating Profit After Tax*	\$33.2 m	\$43.8 m	\$33.5 m	\$18.5 m	\$7.5 m
Total Assets	\$620.8 m	\$652.7 m	\$536.9 m	\$352.4 m	\$222.5 m
Net Borrowings	\$186.9 m	\$211.2 m	\$161.9 m	\$165.3 m	\$133.0 m
Securityholder Equity	\$400.9 m	\$379.9 m	\$331.8 m	\$168.1 m	\$83.4 m
Gearing	30%	33%	31%	32%	59%

Key Investor Data

	2009	2008	2007	2006	2005
Operating Earnings Per Security*	11.91 cents	18.06 cents	15.99 cents	12.81 cents	8.79 cents
Distributions Per Security	8.995 cents	15.50 cents	12.75 cents	10.00 cents	8.35 cents
Net Tangible Assets per Security (NTA)**	\$0.71	\$1.53	\$1.35	\$1.09	\$0.81

* Operating revenue and profit after tax represents total revenue and earnings adjusted for certain significant items which in the opinion of the Directors do not represent the ongoing operating business of the Group

** Excludes non-dilutive employee share options

“Aspen has made significant progress in FY2009 in managing its debt position and strengthening its balance sheet for future growth.”



Norwest Private Hospital, NSW



Karratha Accommodation Village, WA



MTAA Super House, SA

Boathaven Holiday Park, VIC

Chairman's Letter



Reg Gillard – Chairman

Dear Investors

The past year has proved to be an extremely difficult one. Companies across our sector were severely tested through a combination of historically tight credit conditions, rapidly falling property values and a softening economy. This resulted in a dramatic loss of investor confidence, significantly impacting on share prices of all listed property companies, with Aspen being no exception.

What has been of critical importance is the speed and substance of our response to the prevailing conditions to ensure that the Group returns to delivering earnings growth. To this end I am confident that Aspen has taken the necessary steps in a timely fashion to confront these challenges. These actions now place the Group in a sound position going forward.

The Group reported a statutory loss of \$64.7 million, impacted significantly by asset impairments. The operating earnings after tax of \$33.2 million was 24% down from the prior year. Given the backdrop of the challenges faced, this result was not unexpected.

A significant focus for the Group during the year was on appropriate capital management, not just to weather the effects of the difficult market conditions, but also to position Aspen for future growth. The \$82.8 million rights issue in June of this year received a strong show of support from both our institutional and retail investor base and significantly strengthened the Group's balance sheet creating valuable headroom within its debt facilities.

In addition Aspen successfully recapitalised a number of its funds through a combination of equity raisings and asset sales. These actions strengthened the capital positions of each fund allowing for future development activity that will lead to growth in funds management activities.

The successful recapitalisation programs provided us with the opportunity to secure enhanced finance facility terms during the period, at both an Aspen Group and Aspen managed fund level. The Group's core debt funding now has a weighted average debt maturity of 2.8 years. Importantly, all debt facilities of the Group and our managed funds are provided by the major domestic banks.

I am also pleased to report that we adopted a proactive approach with regards to updated independent asset valuations on the majority of our asset portfolio, reiterating our commitment to ensuring transparency in asset carrying values and addressing investor uncertainty in this regard.

On behalf of the Board I would like to thank all Aspen staff and my fellow non-executive directors for their hard work and the tremendous commitment they have shown over the past 12 months. The allocation of resources in completing the above initiatives cannot be underestimated and we look forward to now diverting our full attention towards further strengthening and growing the business.

With a strong balance sheet position and a sound business model of recurring property rentals and funds management fees, Aspen is well positioned to take advantage of more positive market conditions in the forthcoming year.

Finally, I would like to thank all our securityholders for their continued loyalty and valued support over the past year.

Reg Gillard
Chairman



Adelaide City Central Precinct, SA



Septimus Roe Square, WA



Seaside Fernbay, NSW



Ningaloo Reef Resort, WA

Managing Director's Review



Angelo Del Borrello – Managing Director

“The results achieved in resetting the business over the past year support our ongoing strategy of growing the business and delivering sound returns to our investors.”

It comes as no surprise that I report that the last 12 months have been extremely challenging for property companies. The contraction of global credit markets saw a dramatic slide in investor confidence, culminating in falling asset values, reduction in distribution levels and falling share prices. Although Aspen has not been immune to these turbulent conditions, I am pleased to report that we have delivered a sound operating result and have taken significant and decisive steps to address these market pressures and position the Group for future market opportunities.

Our focus this financial year has been on consolidating our business, on debt reduction and of maintaining balance sheet strength of both Aspen Group and its managed funds. An early proactive approach was adopted which saw some tough decisions made concerning the structure of the business and its overheads. In addition, changes to distribution levels and other capital management initiatives were undertaken. We believe the decisions made were prudent and necessary in the prevailing economic climate.

The results achieved in resetting the business over the past year support our ongoing strategy of growing the business and delivering sound returns to our investors.

Financial Performance

Aspen delivered an operating profit for the year to 30 June 2009 of \$33.2 million, down against the record \$43.8 million achieved in 2008. While the fall in operating profit is disappointing, it is worthwhile noting that it is the first year since the Group's inception in 2002 that double digit growth has not been achieved.

The result was heavily impacted by reduced development and transactional activity within our managed funds division. This resulted in lower management fee income as well as a reduced contribution from equity profits from our cornerstone investments in managed funds.

The investment property portfolio continued to make a strong contribution, with rental income from investment properties increasing 32% over the period to \$43 million. The result was underpinned by first time contributions from the Karratha Accommodation Village and St Kilda Road's lease to L'Oreal. The two biggest properties (by value) in the portfolio, Septimus Roe and MTAA Super House, also generated strong returns.

Due to reduced transactional activity and the lower growth environment, management undertook a comprehensive review of the Group's operating cost structures, resulting in overhead reduction initiatives being implemented which will see significant reduction to overheads in FY2010.

The Group's net asset value per security was negatively impacted by fair value adjustments to assets following a comprehensive review of asset carrying values primarily in the first half of the year. These adjustments are reflected in the headline net loss after tax reported in our Financial Report.

Managing Director's Review (continued)

Distributions

Distributions of 9.0 cents per security were paid for the 2009 financial year and were fully covered by operating earnings in line with the Group's distribution policy.

In the past year, Aspen Group has announced reductions to its distribution rate, which will be set at approximately 70% of operational earnings. Aspen is cognisant of the reliance by many of our investors on receiving distributions; however the Board believed the reduction to be a prudent course of action, especially in the context of the current market climate and the lower earnings environment. The revised distribution rate policy provides the Group with greater flexibility to retain cash and reduce debt which is of paramount importance to ensuring long-term financial security.

Capital Management

Over the course of the financial year, the Board pursued a number of capital management initiatives including equity raisings and asset sales that reduced Group gearing to a more appropriate level of 30%.

Having raised \$105 million of equity at a Group level during the period, we are now well positioned to critically evaluate high value growth opportunities which are expected to arise.

In addition Aspen's capital position is now well placed to absorb any future softening in asset values with banking covenants able to withstand an additional 26% fall in investment property values at year end.

The capital management activities undertaken have seen the Group achieve an extension to the maturity date of its core debt facility out to February 2012, increasing our weighted average debt expiry profile to 2.8 years.

We have also made significant progress in recapitalising a number of our managed funds. With strengthened balance sheets, these funds have also been able to secure enhanced finance facilities.

Asset Management

With the focus on ensuring that the carrying values of investment properties remained appropriate, management independently valued 43% of the portfolio in August 2009 having already independently valued the entire portfolio between January 2009 and March 2009. Aspen believes that this up to date valuation process provides investors with greater confidence in the carrying value of the asset portfolio.

Rental growth was driven by the contribution from the Karratha Accommodation Village as well as a first full year of rental contribution from St Kilda Road's 10 year lease to L'Oreal. These two assets contributed a total of 25% of the 32% growth in rental revenue for the period.

The construction of the Karratha Accommodation Village within a six month timeframe and the five year lease (plus five year option) to Woodside is a strong demonstration of the Group's development capabilities and will provide a sound income stream in the years ahead.

The Group's major commercial office properties, Septimus Roe and MTAA Super House, also delivered strong performances and benefited from high demand and low vacancy rates during the year.

Aspen's cornerstone investment positions in its fund management entities were valued at \$60 million whilst loans to these managed funds amounted to \$88 million at year end. Both portfolios continue to provide Aspen with additional income and asset diversity.

Karratha Accommodation Village, WA



“Funds management entities are expected to benefit from lower gearing positions and a more positive market outlook.”

Norwest Private Hospital, NSW

Funds Management

The reduced level of development activity across the funds led to a 55% reduction in recurring development management fees over the prior corresponding period. However there is evidence of an improvement in market conditions, most notably in the Aspen Living division, where improved residential land sales delivered a significantly improved second half performance. On a further positive note, the successful equity raisings completed by a number of our managed funds will allow for growth in funds management activities.

Aspen Parks continued to perform well providing significant recurring fees and equity accounted profits to the Group. The strong performance was driven by benefits now coming to fruition from previous development activity and management synergies created within the portfolio. The entire portfolio of 25 properties was independently valued in March 2009 with only a 3% impairment to the asset value, reflecting the strength and robust income streams of the Parks property portfolio.

Aspen Diversified endured a difficult year with issues typical of those faced by many unlisted commercial property funds. To ensure compliance with its banking facility, this Fund was required to undertake an equity raising and secure asset sales. Both of these initiatives were successfully executed, raising approximately \$33 million, and the Fund now has a comfortable level of headroom under its debt facility.

Aspen Living was significantly impacted by the difficult property market and credit conditions. Weak residential markets, particularly in the first half of the year, inhibited lot sales across the estates. Signs of a turnaround are emerging, with an improved second half result continuing into FY2010. On a positive note, the equity raisings executed across the residential syndicates, as well as improved debt facilities, should see an enhanced development program producing higher stock levels in 2010. We particularly look forward to the first stage development at St Leonards Estate in Perth, which on the back of significant presales, will see works commence in the first half of FY2010.

The Aspen Developments team achieved a major milestone in recent months with the successful completion of the \$125 million Norwest Private Hospital, on time and within budget. The hospital component of the project was pre-sold to a leading hospital operator and Aspen is marketing the remaining medical suites for sale. Over the coming year the team will progress their pipeline of projects within this division.

Strategy and Outlook

Aspen has made significant progress in FY2009 in responding to the difficult market conditions in a number of areas, including recapitalising balance sheets at both Group and fund levels where appropriate, reducing the overhead cost structure of the Group and working hard to secure enhanced banking facilities. These initiatives leave us well positioned to focus on executing the Aspen business model and capitalise on opportunities to grow earnings going forward.

The business continues to focus on optimising the performance of our investment property portfolio through active property management, whilst pursuing earnings accretive opportunities in our Funds Management business.

The outlook for FY2010 is for higher rental earnings based on organic “locked in” rental growth (including the full 12 month contribution of Karratha Village), the emerging recovery of the residential sector and a significantly lower overhead cost structure.

The Board reaffirms its operating FY2010 earnings guidance of 6.00 cps to 6.70 cps with a distribution payout ratio of around 70% of operational earnings.

I wish to thank all our loyal employees for their dedication and hard work during the year as well as all our investors and business partners for their continued support.



Angelo Del Borrello
Managing Director

Corporate Structure



Property and Investment Portfolio

Property Portfolio

A key foundation of Aspen Group is the underlying strength of its commercial property portfolio. The property portfolio serves a twofold purpose:

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

Review

The focus over the year was on ensuring that the carrying values of investment properties remained appropriate in a volatile property market. Updated independent valuations were obtained in December 2008/January 2009 across the portfolio resulting in a \$10.6 million net asset impairment. Independent valuations were again commissioned in July/August 2009 on 43% of the portfolio, on assets where directors believed there was potential for material movements. This, together with director valuations adopted on the balance of the portfolio, resulted in a \$14.7 million net asset impairment. On a positive note, a valuation uplift was recognised on the Karratha Accommodation Village asset following its formal completion in December 2008.

This proactive independent valuation approach included adopting a weighted average capitalisation rate of 10.02%, up 220 points over the year. Our actions reiterate the Group's commitment to ensure transparency in asset carrying values.

Our portfolio continues to be weighted towards the resource-based economies of Western Australia and South Australia, which are expected to benefit from significant resource projects in those regions.

In addition, the portfolio is supported by a strong tenancy profile with government and major corporates accounting for 70% of the portfolio's total income.

Portfolio Highlights

The period was highlighted by solid performances across all assets in the portfolio resulting in a 32% increase in rental income over the previous corresponding period. The Group's major commercial office properties, Septimus Roe and MTAA Super House, continued to benefit from strong demand and low vacancy rates. Rental growth was also supported by a first full year of rental contribution from St Kilda Road's ten year lease to L'Oreal as well as the contribution from the Karratha Accommodation Village, which together contributed a total of 25% of the 32% growth in rental income over the period.

The completion of the Karratha Accommodation Village in December 2008 within a six month timeframe and the five year lease (plus five year option) to Woodside sees the commencement of a recurring revenue stream forecast to generate circa \$57.5 million over the initial five year period. Aspen developed the 180 room accommodation village on a 2.9 hectare site in Karratha, Western Australia. The Pluto gas project, being undertaken by Woodside and based in Karratha, was identified by Aspen as the key driving force behind the demand for this type of asset, reflecting Aspen's ability to source opportunistic or niche assets to unlock significant value for the Group, a valuable skill set in the present market conditions.

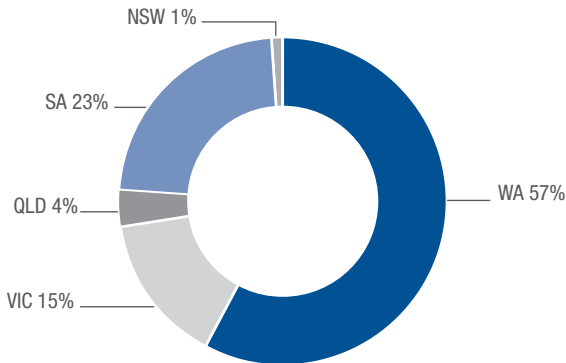
Outlook

With limited lease expiries, strong tenant retention and a full year contribution from the Karratha Accommodation Village, rental income is forecast to again increase in FY2010.

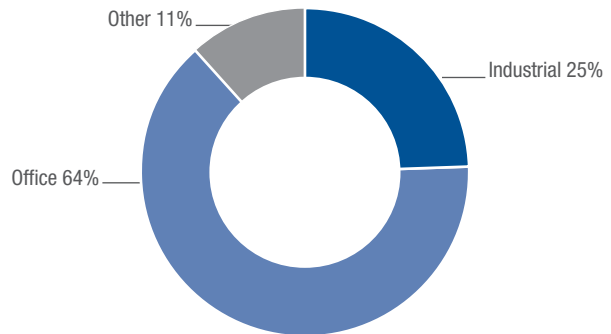
Whilst the environment for significant capitalisation rate movements has stabilised, the risk still exists that office markets may soften and incentives to lease vacant space increase. Our property team is working to proactively manage and address these issues should they arise.

Property and Investment Portfolio (continued)

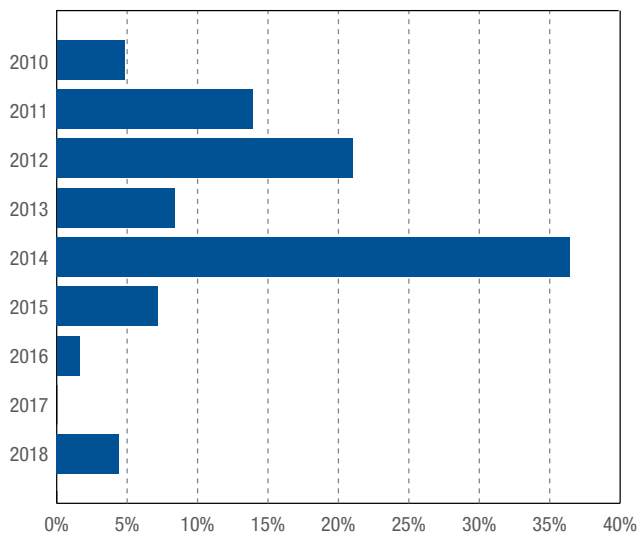
Portfolio Geographic Diversification (by value)



Portfolio Sector Diversification (by value)



Lease Expiry Profile by Financial Year (% of rental income)



Key Tenant Expiry

Tenant	Financial Year	% of Income
Centrelink	2011	4%
Elders*	2012	13%
Minister for Works	2014	5%
Woodside**	2014	21%
Alcoa	2014	3%
DIMIA	2015	5%
L'Oreal	2018	5%
Total		56%

* Key lease expiry mitigated by redevelopment potential of site, being 29ha of industrial land 5km from the port of Fremantle

** Five year option exists post 2014

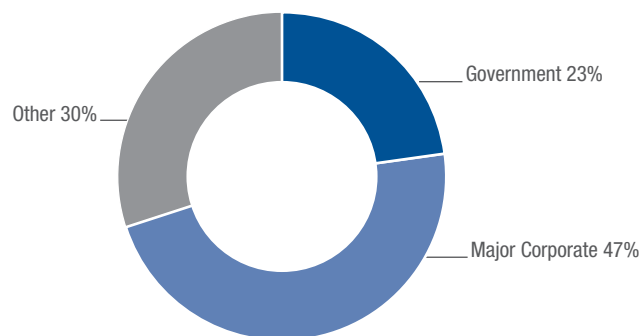
“Aspen acted early in adopting independent valuations on the majority of its asset portfolio at the half year.”

Portfolio Summary

Property	State	Primary Use	Date of most recent independent valuation	Book Value	Capitalisation Rate
Septimus Roe, Perth	WA	Office	Jun 09	\$82.0m	11.00%
Alcoa Office Complex, Booragoon	WA	Office	Dec 08	\$29.0m	9.25%
Elders Woolstores, Spearwood	WA	Industrial	Dec 08	\$56.0m	11.00%
Karratha Village, Karratha	WA	Accommodation	Jun 09	\$41.0m	17.00%
564 St Kilda Road, Melbourne	VIC	Office	Dec 08	\$34.0m	8.50%
Browns Road, Noble Park	VIC	Industrial	Jun 09	\$19.3m	10.25%
33 York Street, Sydney	NSW	Office	Jun 09	\$3.2m	8.00%
51 Heaton Street, Rocklea	QLD	Industrial	Jun 09	\$13.0m	9.25%
MTAA Super House, Adelaide	SA	Office	Dec 08	\$82.0m	9.50%
Morrison Road, Midland	WA	Development site	Dec 08	\$3.2m	
Sovereign Gardens, Ballina	NSW	Accommodation	Dec 08	\$5.9m	
Total				\$368.6m	10.02%#

Weighted Average Capitalisation Rate (ex Karratha)

Tenant Profile



“Realistic asset carrying values and a long term senior debt facility places the balance sheet in a **sound position going into FY2010.**”

Property and Investment Portfolio (continued)

Aspen Investments

Aspen's property sector exposure is further diversified through the Group's commitment to holding a cornerstone equity position in each of its managed funds and syndicates. Aspen firmly believes that holding a cornerstone investment aligns its interest as both Fund Manager and investor. Aspen's investment holdings were valued at \$59.8 million at 30 June 2009.

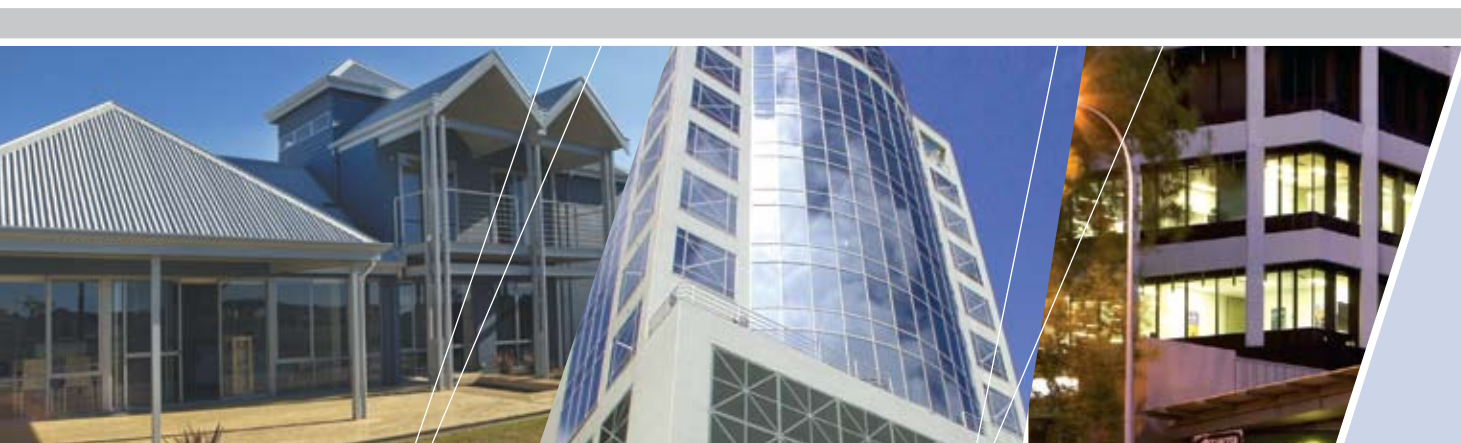
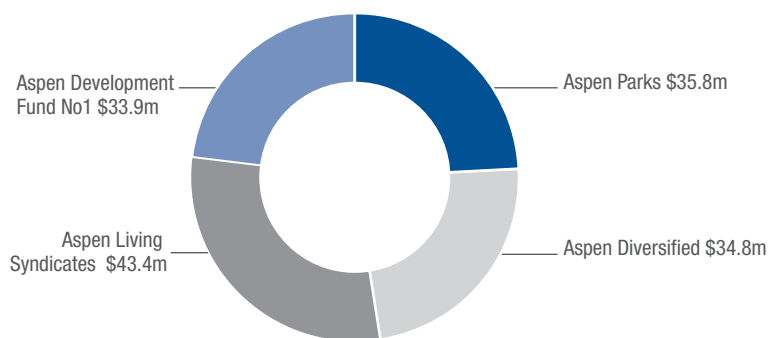
Aspen also provides bridging finance to its managed funds to assist in the acquisition of fund assets and the advancement of development activities. The loans are at call and incur interest at commercial arms length rates. Aspen's loans to managed funds were valued at \$88.1 million at 30 June 2009.

A summary of the Group's funds and total capital employed in each fund is shown below:

Fund	Sector
Aspen Parks Property Fund	Tourist and accommodation parks
Aspen Diversified Property Fund	Commercial
Aspen Dunsborough Lakes Ltd*	Land development
Aspen Whitsunday Shores Pty Ltd*	Land development
Fern Bay Seaside Village Ltd*	Land development
St Leonards Estate Pty Ltd*	Land development
Aspen Development Fund No 1 Ltd	Commercial & residential development

* Managed by the Aspen Living Division

Capital Employed in each Fund



Funds Management

The Funds Management division was established in 2004 to leverage Aspen's core asset management expertise to create innovative property sector funds. The division continues to evolve, building on its initial success and enabling the Group to broaden its property sector reach.

Funds	Sector	Investment Structure	Investor Market	Assets at 30 June 2009
Aspen Parks	Tourism and accommodation parks	Open-ended stapled security	Retail	\$269 million
Aspen Diversified	Diversified commercial core income	Open-ended Trust	Retail	\$156 million
Aspen Living	Land development	Closed-end syndicates	Wholesale Sophisticated	\$328 million
Aspen Developments	Commercial and residential development	Closed-end syndicate	Wholesale Sophisticated	\$313 million

A number of the property sectors found in Aspen's managed funds will not be found in a traditional property trust portfolio, and as such Aspen creates both traditional and niche investment opportunities for investors while generating additional diversified income streams for Aspen Group.

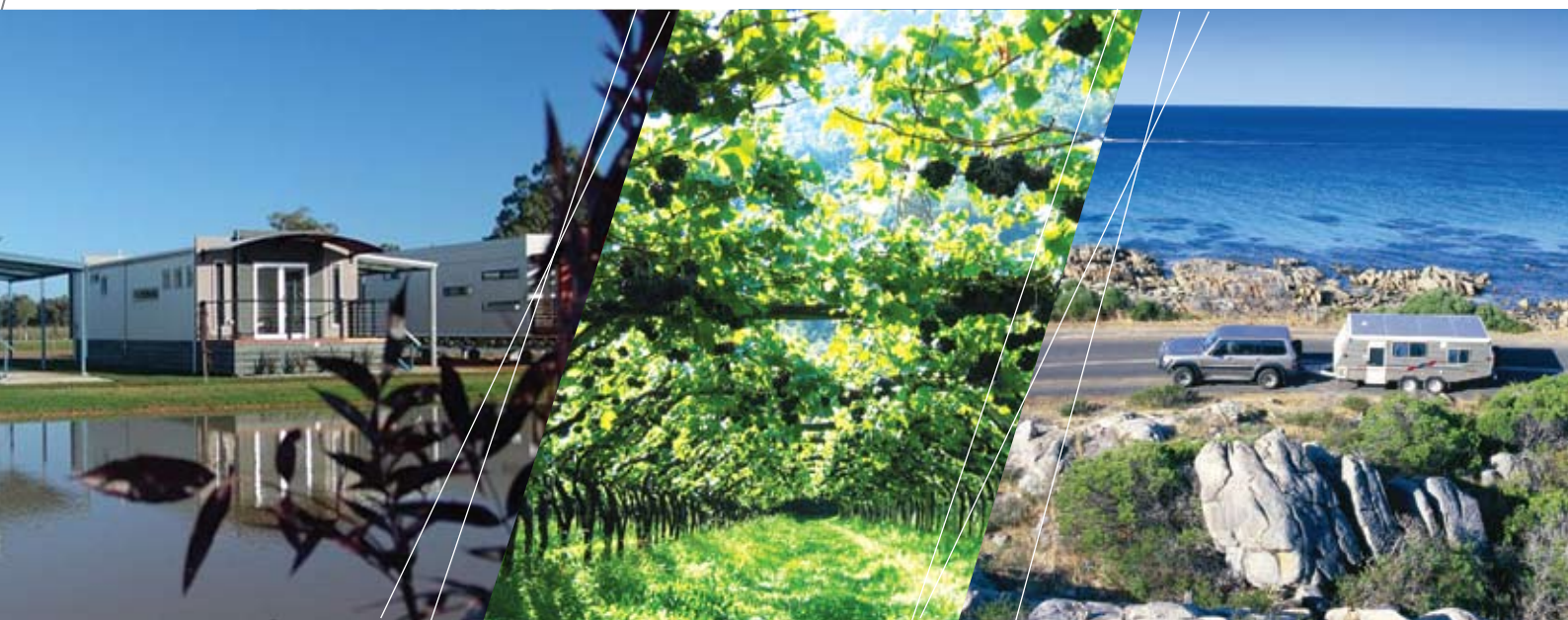
Equity distribution remains a key fundamental of the Funds Management business and to that end the Group has an established national distribution presence with

the ability to reach investors through either financial advisers, administrative platforms or directly. Aspen's retail distribution activities have remained focused on Aspen's retail income funds, Aspen Parks and Aspen Diversified, with a sound level of inflows received during the period in difficult market conditions. Looking ahead, Aspen will continue to enhance its existing relationships and seek new sources of support across both wholesale and retail distribution channels for its funds management activities.

Funds Management (continued)

Aspen Parks

Aspen Parks Property Fund was established in June 2004 as a niche property fund to acquire, manage and expand a portfolio of tourist and accommodation parks. The Fund's key objective is to provide unitholders with regular income and the potential for capital growth, capturing the benefits of well located land holdings with attractive income yields.



Review

Aspen Parks recently celebrated its five year anniversary. Over its life the Fund has quickly established a strong brand in the tourist and accommodation park industry and has grown a portfolio of quality parks in premium locations around Australia.

Previous development activity, management synergies and a diversified asset portfolio continue to pay significant dividends for the Fund's unitholders, including Aspen.

From an earnings perspective, Aspen Parks continues to be a standout performer in the unlisted property sector and since its inception in 2004 has delivered an annualised total return of 13.5% to unitholders.

In March 2009 in response to the global financial crisis and weak property markets, Aspen undertook the proactive step of having the entire Parks portfolio revalued by independent valuers. The result, a decline of only 3.5% in asset value, demonstrates the strength of the portfolio underpinned by robust income streams.

Aspen Parks remains highly rated by research house Lonsec (upper recommended rating) and with an attractive income yield continues to receive strong net equity inflows to facilitate future growth.

Outlook

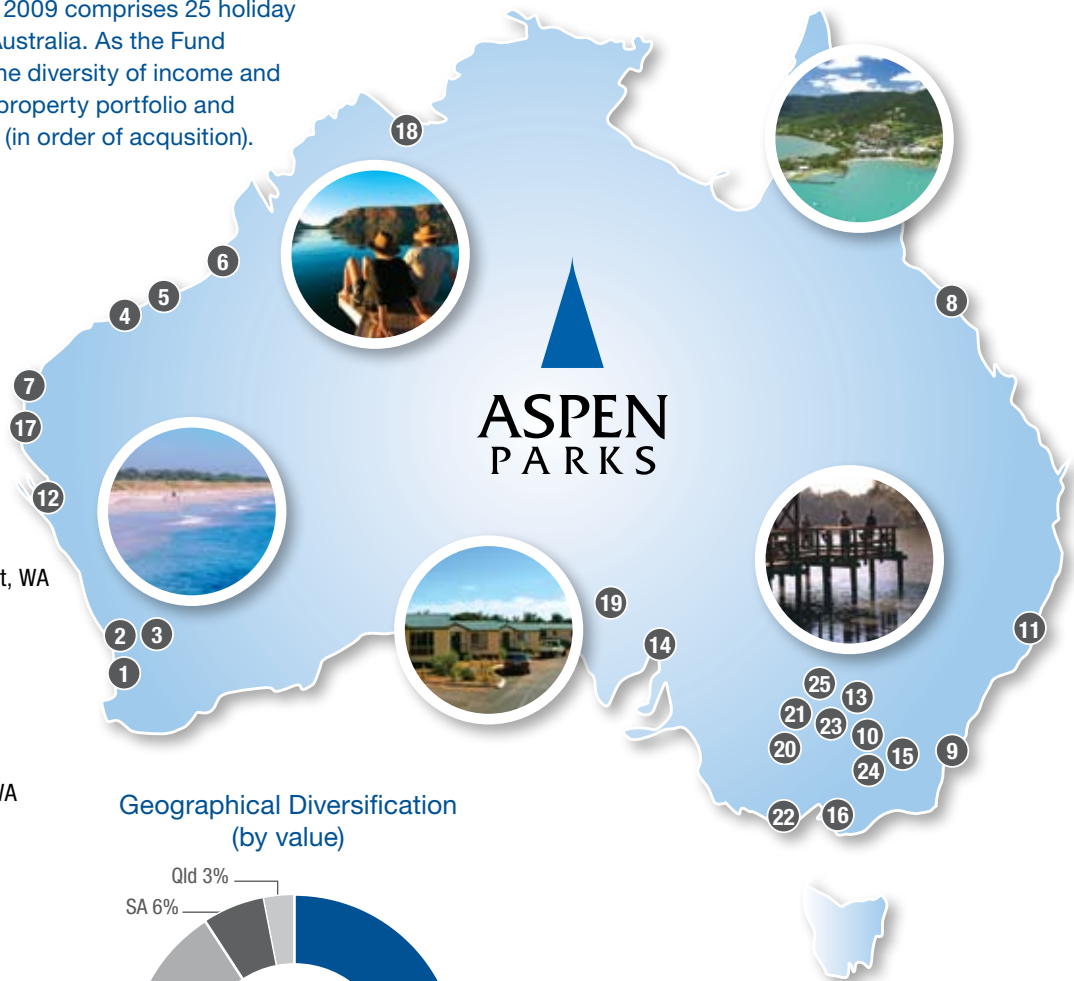
Looking ahead Aspen Parks will seek to grow revenues through initiatives aimed at maximising occupancy levels and pursuing organic development opportunities. Aspen remains confident on the long-term outlook for the sector as an attractive option for tourist, short stay and long term accommodation.

With easing credit markets, the current economic climate is also providing opportunities for selective acquisitions that may complement the Fund's existing portfolio. In addition, with landmark resource projects including Gorgon and Pluto, Aspen Parks will seek further opportunities within its existing portfolio to provide worker accommodation similar to the Aspen Karratha Village.

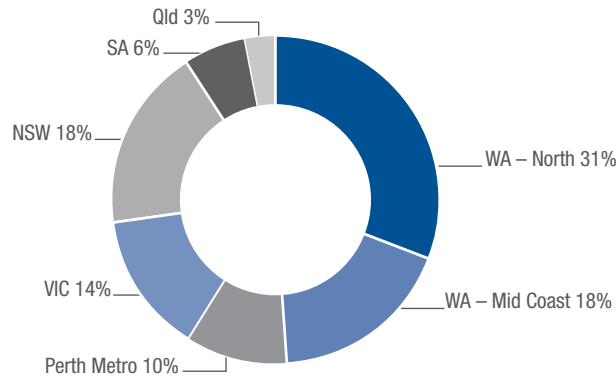
“Aspen Parks has delivered an annualised return of 13.5% to unitholders since inception.”

The portfolio as at 30 June 2009 comprises 25 holiday parks located throughout Australia. As the Fund continues to grow, so will the diversity of income and geographic locations. The property portfolio and locations are set out below (in order of acquisition).

- 1 Woodman Point, WA
- 2 Coogee Beach, WA
- 3 Perth Vineyards, WA
- 4 Pilbara, WA
- 5 Balmoral, WA
- 6 Cooke Point, WA
- 7 Exmouth Cape, WA
- 8 Island Gateway, WA
- 9 Twofold Bay, NSW
- 10 Yarraby, Vic
- 11 Wallamba River, NSW
- 12 Monkey Mia Dolphin Resort, WA
- 13 Horseshoe Lagoon, NSW
- 14 Port Augusta BIG4, SA
- 15 Wymah Valley, NSW
- 16 Ashley Gardens, Vic
- 17 Ningaloo Reef Resort, WA
- 18 Country Club Kununurra, WA
- 19 Myall Grove, SA
- 20 Golden River, Vic
- 21 Shady River, NSW
- 22 Geelong Riverview, Vic
- 23 Murray River, NSW
- 24 Boathaven, Vic
- 25 Maidens Inn, NSW

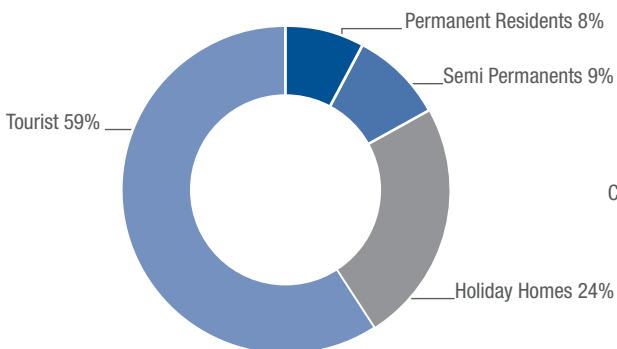


Geographical Diversification (by value)

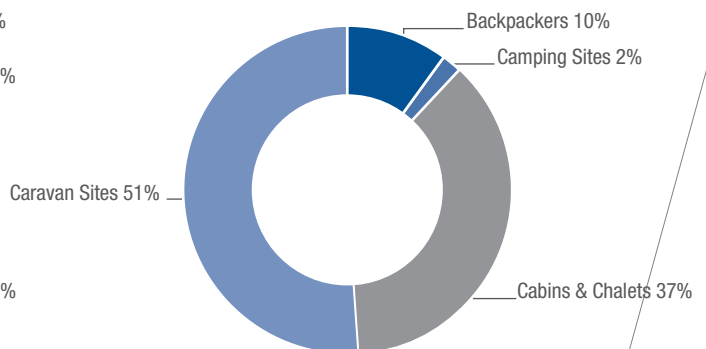


Diversification by Accommodation Types

Sites by Occupancy Type



Tourist Sites by Type



Funds Management (continued)

Aspen Diversified Property Fund

Aspen Diversified Property Fund is a core income fund with a strategy of investing in commercial properties within the \$5 million to \$30 million range.

Review

The Australian commercial property market has been severely impacted over the last 12 months as a result of the global economic downturn and scarcity of credit. Aspen Diversified, with its portfolio of commercial property, has not been immune to this downturn. Following an internal review of asset carrying values in December 2008 and the subsequent downward revaluation of the portfolio, it became clear that the Fund could potentially breach its banking covenants if not recapitalised.

The Fund therefore undertook a rights issue to raise a minimum of \$15 million from unitholders while also disposing of two of its lower yielding assets.

Following a comprehensive information campaign across all major capital cities and extensive meetings with financial planners and their clients, the Fund was successful in raising the minimum \$15 million required to recapitalise the Fund.

The sale of Riseley Corporate Centre settled in July 2009 for \$8 million, representing a premium to its acquisition price of \$7.3 million. Champion Drive Shopping Centre was sold for \$10.1 million, significantly in excess of its acquisition price of \$7.6 million.

In total \$33 million was raised through these means and applied to reduce the Fund's debt position.

Outlook

Following the above capital management activities, the Fund will be able to comply with its banking obligations enabling it to hold its remaining properties through the current economic cycle. This will allow unitholders to benefit as the property market recovers over time.

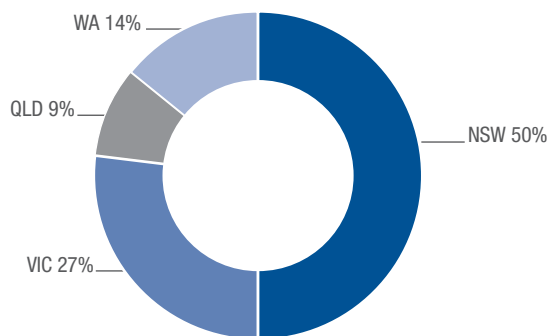
“In total \$33 million was raised through a rights issue and asset sales and applied to reduce the Fund's debt position.”



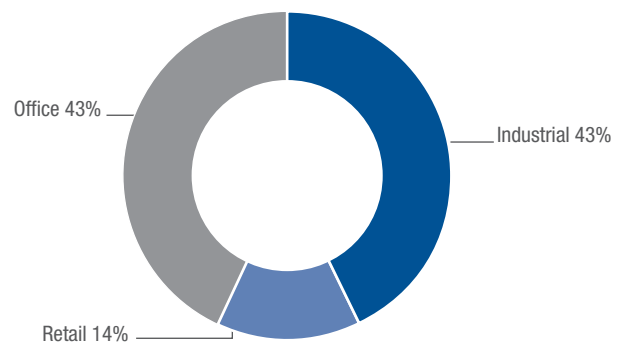
Portfolio Summary

Property	State	Primary Use	Date of most recent independent valuation	Book Value	Capitalisation Rate
Cardno BSD Centre, Perth	WA	Office	Jan 2009	\$8.1m	10.50%
99 Quill Way, Henderson	WA	Industrial	Feb 2009	\$10.1m	9.25%
80 Mount Street, North Sydney	NSW	Office	Jan 2009	\$29.5m	8.50%
Holeproof Complex, Nunawading	VIC	Industrial	Jan 2009	\$19.9m	9.50%
Homemaker City, Castle Hill	NSW	Retail	Jan 2009	\$14.7m	9.75%
677 Springvale Road, Mulgrave	VIC	Industrial	Feb 2009	\$16.5m	10.00%
2 & 3 Apollo Place, Lane Cove	NSW	Office	Jan 2009	\$15.9m	9.00%
60 Grindle Road, Wacol	QLD	Industrial	Feb 2009	\$11.9m	9.25%
5 Burra Place, Shellharbour	NSW	Office/Retail	Jan 2009	\$7.6m	9.50%
Total				\$134.2m	9.35%

Portfolio Geographic Diversification
(by value)



Portfolio Sector Diversification
(by value)



Funds Management (continued)

Aspen Living

Aspen Living is responsible for the development of large scale, predominantly residential land estates with five estates presently under management. The division has established strong in-house project management, sales and marketing, and administration teams committed to developing quality land estates in keeping with the surrounding environment. The estates currently under management by the division are owned by individual syndicates established by Aspen Group and are summarised below:



Dunsborough Lakes

Ideally situated at the northern end of the world renowned Margaret River wine region is Dunsborough, a favorite holiday location and increasingly popular as a permanent living address for many Western Australians. Dunsborough Lakes is an established premium estate situated around an 18-hole championship golf course, adjoins the town centre and is only minutes from the area's pristine beaches.



Seaside Fernbay

Nestled in pristine coastal bushland just north of thriving Newcastle, Seaside Fernbay provides a classic countercyclical opportunity for Aspen Living. An established and successful project to date, the 947 lot estate provides a foothold in the growth Newcastle residential market.



St Leonards Estate

Located at the gateway to the picturesque Swan Valley Wine Region in Perth, Western Australia, St Leonards Estate will house in excess of 1,000 families in a rural and viticulture setting and is well positioned to benefit from an increased population in one of Perth's key growth corridors. With key planning approvals in place we look forward to the first stage of this development commencing in the first half of FY2010.



Whitsunday Shores Estate

The town of Bowen in North Queensland, home to Whitsunday Shores Estate, is expected to benefit significantly from major infrastructure and resource projects in the region. Also an established Estate, the remaining 828 lots will have views to the Whitsunday Islands.



Byford on the Scarp

Located in the South East Growth Corridor of the Perth metropolitan area, Byford on the Scarp comprises in excess of 500 lots nestled on the Darling Scarp, and will benefit from the demand for affordable housing in the Perth residential market, and the Government Shared Equity Scheme.

“The Western Australian and Queensland residential markets look set to benefit from the commencement of key resource sector projects.”



Review

The Aspen Living division experienced a difficult year due to soft market conditions affecting the broader residential market. Low enquiry levels in the first half of the year resulted in fewer lot sales; however sales numbers improved 120% in the second half with residential housing and land values remaining constant and confidence returning to the market.

Softer residential markets have placed downward pressure on asset values across all estates over the year. This led to equity raisings within the individual syndicates to recapitalise their balance sheets. In addition, new banking facilities were negotiated and together with the new equity raised will provide working capital to increase stock levels to meet stronger demand.

A rigorous value management review was undertaken across all Aspen Living estates to remove unnecessary capital expenditure and ensure any costs incurred deliver a positive result to the respective estate.

In addition, the Aspen Living division underwent an overhead restructure to reduce costs and streamline the development management process.

The following planning and development milestones were achieved during the period:

- Delivery of 70 lots in stage 11A at **Dunsborough Lakes** and completed earthworks for another 90 lots.
- Approval of the Sub-Regional Plan at **St Leonards Estate** formally recognising a 335 lot Early Release Area.
- Commenced development on Stage 3 at **Seaside Fernbay** with completion expected late September 2009.
- Commencement of development of Stage 5 at **Whitsunday Shores Estate** comprising 38 serviced lots and 128 earth-worked lots. In addition the estate secured commitments for a seven home display village, the first in the region.

Outlook

The outlook for residential property is positive with economic recovery underway and consumer confidence returning. Key markets have delivered positive growth figures in the second half of FY2009 and the Western Australian and Queensland residential markets look set to benefit from the commencement of key resource projects providing employment growth and demand for housing. This demand for housing and moderate price growth is further supported by supply shortages as a result of low production rates in the first half of FY2009.

The division is also excited about the launch of Stage 1 at St Leonards Estate where sales of 65 residential lots have been achieved, incorporating a 21 lot display village. Commencement of works at the estate is expected in October 2009.

Funds Management (continued)

Aspen Developments

Aspen Developments is responsible for the development of a diversified portfolio of projects across the commercial, healthcare, retirement and residential sectors. This portfolio is principally contained within the Aspen Development Fund No.1 Limited (ADF No1) Syndicate.

Review

Weaker market conditions and the reduced availability of credit have particularly impacted development entities like ADF No1, however there are positive signs emerging that liquidity is returning for developers. These tighter credit conditions restricted development of some key ADF No1 projects thereby negatively impacting the generation of profits and timing of cashflows.

To address these circumstances ADF No1 undertook a capital raising to reduce its debt and gearing level. This will provide a more favourable debt facility with its lenders allowing for advancement of development projects. Notwithstanding the delays experienced, other projects progressed well during the year with the following key achievements:

- The successful completion of the \$125 million Norwest Private Hospital on time and within budget. This was a major achievement by the Aspen Development team including co-ordination with both client and contractors, the completion, fit-out and commissioning of a 170 bed hospital, medical suites and operating car park. The sale of the hospital component to Healthscope Limited for \$61 million settled in September 2009.

- The Syndicate's key residential project, Byford by the Scarp, has shown a significant improvement in performance in the second half of FY2009, aided by improved affordability and Government incentives to first home buyers.
- The Mariners Apartment development in Geraldton, WA, achieved practical completion in the second half of FY2009 and following an extensive fitout is already trading well, attracting both corporate and tourist visitors. The 108 apartments (with exceptional amenities) are ideally located on the beachfront in the burgeoning mid-west town of Geraldton.
- The Adelaide City Central precinct continues to set new standards in sustainability initiatives and was the recipient of three major grants in the South Australia Government's Building Innovation Fund. This reflects the continued work undertaken by the team in making the mixed-use development a national leader in the production and implementation of sustainable development.



Norwest Private Hospital, NSW



Outlook

Aspen Developments will focus on progressing a number of projects within ADF No1 to ensure the target performance hurdles are met and the portfolio is well poised for a market recovery. Key initiatives to be pursued during the course of FY2010 include:

- Commencement of the first stage of construction of the Currambine Retirement Village;
- Commencement of the refurbishment of Electra House, a heritage property, into a bar and restaurant facility within the Adelaide City Central precinct;
- Expected planning authority approval to commence subdivision of several of the Syndicate's rural residential holdings in Western Australia.

“Aspen Developments will focus on progressing a number of projects... and the portfolio is well poised for a market recovery.”

Board of Directors



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 is Chairman of Aspen Group and holds several other non-executive directorships of ASX listed public companies. He 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.



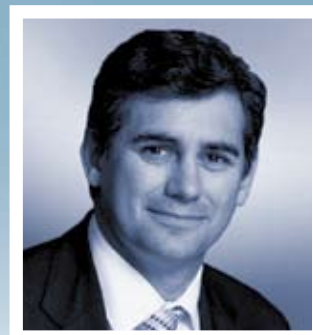
Angelo Del Borrello

Dip Fin Advising (FINSIA)
Managing Director

Mr Angelo Del Borrello is a founding director and currently Managing Director of Aspen Group with responsibility for the acquisition, development and funding of commercial properties and overseeing the business operations in general.

He has over 20 years experience in the financial services and investment industry and 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 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 roles as Finance Director and Company Secretary, 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.



Terry Budge

B Econ, SF Fin, FAICD, FAIM
**Independent Non-Executive
Director**

Mr Terry Budge is a former career banker with over 35 years experience in the Australian banking industry and business. Mr Budge was most recently Managing Director of BankWest from 1997 to 2004 and previously worked with the National Australia Bank for 25 years in a number of senior executive roles.

Mr Budge is currently Chairman of Leadership W.A., Chancellor of Murdoch University, a director of Westoz Investment Company Ltd and Days of Change, and is a member of AON Risk Services Australia Limited Board of Advice. Mr Budge's former roles included Chairman of LandCorp, National Director and Western Australian State President of AICD, the State President Committee for Economic Development of Australia (CEDA) and a member of the Federal Government's Financial Sector Advisory Council.



Matthew McCann

B Ec, B Law
**Independent Non-Executive
Director**

Matthew McCann is currently Joint Head of Property at Gresham Partners Limited and has over 20 years experience in the corporate sector where he has specialised in property and law. Prior to joining Gresham in 2009, Mr McCann worked for 12 years in the property investment banking sector.

Mr McCann started his career as a lawyer with Allens Arthur Robinson in both Sydney and New York culminating in his appointment as a partner in 1993.

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



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. 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. Prior to commencing his own legal practice Mr Chan spent several years with the Australian Taxation Office gaining valuable expertise in the area of taxation law.

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

ASPEN GROUP

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 through 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.

Investor Communications

As per Aspen's corporate governance charter, Aspen is committed to effective communication with investors in order to meet the continuous disclosure requirements of the ASX listing rules.

The principal form of communication is via the ASX website where Aspen will immediately lodge any information which may have an impact on the price of Aspen securities.

Aspen has recently launched a new website further improving communication with investors and ensuring 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. Aspen Group's website address is www.aspengroup.com.au

Aspen's quarterly investor newsletter *Aspire* is mailed to each investor. This informative newsletter provides details of the latest news, achievements and events impacting the Group. Current and previous copies of the newsletter are also available from Aspen's website.



Corporate Calendar

Payment of Distributions/Dividends

Record Date	Expected Payment Date
30 September 2009	18 November 2009
31 December 2009	18 February 2010
31 March 2010	20 May 2010
30 June 2010	19 August 2010

Other Key Dates

Annual General Meeting	19 November 2009
Release of FY2010 Half Year Results	February 2010
Release of FY2010 Full Year Results	August 2010

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 payment will be made within 60 days from the end of the quarter. An end of year taxation statement summarising the taxation consequences of the distributions paid for the year is provided.

Distributions paid for the 2008/09 financial year totalled 8.995 cents per security.

The Group's distribution history is shown in the table on page 123.

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

Aspen Group's DRP was suspended with effect from the June 2009 quarter distribution. Quarterly distributions are now paid either by cheque or directly to investors' nominated bank accounts. Although currently suspended (as at 19 October 2009), details of the plan are available on Aspen Group's website.

“Aspen has recently launched a new website further improving communication with investors...”

Directors' Report

for the year ended 30 June 2009

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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 2009 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
<p>Reg Gillard BA, FCPA, FAICD, JP Independent Chairman</p>	62	<p>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.</p> <p>Mr Gillard is Chairman of Aspen Group and holds several other non-executive directorships of ASX listed public companies. He 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.</p> <p>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.</p> <p>Appointed Independent Chairman on 24 December 2001 and appointed Chairman of the Nomination & Remuneration Committees on 9 June 2005.</p> <p>Appointed member of the Audit Committee on 24 December 2001.</p> <p><i>Directorships of listed entities within last 3 years:</i></p> <p>Mr Gillard is a Non-Executive Director (Chairman) of the following entities:</p> <ul style="list-style-type: none"> • Caspian Oil & Gas Limited (since July 1994); • Perseus Mining Limited (since October 2003); • Eneabba Gas Limited (since August 2005); • Tiger Resources Limited (since December 2005); • LIndian Resources Limited (since October 2006).
<p>Angelo Del Borrello DipFinAdvising (FINSIA) Managing Director</p>	43	<p>Mr Angelo Del Borrello is a founding director and currently Managing Director of Aspen Group with responsibility for the acquisition, development and funding of commercial properties and overseeing the business operations in general. He has over 20 years experience in the financial services and investment industry and 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.</p> <p>Mr Del Borrello holds a Diploma of Financial Advising with the Financial Services Institute of Australasia.</p> <p>Appointed Managing Director on 31 October 2001.</p> <p><i>Directorships of listed entities within last 3 years: Nil</i></p>

Name and qualifications	Age	Experience, special responsibilities and other directorships
Gavin Hawkins BBus, CA Executive Director	44	<p>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 roles as Finance Director and Company Secretary, Mr Hawkins also oversees the administrative and corporate operations for the Group.</p> <p>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.</p> <p>Mr Hawkins holds a Bachelor of Business and is an associate member of the Institute of Chartered Accountants.</p> <p>Appointed Director on 31 October 2001 and a member of the Nomination Committee on 9 June 2005.</p> <p><i>Directorships of listed entities within last 3 years:</i> Non-Executive Director of Cool & Cosy Limited (May 2003 – November 2006)</p>
Seng Fai Chan BComm, BJuris, LLB, AASA, CPA Independent Non-Executive Director	59	<p>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. 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. Prior to commencing his own legal practice Mr Chan spent several years with the Australian Taxation Office gaining valuable expertise in the area of taxation law.</p> <p>His experience and knowledge of both corporate law and property law is of significant benefit to Aspen Group.</p> <p>Appointed Director on 1 November 2002 and member of the Audit Committee on 9 June 2005.</p> <p><i>Directorships of listed entities within last 3 years:</i> Non-Executive Director of Kangaroo Metals Ltd (resigned 19 October 2008)</p>
Terry Budge BEcon, SF Fin, FAIM, FAICD Independent Non-Executive Director	57	<p>Mr Terry Budge is a former career banker with over 35 years experience in the Australian banking industry and business. Mr Budge was most recently Managing Director of BankWest from 1997 to 2004 and previously worked with the National Australia Bank for 25 years in a number of senior executive roles.</p> <p>Mr Budge is currently Chairman of Leadership W.A., Chancellor of Murdoch University, a director of Westoz Investment Company Ltd and Days of Change, and is a member of AON Risk Services Australia Limited Board of Advice. Mr Budge's former roles included Chairman of LandCorp, National Director and Western Australian State President of AICD, the State President Committee for Economic Development of Australia (CEDA) and a member of the Federal Government's Financial Sector Advisory Council.</p> <p>Appointed Director on 6 May 2005, Chairman of the Audit Committee and a member of the Remuneration Committee on 9 June 2005, and a member of the Nomination Committee on 11 November 2006.</p> <p><i>Directorships of listed entities within last 3 years:</i> Non-Executive Director of Westoz Investment Company Limited (since 31 August 2009)</p>

Directors' Report (continued)

Name and qualifications	Age	Experience, special responsibilities and other directorships
Matthew McCann BEcon, BLaw Independent Non-Executive Director	48	Matthew McCann is currently Joint Head of Property at Gresham Partners Limited and has over 20 years experience in the corporate sector where he has specialised in property and law. Prior to joining Gresham in 2009, Mr McCann worked for 12 years in the property investment banking sector. Mr McCann started his career as a lawyer with Allens Arthur Robinson in both Sydney and New York culminating in his appointment as a partner in 1993. Mr McCann holds a Bachelor of Economics and Bachelor of Laws from Macquarie University. Appointed Director on 6 August 2007 and a member of the Remuneration Committee on 30 October 2007. <i>Directorships of listed entities within last 3 years: Nil</i>

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	17	17	1	1	2	2	2	2
T Budge	17	17	1	1	2	2	2	2
S F Chan	17	17	–	–	–	–	2	2
M McCann	17	17	–	–	2	2	–	–
Executive								
A Del Borrello	17	17	–	–	–	–	–	–
G Hawkins	17	17	1	1	–	–	–	–

4. Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, Aspen Group supports and has complied with the recommendations set by the ASX Corporate Governance Council.

The Group's Corporate Governance Statement is detailed on page 112 of this report.

5. Principal activities

The principal activities of Aspen Group during the period were 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 activities of the Group during the year.

6. Operating and financial review

The consolidated entity recorded a loss calculated in accordance with International Financial Reporting Standards (“IFRS”) of \$64.66 million for the year ended 30 June 2009. This loss 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 net profit after tax before significant items as assessed by the directors was \$33.22 million (\$43.82 million for the year ended 30 June 2008), reflecting a 24.2% decrease from the previous corresponding period. Key financial results for Aspen Group during the period were as follows:

	2009 \$ '000	2008 \$ '000
Net Profit/(Loss) after tax	(64,658)	70,847
Add/(Subtract) significant items (net of tax):		
Revaluation (Gains)/Losses on investment properties	25,266	(29,685)
(Gains)/Losses on revaluation of interest rate swaps	8,325	(1,346)
(Gains)/Losses on available for sale investments	1,637	–
(Gains)/Losses on write-down of inventories to net realisable value	19,491	783
Impairment adjustments of investments in equity associates	35,752	(263)
(Profit)/Loss on sale of non-current assets	1,564	–
Equity settled transactions	5,454	3,483
Attributable to minority interests (not otherwise adjusted above)	390	–
Net Profit after tax before significant items	33,221	43,819
Basic earnings per security (cents)*	(22.53)	29.20
Diluted earnings per security (cents)*	(22.53)	29.14
Basic earnings per security before significant items (cents) *	11.91	18.06
Diluted earnings per security before significant items (cents) *	11.91	18.02
Total Assets	620,794	652,744
Total Equity	400,909	379,913
Net Tangible Assets per security	\$0.68	\$1.41
Net Tangible Assets per security – excluding non-dilutive LTI instruments	\$0.71	\$1.53

* Refer to Note 9 of the accompanying Financial Report for further information regarding earnings per security calculation

Directors' Report (continued)

6. Operating and financial review (continued)

Income distributions were as follows:

Quarter Ended	Record Date	Amount Per Stapled Security
September	30 September 2008	3.875 cents
December	31 December 2008	2.040 cents
March	31 March 2009	2.040 cents
June	1 July 2009	1.040 cents
Total		8.995 cents

Review of financial conditions

1. Liquidity and funding

Subsequent to the Group's \$82.8 million equity raising in June 2009, the Group's gearing level (total interest-bearing liabilities less cash divided by total assets less cash) has reduced to 30% at year end. The Group is reliant on funding through banking facilities to support ongoing investment decisions, both in relation to property acquisitions and supporting funds management activities.

Refer to Note 29 for further information as to the Group's approach to liquidity and capital management.

2. Cash flows from operations

Net cash flow from operating activities was \$15 million for the period. The interest rate cover is within the required levels allowed by the Group's loan facility arrangement.

Review of principal businesses

1. Property and Investment Portfolio

Aspen's core business of property ownership and funds management remained unchanged during the year.

The period was highlighted by solid performances across the portfolio resulting in a 32% increase in rental income over the previous corresponding period. The Groups major commercial office properties, Septimus Roe and Currie Street continued to benefit from strong demand and low vacancy rates. Rental growth was also supported by a first full year of rental contribution from St Kilda Road's 10 year lease to L'Oreal as well as the contribution from the Karratha Accommodation Village which contributed the equivalent of 9 months of rental revenue to the portfolio result. The St Kilda Road asset and the Karratha Accommodation Village contributed a total of 25% of the 32% rental revenue growth over the period.

During this period Aspen Group has focused on ensuring that the carrying values of its investment properties remain appropriate given the backdrop of the current market environment. As a result, updated independent valuations were obtained as at 31 December 2008 for 100% of the investment property portfolio, resulting in a net \$12.4 million downward revaluation of the portfolio at the half year. Independent revaluations as at 30 June 2009 were again obtained on 43% of the portfolio and the remaining properties were considered by directors at the reporting date resulting in a further net \$16.5 million downward revaluation to the portfolio value at year end.

These downward revaluations were partly offset by an \$8.4 million uplift in the value of the Karratha Accommodation Village asset following its formal completion in December 2008.

In January 2009 the Gardentown Shopping Centre was sold, removing the Group's on balance sheet retail exposure and proceeds from the sale were utilised to reduce debt.

In addition to its direct property portfolio, the Group's strategy is to hold a cornerstone investment in each of its funds management entities. Aspen believes this strategy continues to be a positive factor in the success of its funds management activities while also providing further diversity to the Group's overall property sector exposure. As a result of the adoption of independent valuations on property assets in underlying Funds, a post tax impairment of \$35.8 million was recognised against the carrying value of the Group's equity investments in managed funds, \$24.8 million of which was recognised in the first half of the financial year.

2. Funds Management

The Group's management fee income was down from the previous period, reflecting the difficult market conditions in the property sector. Recurring management fees decreased 29% to \$16.3 million whilst non-recurring transactional and performance fees decreased 76% to \$3.0 million for the 12 month period.

The following key activities within the division occurred during the year:

(i) Aspen Parks Property Fund (APPF)

APPF was a significant contributor during the financial year and continued to provide a sound level of underlying income from its maturing and well diversified asset base. No acquisitions were made during the year however APPF paid \$20 million relating to a deferred settlement of a portfolio of parks acquired in the previous financial year. Funding of this settlement was made by way of a loan provided by Aspen Group.

APPF's ongoing focus has been on enhancing existing revenue streams through active asset management and pursuing high value development activities on existing assets.

(ii) Aspen Diversified Property Fund (ADPF)

The independent valuation of ADPF's entire investment property portfolio in January 2009 resulted in a write down to the value of investment properties. This, together with a decrease in equity inflows resulted in ADPF undertaking a rights issue to reduce gearing and ensure compliance with banking covenants. Subsequent to 30 June 2009, ADPF has successfully raised the required minimum equity of \$15.0 million which, together with asset sales of \$18.0 million, now allows it to meet its finance facility obligations.

ADPF disposed of two properties (Champion Drive and Riseley St Centre) during the period for \$18.0 million which approximated their carrying value. The proceeds from both the rights issue and the sale of properties have been used to reduce gearing levels in the Fund.

(iii) Aspen Living

Aspen Living is responsible for the development of predominantly residential land estates with five estates presently under management. No new acquisitions were made during the year. The key objective for the division during the period was to reduce the gearing levels across the division and to this end equity raisings are well progressed across three of the syndicates. Another focus was to advance the planning status on two early stage residential developments, which has seen the commencement of works at the Whitsunday Shores development as well as subdivision approval and commencement of works for St Leonards Estate expected to be achieved in the first half of FY10.

Aspen Living experienced difficult trading conditions during the year, particularly in the first half, with weak residential markets inhibiting lot sales and consequently development management fee income. With improved market conditions in the second half of the year, lot sales were 120% up on the first six months of the year, with further signs appearing that residential markets will recover further in FY10.

Directors' Report (continued)

6. Operating and financial review *(continued)*

(iv) Aspen Developments

Aspen Developments is manager of Aspen Development Fund No.1 (ADF No.1) which has a portfolio of projects across the commercial, healthcare, retirement and residential sectors across Australia.

Aspen Developments key focus during the year was completion of the \$125 million Norwest Private Hospital which achieved practical completion in July 2009. Approvals were also secured during the period for the 29,000 sqm Tower 8 office building in Adelaide CBD and the Currambine retirement village in Perth. Tower 8 is currently in the pre-leasing stage. Finance funding for the Currambine development has been obtained and commencement in the first half of FY10 is expected.

More difficult trading and financing conditions have seen a more conservative approach to capital expenditure which has resulted in the deferral of some projects into future periods impacting on fee income for the Group in 2009.

(v) Aspen Villages Property Fund/Aspen Communities Property Fund

Expected contributions to the Group's result from the Aspen Villages and Aspen Communities Funds did not materialise due to the reduced appetite for illiquid property funds and tighter credit markets. Aspen is now pursuing a number of strategies to advance projects under these divisions including:

- Joint venture alliances to adapt to current market conditions
- Continue to divest non-income producing assets and focus on commencing development of more advanced projects

(vi) Distribution

A key aspect of Aspen's funds management business is the ability to attract capital into its various investment vehicles. To this end further growth and emphasis has been placed on the business development team to ensure there is national coverage of both the financial planning sector and direct investor markets. The business development team continues to develop its retail distribution networks, with significant success in gaining platform representation.

In addition management's core focus remains on debt reduction at both a headstock level as well as within managed funds, and to this end the Group is progressing on a number of capital management initiatives within managed funds.

3. Group Expenses

The Group has made significant progress in reducing its overhead cost structure. Initiatives executed include reducing full time employee head count by over 25%, a reduction in both executive and non-executive director remuneration by 10% and a reduction in other key overheads. The full effect of these savings will be recognised in the 2010 financial year.

Borrowing costs increased by 8% over the previous corresponding period as a result of an increased level of debt.

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

On 25 August 2009, the Group announced that the minimum equity raising and asset sale requirements of \$33 million for the Aspen Diversified Property Fund was successfully achieved to ensure it will meet all finance facility obligations of the Fund. As part of the equity raising an investor was secured to underwrite any shortfall in the \$15 million minimum entitlement offer. As a requirement of the underwriting agreement, the Group has committed to acquire any of the underwritten units not divested by the underwriter at the end of a two year period, or earlier at the Group's discretion, together with a commercial return. At the date of this report the maximum under this commitment totalled \$4.94 million.

The Group has increased its senior debt facility limit to \$213.0 million subsequent to year end. The facility LVR covenant has been increased from 65% to 69% to accommodate this increase, thus ensuring no reduction in the facility headroom. The \$15.0 million increase can be applied to any funding requirements of the Group's associated entities that have facilities with the Group's primary lender.

8. Likely developments

Aspen Group will continue to pursue strategies aimed at increasing the profitability of its business activities while at the same time maintaining appropriate levels of capital adequacy, and governance to safeguard the interests of security holders. 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 Group.

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 all directors and the five most highly remunerated executives for the Company and Consolidated Entity.

Compensation levels for key management personnel of the Company and 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 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 segments' 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.

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 (refer below) 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.

Remuneration Structure

Remuneration packages generally include the following components:

- Fixed Remuneration, including base remuneration, superannuation and other fixed employment benefits
- Variable Remuneration, consisting of the following components:
 - Short Term Incentive (STI)
 - Long Term Incentive (LTI)

Further detail on each of these components is provided on the next page.

Directors' Report (continued)

9. Remuneration Report (continued)

Fixed Remuneration

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.

Variable Remuneration – Short Term Incentive (STI)

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 may be paid to the executive directors within the Group based on predetermined milestones being achieved. The benchmarks set by the Board are increases in the basic earnings per security on underlying earnings and the performance of 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.

No STIs were awarded to executive directors for the year ended 30 June 2009 and the previous outperformance incentive scheme for executive directors has also been cancelled.

In recognition of the current difficult market conditions, the executive directors have agreed that no STIs will be awarded for the 2010 Financial Year.

Variable Remuneration – Long Term Incentive (LTI)

At the 2004 Annual General Meeting the shareholders approved the establishment of an Employee Stapled Security Incentive Plan (ESSIP). The ESSIP 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, and participation is offered to specified executives and employees at the discretion of the Executive Directors of the 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 2009, the number of stapled securities issued under the plan to all employees was 8.10 million, compared to the maximum number of stapled securities permitted under the Plan of 29.00 million.

The key features of the plan are as follows:

- 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;
- 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.

At the November 2008 Annual General Meeting (AGM) security holders approved a Tranche B issue of 1,500,000 securities (relating to the 2008/9 financial year) to each executive director under the Executive Director Long Term Incentive Plan (“EDLTIP”).

Details of conditions of the issue of securities issued under the EDLTIP, including vesting periods, qualifying hurdles and loans facilities, are described further per clauses (a) to (h) below.

(a) The maximum number of stapled securities that may be acquired by each of those persons is as follows:

Tranche A, approved at the 2007 AGM, represents a one-off issue of 4,000,000 stapled securities per Executive Director with a three year vesting period (vesting date 30 June 2010) and an issue price of the 5 day Volume Weighted Average Price prior to the day of issue.

Tranche B, representing an annual issue of 1,500,000 stapled securities per Executive Director, with an issue price of the 5 day Volume Weighted Average Price prior to the day of issue and a 3 year vesting period (refer to page 39 for vesting dates).

(b) The vesting of the stapled securities will be subject to the achievement of performance hurdles over the same three year vesting period as outlined as per item (c). The performance hurdles selected are Total Shareholder Return (TSR) relative performance against the S&P/ASX 200 Property Accumulation Index and Underlying Earnings per Security (EPS) growth. Each hurdle is weighted 50% toward the issue of securities under each Tranche, and are determined independently of each other.

(c) The Vesting period and Vesting hurdle conditions are as follows:

Performance Level	Total Security Holder Return	Percentage of EDLTIP Vesting
Under threshold	Less than 50th percentile	Nil Vesting
Threshold	50th percentile	50%
Stretch	75th percentile	100%
Between Threshold and Stretch	50th to 75th percentile	Pro-rata between 50% and 100%

Performance Level	Average Annual Compound Underlying EPS Growth	Percentage of EDLTIP Vesting
Under threshold	Less than 5%	Nil Vesting
Threshold	5%	50%
Stretch	10%	100%
Between Threshold and Stretch	5% to 10%	Pro-rata between 50% and 100%

Directors' Report (continued)

9. Remuneration Report (continued)

- (d) The acquisition of stapled securities under the EDLTIP is financed from the proceeds of a loan extended by Aspen Group to participants under the following terms:
- (i) All stapled securities financed by Aspen Group shall be subject to a holding lock until the loan is repaid in full.
 - (ii) All dividends paid, capital returns or other proceeds whatsoever received in respect of the stapled securities financed by Aspen Group shall be applied in payment of interest and then to the loan principal. Where a participant is subject to a tax liability as a result of receiving any distribution or issue under the Plan, and where the interest component has been satisfied in full, Aspen Group may elect to return to the participant an amount equal to the tax liability.
 - (iii) The loan is subject to waiver where the following hurdles have been achieved as at the respective vesting dates:
 - a waiver of 25% of the original loan amount under each performance hurdle (total 50% waiver) where each of the stretch hurdles as detailed in the above table are achieved over the three year vesting period;
 - a further 25% waiver of the original loan amount where TSR is on or above the 90th percentile over the three year vesting period; and
 - a further 25% waiver of the original loan amount where EPS growth is 15% per annum or above over the three year vesting period.
 - (iv) On any sale of stapled securities purchased with the loan, the participant must apply the net proceeds of the sale in reduction of the loan as long as any part of the loan remains outstanding.
 - (v) If the proceeds of sale of the stapled securities exceed the amount of the loan then outstanding, Aspen Group shall account to the participant for the surplus.
 - (vi) Interest on the loan will be calculated daily and payable by the participant to Aspen Group at an interest rate no less than Aspen Group's cost of funds. Interest will only be payable out of dividends paid, capital returns or other proceeds in respect of the stapled securities at the end of each interest period and on the termination date. Where these funds are not sufficient to cover the interest outstanding, the interest will compound.
 - (vii) The participant must repay any outstanding loan balance in full to Aspen Group within 7 years from the date of the grant of the loan. If the participant does not repay the balance in full, the recourse of Aspen Group against the participant is limited in the manner set out below.
 - (viii) If after 28 days from the termination of the participant's appointment with Aspen Group, any part of the loan remains outstanding, then Aspen Group shall cause the stapled securities to be sold on such terms as Aspen Group sees fit and shall apply the proceeds of sale in satisfaction of the loan.
 - (ix) The recourse of Aspen Group against the participant to recover the loan is limited to the exercise of Aspen Group's powers in respect of the stapled securities such that the participant is only liable in his personal capacity for the payment of the loan for an amount up to the sum recovered by Aspen Group by virtue of the exercise of its powers with respect to the stapled securities.
- (e) Details of any stapled securities issued under the EDLTIP will be published in each annual report of Aspen Group relating to the period in which securities have been issued and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.
- (f) Aspen Group will issue the stapled securities for both Tranche A and Tranche B within 15 days of receiving security holder approval.
- (g) Earnings Per Security Before Significant Items represents the underlying net profit after tax per security of Aspen Group, adjusted for significant non-cash items, as disclosed per the EDLTIP.
- (h) Where the participant ceases to be employed by the Group because of a qualifying event prior to the satisfaction of the performance hurdles the stapled securities will vest on a pro-rata basis if the event occurs within two years from the date of issue of the securities, and will fully vest where the event is more than two years from the date of issue. A qualifying event is considered to be death, total and permanent disability, redundancy or a change in control of the Group.

At the date of this report, nil securities (under either the ESSIP or EDLTIP plans) have been released from their trading lock to Key Management Personnel as vesting conditions have either not been met or the securities are out of the money.

Service contracts

It is the Group's policy that service contracts for key management personnel, excluding executive directors, have no fixed terms but are capable of termination on generally one month's notice and that the Group retains the right to terminate the contract immediately, by making payment equal to one month's 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. New service contracts are in the process of being finalised and will be formalised prior to 11 September 2009.

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

Effective 1 January 2009, the Remuneration Committee recommended the following in relation to the Fixed Remuneration and STI of each executive director:

- A reduction in the Fixed Remuneration component for each executive director by 10% to \$855,000 per annum
- No increase to this reduced Fixed Remuneration component prior to 1 January 2011
- No STI payment for the 2010 financial year

The Remuneration Committee believed that this was a prudent and appropriate course of action given the current economic climate and the decision was fully supported by the executive directors.

Non-executive directors

The total remuneration for non-executive directors for the 2009 financial period was \$499,369. From 1 January 2009, the non-executive directors agreed to a reduction in their fees of 10%. 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. Remuneration Report (continued)
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			Post-employment			Share-based payments LT ^{(1)(e)}	Total \$	S300A (1)(e) (i) proportion of remuneration related %	S300A (1)(e) (vi) Value of LTI as proportion of remuneration %
		Salary & fees \$	STI cash bonus \$	Non-monetary benefits \$	Total \$	Superannuation benefits \$	Other long term \$				
Key Management Personnel											
Non-Executive Directors											
Reg Gillard (Chairperson)	2009	180,500	-	-	180,500	16,245	-	-	196,745	-	-
	2008	150,000	-	-	150,000	13,500	-	-	163,500	-	-
Terry Budge	2009	99,750	-	-	99,750	8,978	-	-	108,728	-	-
	2008	100,000	-	-	100,000	-	-	-	100,000	-	-
Seng Fai Chan	2009	90,250	-	-	90,250	8,123	-	-	98,373	-	-
	2008	85,000	-	-	85,000	-	-	-	85,000	-	-
Matthew McCann (appointed 6 August 2007)	2009	90,250	-	-	90,250	5,273	-	-	95,523	-	-
	2008	75,376	-	-	75,376	-	-	-	75,376	-	-
Executive Directors											
Angelo Del Borrello, Managing Director	2009	902,500	-	-	902,500	81,225	-	1,014,087	1,997,812	50.8	50.8
	2008	900,000	855,000	-	1,755,000	81,000	-	842,538	2,678,538	63.4	31.5
Gavin Hawkins, Company Secretary	2009	902,500	-	-	902,500	81,225	-	1,014,087	1,997,812	50.8	50.8
	2008	900,000	855,000	-	1,755,000	81,000	-	842,538	2,678,538	63.4	31.5
Consolidated Entity Executives											
Jonathan Timms, CEO Property ⁽³⁾ (appointed 26 May 2008)	2009	300,000	150,000	-	450,000	40,500	-	17,857	508,357	33.0	3.5
	2008	23,026	-	-	23,026	2,077	-	2,802	27,905	10.0	10.0
Brendan Acott, Head of Development Services	2009	317,000	-	-	317,000	27,630	-	23,873	368,503	6.5	6.5
	2008	289,711	40,000	-	329,711	26,074	-	74,609	430,394	26.6	17.3
William Marshall, CEO Aspen Communities & Villages (appointed 10 September 2007)	2009	251,500	-	-	251,500	13,745	-	153	265,398	0.1	0.1
	2008	197,115	35,000	-	232,115	10,609	-	5,447	248,171	16.3	2.2
Reon Botha, National Distribution Manager	2009	220,000	-	-	220,000	19,800	-	4,875	244,675	2.0	2.0
	2008	205,040	30,000	-	235,040	18,454	-	15,972	269,466	17.0	5.9
Chris Lewis, CEO Aspen Living (appointed 20 April 2009)	2009	45,481	-	-	45,481	529	-	153	46,163	0.3	0.3
	2008	-	-	-	-	-	-	-	-	-	-
Total Key Management Personnel (Consolidated and Company)	2009	3,399,731	150,000	-	3,549,731	303,273	-	2,075,085	5,928,089	-	-
	2008	2,925,268	1,815,000	-	4,740,268	232,714	-	1,783,906	6,756,888	-	-

Notes in relation to the table of key management personnel remuneration

- 1) The fair value of the stapled securities issued under the various LTI plans are treated for accounting purposes as options and are calculated at the date of grant using a Monte Carlo option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value of these Long Term Incentive Instruments (LTII) disclosed is the portion of the fair value of the instruments allocated to the profit and loss this reporting period. In valuing the instruments, market conditions have been taken into account.
- 2) Of the total \$2.075 million expensed this financial year, \$1.7 million relates to the expensing of LTII granted in the previous financial period (i.e. November 2007) to executive directors at an exercise price of \$2.69 per security. The value of the LTII will be expensed over the 3 year vesting period.
- 3) Bonus paid pursuant to a one-off contractual arrangement.

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

Grant Date	Type of option	Vesting Date	Fair value per option	Exercise price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
1 December 2004	ESSIP	1 December 2006	\$0.592	\$1.005	\$1.005	36.7%	5.13%	8.26%
1 December 2005	ESSIP	1 December 2007	\$0.619	\$1.090	\$1.090	36.7%	5.13%	8.96%
19 December 2006	ESSIP	19 December 2008	\$0.421	\$1.767	\$1.767	36.7%	6.25%	9.51%
6 December 2007	ESSIP	6 December 2009	\$0.345	\$2.690	\$2.690	24.6%	6.75%	5.76%
11 June 2009	ESSIP	11 June 2011	\$0.054	\$0.321	\$0.321	20.0%-78.0%	3.00%	14.77%
27 November 2007	EDLTIP	30 June 2010	\$0.410	\$2.693	\$2.693	24.6%	6.50%	5.65%
25 November 2008	EDLTIP	30 June 2011	\$0.053	\$0.466	\$0.466	20.0%-78.0%	5.25%	10.17%

9.3 Modification of terms of equity-settled share based payment transactions – audited

During the financial year 1,403,446 LTII previously issued on 6 December 2007 were terminated and reissued as part of the 11 June 2009 issue. The unexpensed fair value of this tranche at the time was \$104,645 and this would be expensed over the remaining vesting period to 6 December 2009. The termination was treated as a modification under AASB 2 Share Based Payments. The total expense impact of the modification, i.e. the unexpensed portion of the terminated tranche plus the fair value of the replacement tranche is \$250,845, which will be amortised over the remaining vesting period (to June 2011). The respective exercise and market prices as well as vesting periods are noted in the table above. The 11 June 2009 LTII have the same terms and conditions as the cancelled tranche except that the vesting date is now 11 June 2011 and the exercise price is now \$0.321 per security.

9.4 Analysis of bonuses included in remuneration – audited

No short-term incentive cash bonuses, other than that paid pursuant to a one-off contractual arrangement, were awarded to executives for the 30 June 2009 financial year.

Directors' Report (continued)

9. Remuneration Report (continued)

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

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

	Number of LTII granted during 2009	Grant Date	Number of LTII vested during 2009	Fair value per LTII at grant date	Exercise price per LTII (\$)	Expiry Date
Directors (i)						
A Del Borrello	1,500,000	25 November 2008	–	\$0.053	\$0.466	30 June 2011
G Hawkins	1,500,000	25 November 2008	–	\$0.053	\$0.466	30 June 2011
Consolidated Entity Executives (ii)						
C Lewis	108,899	11 June 2009	–	\$0.054	\$0.321	11 June 2011
J Timms	466,708	11 June 2009	–	\$0.054	\$0.321	11 June 2011
B Acott	264,468	11 June 2009	–	\$0.054	\$0.321	11 June 2011
W Marshall	108,899	11 June 2009	–	\$0.054	\$0.321	11 June 2011
R Botha	124,456	11 June 2009	–	\$0.054	\$0.321	11 June 2011

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

- (i) LTII to Executive Directors were issued under the Executive Director Long Term Incentive Plan. Details of the plan are included on page 35.
- (ii) All LTII expire on the earlier of their expiry date or termination of the individual's employment. The LTII 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 35. For LTII granted in the current year, the earliest exercise date is 11 June 2011.

Further details, including grant dates and exercise dates regarding LTII granted to executives under the ESSIP are in note 33 to the financial statements.

9.6 Analysis of Long Term Incentive Instruments granted as compensation – audited

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

	LTII granted		% vested in year	% Forfeited in year ^(A)	Financial year in which grant vests
	Number	Date			
Directors					
A Del Borrello	300,000	1 December 2004	100%	0%	FY 2007
	500,000	1 December 2005	100%	0%	FY 2008
	1,250,000	19 December 2006	100%	0%	FY 2009
	5,500,000	27 November 2007	0%	0%	FY 2010
	1,500,000	25 November 2008	0%	0%	FY 2011
G Hawkins	300,000	1 December 2004	100%	0%	FY 2007
	500,000	1 December 2005	100%	0%	FY 2008
	1,250,000	19 December 2006	100%	0%	FY 2009
	5,500,000	27 November 2007	0%	0%	FY 2010
	1,500,000	25 November 2008	0%	0%	FY 2011
Consolidated Entity Executives					
C Lewis	108,899	11 June 2009	0%	0%	FY 2011
J Timms	99,863	24 May 2008	0%	0%	FY 2010
	466,708	11 June 2009	0%	0%	FY 2011
B Acott	100,000	1 December 2005	100%	0%	FY 2008
	250,000	19 December 2006	0%	100% ^(B)	n/a
	92,926	6 December 2007	0%	100%	n/a
	264,468	11 June 2009	0%	0%	FY 2011
W Marshall	55,756	6 December 2007	0%	100%	n/a
	108,899	11 June 2009	0%	0%	FY 2011
R Botha	50,000	19 December 2006	0%	100% ^(B)	n/a
	55,756	6 December 2007	0%	100%	n/a
	124,456	11 June 2009	0%	0%	FY 2011

A. The % forfeited in the year represents the reduction from the maximum number of LTII available to vest due to the cancellation of securities under the Plan.

B. Relates to LTII forfeited during the period.

Directors' Report (continued)

9. Remuneration Report (continued)

9.7 Analysis of movements in Long Term Incentive Instruments – audited

The movement during the reporting period of LTII held by each director and each of the named executives is detailed below.

	Value of LTII			
	Granted in year \$ ^(A)	Exercised in year \$ ^(B)	Forfeited in year \$ ^(C)	Total movement in year \$
Directors				
A Del Borrello	79,500	–	–	79,500
G Hawkins	79,500	–	–	79,500
Consolidated Entity Executives				
C Lewis	5,881	–	–	5,881
J Timms	25,202	–	–	25,202
B Acott	14,281	–	–	14,281
W Marshall	5,881	–	–	5,881
R Botha	6,721	–	–	6,721

- A. The value of LTII granted in the year is the fair value of the LTII calculated at grant date using a binominal option-pricing model. The total value of the LTII granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- B. The value of LTII 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 LTII were exercised after deducting the price paid to exercise the LTII.
- C. The value of the LTII that lapsed during the year represents the benefit forgone and is calculated at the date the LTII lapsed using a binominal 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 LTII 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	LTII ⁽¹⁾
R Gillard	2,656,823	–
A Del Borrello	17,550,815	9,050,000
G Hawkins	14,622,466	9,050,000
T Budge	442,448	–
S F Chan	3,055,058	–
M McCann	169,764	–

- (1) Relates to LTII issued under the Employee Stapled Security Incentive Plan and Executive Director Long Term 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 2009 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 2010. 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

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with a resolution of the audit committee, it satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Company's auditor, KPMG, provided 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.

	Consolidated	
	2009 \$	2008 \$
Audit services:		
KPMG		
Audit and review of financial reports	264,066	239,257
Other regulatory audit services	4,300	18,110
	268,366	257,367
	Consolidated	
	2009 \$	2008 \$
Services other than statutory audit:		
KPMG		
Tax advisory services	75,146	53,250
Other advisory services	4,000	72,030
	79,146	125,280

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 45 and forms part of the Directors' Report.

Directors' Report (continued)

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



Angelo Del Borrello
Executive Director

Perth, 31 August 2009



Gavin Hawkins
Executive Director

Perth, 31 August 2009

Auditor's Independence Declaration



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

To: the directors of Aspen Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2009 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'D P McComish'.

D P McComish
Partner

Perth

Dated: 31 August 2009

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Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of Aspen Group Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and statements of cash flow for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Aspen Group Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 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 of the Company also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 9.1 to 9.7 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Aspen Group Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

D P McComish
Partner

Perth

31 August 2009

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ASPEN
GROUP

Financial Report

for the year ended 30 June 2009

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Income statements

for the year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Revenue and other income					
Rental income from investment properties	3	42,973	32,581	–	–
Funds management revenue	3	19,268	35,765	–	–
Financial income	7	7,630	8,754	46,684	66,184
Other income		346	220	261	249
Total revenue and other income		70,217	77,320	46,945	66,433
Net movement in fair value of investment properties	15	(28,911)	33,672	–	–
(Loss)/profit on disposal of investment property		(1,564)	1,275	–	–
Write-down of inventory to recoverable amount		(24,395)	–	(564)	–
Impairment of available for sale investments		(2,339)	–	(2,339)	–
Property expenses		(12,424)	(9,579)	(758)	(660)
Funds management commission expense		(376)	(1,253)	–	(55)
Administrative expenses	5	(22,922)	(21,549)	(20,440)	(20,577)
Other expenses	4	(450)	(1,028)	(291)	(180)
Financial expenses	7	(21,876)	(11,189)	(107,988)	(39,352)
Share of profit/(loss) of equity accounted investees	16	(45,973)	5,332	–	–
Profit/(loss) before tax		(91,013)	73,001	(85,435)	5,609
Income tax (expense)/benefit	8	26,355	(2,154)	24,802	12,668
Profit/(loss) for the year		(64,658)	70,847	(60,633)	18,277
Attributable to:					
Security holders of Aspen Group		(62,858)	70,847	(60,633)	18,277
Minority Interests		(1,800)	–	–	–
Profit/(loss) for the year		(64,658)	70,847	(60,633)	18,277
Earnings per security for profit attributable to the Security holders of Aspen Group					
Basic earnings per stapled security	9	(22.53)	29.20	–	–
Diluted earnings per stapled security	9	(22.53)	29.14	–	–

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

Balance sheets

as at 30 June 2009

	Note	Consolidated		Company	
		2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Assets					
Cash and cash equivalents	10	4,662	18,376	1,598	2,571
Trade and other receivables	11	15,814	13,490	1,857	4,593
Other financial assets	12	20,336	46,201	20,336	40,777
Income tax receivable	22	25	66	92	59
Prepayments and other current assets	13	11,903	6,535	623	211
Total current assets		52,740	84,668	24,506	48,211
Trade and other receivables	11	7,191	3,357	7,191	–
Other financial assets	12	67,719	34,835	140,407	81,286
Property, plant and equipment	14	2,379	1,466	1,214	933
Investment property	15	368,563	393,770	–	–
Investments in equity accounted investees	16	59,794	81,931	–	–
Inventories	17	34,969	35,022	–	–
Intangible assets	18	6,496	6,404	330	285
Deferred tax assets	25	11,000	–	24,407	3,535
Other investments	19	2,479	9,976	93,385	108,956
Other	20	7,464	1,315	–	–
Total non-current assets		568,054	568,076	266,934	194,995
Total Assets		620,794	652,744	291,440	243,206
Liabilities					
Trade and other payables	21	15,873	16,746	1,512	2,864
Interest-bearing loans and borrowings	23	10,037	15,990	–	–
Provisions	24	5,795	10,254	–	2,325
Employee benefits	26	931	889	903	803
Other financial liabilities	27	3,749	–	–	–
Total current liabilities		36,385	43,879	2,415	5,992
Interest-bearing loans and borrowings	23	181,500	213,612	315,056	211,985
Deferred tax liabilities	25	–	15,340	–	–
Other financial liabilities	27	2,000	–	13,110	7,313
Total non-current liabilities		183,500	228,952	328,166	219,298
Total Liabilities		219,885	272,831	330,581	225,290
Net Assets		400,909	379,913	(39,141)	17,916
Security holders' funds					
Issued capital	28	408,397	301,890	44,874	44,874
Reserves	28	(659)	(555)	(122)	–
Retained earnings		(6,829)	78,578	(83,893)	(26,958)
Total security holders' funds		400,909	379,913	(39,141)	17,916

(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 2009

Consolidated for the year ended 30 June 2009	Note	Issued Capital	Hedge Reserves	Available for Sale Reserve	Net Profits/ (Accumulated Losses)	Minority Interests	Total Security Holders' Funds
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2008		301,890	(273)	(282)	78,578	–	379,913
Cash flow hedge loss transferred to income statement	28	–	153	–	–	–	153
Consolidation of subsidiary		–	–	–	–	1,800	1,800
Net change in fair value of available for sale financial assets		–	–	(257)	–	–	(257)
Total income and expense recognised directly in equity		301,890	(120)	(539)	78,578	1,800	381,609
Net profit for the period		–	–	–	(62,858)	(1,800)	(64,658)
Total recognised income and expense		301,890	(120)	(539)	15,720	–	316,951
Equity issued for the period	28	110,878	–	–	–	–	110,878
Less: issue costs		(4,371)	–	–	–	–	(4,371)
Equity settled transactions		–	–	–	3,250	–	3,250
Distributions to security holders	28	–	–	–	(25,798)	–	(25,798)
Balance at 30 June 2009		408,397	(120)	(539)	(6,828)	–	400,909

Consolidated for the year ended 30 June 2008	Note	Issued Capital	Hedge Reserves	Available for Sale Reserve	Net Profits/ (Accumulated Losses)	Total Security Holders' Funds
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007		290,074	(426)	–	42,172	331,820
Deconsolidation of subsidiary		–	–	–	57	57
Cash flow hedge loss transferred to income statement	28	–	153	–	–	153
Net change in fair value of available for sale financial assets		–	–	(282)	–	(282)
Total income and expense recognised directly in equity		290,074	(273)	(282)	42,229	331,748
Net profit for the period		–	–	–	70,847	70,847
Total recognised income and expense		290,074	(273)	(282)	113,076	402,595
Equity issued for the period	28	11,816	–	–	–	11,816
Equity settled transactions		–	–	–	3,483	3,483
Distributions to security holders	28	–	–	–	(37,981)	(37,981)
Balance at 30 June 2008		301,890	(273)	(282)	78,578	379,913

(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 2009

Company	Issued Capital	Available for Sale Reserve	Accumulated Losses	Total Security Holders' Funds
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2008	44,874	–	(26,958)	17,916
Consolidation of subsidiary	–	–	424	424
Net change in fair value of available for sale financial assets	–	(122)	–	(122)
Total income and expense recognised directly in equity	44,874	(122)	(26,534)	18,218
Net profit/(loss) for the year	–	–	(60,633)	(60,633)
Total recognised income and expense	44,874	(122)	(87,167)	(42,415)
Equity settled transactions	–	–	3,274	3,274
Balance at 30 June 2009	44,874	(122)	(83,893)	(39,141)
Balance at 1 July 2007	44,874	–	(48,718)	(3,844)
Net profit/(loss) for the year	–	–	18,277	18,277
Total recognised income and expense	44,874	–	(30,441)	14,433
Equity settled transactions	–	–	3,483	3,483
Balance at 30 June 2008	44,874	–	(26,958)	17,916

(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 2009

	Note	Consolidated		Company	
		2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Cash flows from operating activities					
Cash receipts from customers		59,865	67,610	12,191	1,001
Cash payments to suppliers and employees		(34,626)	(24,623)	(19,785)	(22,449)
Cash generated from/(used in) operations		25,239	42,987	(7,594)	(21,448)
Dividend received		1,919	5,544	37,256	55,107
Interest received		7,130	7,087	(439)	11,077
Interest and other costs of finance paid		(19,279)	(15,085)	(42,050)	(41,140)
Net cash from/(used in) operating activities	32	15,009	40,533	(12,827)	3,596
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,226)	(1,017)	(501)	(349)
Redevelopment works/acquisition of inventory		(7,703)	(24,732)	(466)	(97)
Acquisition of/ improvements to investment properties		(27,223)	(22,352)	–	–
Acquisition of intangible assets		(54)	(178)	(44)	(60)
Acquisition of funds management equity investments		(5,125)	(12,658)	(4,527)	(11,968)
Consolidation of subsidiary – cash acquired		2,027	–	–	–
Acquisition of Minority Interest		(500)	–	–	–
Proceeds from sale of investment properties		26,487	–	–	–
Net cash used in investing activities		(13,317)	(60,937)	(5,538)	(12,474)
Cash flows from financing activities					
Proceeds from issue of equity securities		98,804	–	–	–
Payment for equity securities issue costs		(4,371)	–	1	–
Proceeds from borrowings		73,341	125,310	–	–
Repayments of borrowings		(115,647)	(62,000)	–	–
Payment of bonds		–	(174)	–	–
Loans to associates		(62,581)	(21,916)	(69,771)	(21,916)
Repayments from associates		20,412	17,747	20,412	17,747
Loans to controlled entities		–	–	(40,135)	(43,370)
Repayments from controlled entities		–	–	109,184	53,201
Distributions paid		(25,364)	(24,560)	(2,298)	2,112
Net cash from/(used in) financing activities		(15,406)	34,407	17,392	7,774
Net (decrease)/increase in cash and cash equivalents		(13,714)	14,003	(973)	(1,104)
Cash and cash equivalents at 1 July		18,376	4,373	2,571	3,675
Cash and cash equivalents at 30 June	10	4,662	18,376	1,598	2,571

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

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Notes to the consolidated financial statements (continued)

1. Significant accounting policies

(a) Reporting entity

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 times act in the best interests of Aspen Group.

The stapling arrangement will cease to operate on the earlier of:

- Either 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 2009 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 31 August 2009.

(b) Basis of preparation

(i) 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 and the financial report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(ii) Basis of measurement

The Financial Report has been prepared on the historical cost basis except for the following which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit and loss, investment property, and share based payments.

The methods used to measure fair value are discussed further in note 1(u).

(iii) Functional and presentation currency

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

Aspen Group is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.

(iv) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 affect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(u).

(v) Financial position of the parent entity

The parent entity had a net asset deficiency of \$39.1m as at the reporting date. The principal liability is a loan from the stapled entity, Aspen Property Trust of \$315 million. Due to the net asset deficiency, Aspen Property Trust has agreed not to call on the repayment of the loan until the Company has the financial capacity to make the repayment.

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 1(v).

(c) Basis of consolidation

(i) Stapling

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". For statutory reporting purposes, the Group reflects the consolidated entity being the Company (the deemed acquirer) and its controlled entities including the Trust and its controlled entities.

The purchase method of accounting is used to account for the acquisition of controlled entities. The purchase method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer recognises the assets acquired and liabilities and contingent liabilities assumed, at fair value. As the stapling arrangement does not involve one of the combining entities obtaining an ownership interest in another combining entity no goodwill or excess of the acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost is recognised in relation to the stapling arrangement. Goodwill is only recognised to the extent it represents costs incurred in relation to formation of the stapling arrangement.

(ii) 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

(iii) Associates (equity accounted investees)

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. Other movements in reserves are recognised directly in the consolidated reserves. Investments in associates are carried at cost in the Company's financial statements.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements (continued)

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 when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees, when the consolidated entity's interest in such entities is disposed of.

(d) 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. Other derivatives include put options which are accounted for as described below.

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 re-measurement 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.

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.

Included in current liabilities are retirement community resident obligations due to residents of the Aspen Communities Ballina retirement village. Resident loans are measured at fair value, being the principle amount of the ingoing loan plus the resident's share of the capital gains on the underlying property. The value of the obligation is calculated using the market value of the underlying property at each reporting date. Resident loans are non-interest bearing and repayable on departure of the resident. Deferred Management Fees (DMF) are fees payable by the residents for the enjoyment of the community facilities and other benefits provided in a retirement village community. The payment of these fees is deferred until the resident leaves the village. The Group accounts for the DMF using the Accrual Method where the DMF is progressively accrued as the residents occupy the retirement village units.

(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) Financial assets 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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group'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 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. 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. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the profit or loss as incurred.

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.

Investment property which is classified as owner-occupied is accounted for as property, plant and equipment and depreciated over its useful life.

(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:

- Leasehold improvements 10 – 25 years
- Plant and equipment 3 – 15 years
- Office furniture and fittings 3 – 10 years

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

Notes to the consolidated financial statements (continued)

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any loss is recognised in the revaluation reserve to the extent that an amount is included in a revaluation reserve for that property, with any remaining loss recognised immediately in profit or loss. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on that property, with any remaining gain recognised directly in a revaluation reserve in equity.

(v) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis (see note 1 (g)).

(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.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Lease payments are accounted for as described in note 1(o).

(i) 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 willing, but not anxious, buyer and seller on an arm's length basis;
- 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;
- That the investment property will be reasonably exposed to that market;
- 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
- 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 note 1(n).

(ii) Distinction between investment properties and owner-occupied properties

In applying its accounting policies the Group determines whether or not a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

(h) Inventories

Inventories, including land held for sale, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost includes the cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other cost are expensed as incurred.

Current and non-current inventory assets

Inventory is classified as current when it satisfies any of the following criteria:

- It is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- It is held primarily for the purpose of being traded; and
- It is expected to be realised within twelve months after the reporting date.

All other inventory is classified as non-current.

(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 from the date that they are available for use.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

Intangible assets comprise primarily of development rights in relation to an Aspen managed land syndicate. Amortisation of these rights will occur upon commencement of the project.

(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.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

Notes to the consolidated financial statements (continued)

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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

(iii) Reversals of impairment

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

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expense in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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 Monte Carlo 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 residential, retail, commercial and industrial property developments is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and rebates. Revenue recognised in the income statement when the significant risks, rewards of ownership and effective control has been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing managerial involvement to the degree usually associated with ownership. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Property development services

Revenue from services rendered, including fees arising from the provision of development project management services, 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 an assessment of costs. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the revenue cannot be measured reliably, the costs incurred or to be incurred cannot be measured reliably, or the stage of completion cannot be measured reliably.

(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. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance. 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 lease income.

Lease incentives provided by the Group to lessees, and 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 and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

Notes to the consolidated financial statements (continued)

(iv) Management and establishment fee income

Management fee income is recognised monthly in the Income Statement on an accruals basis based on a percentage of the gross asset value of the fund. Establishment fees are recognised when earned.

(v) Performance fee income

Performance fees are recognised in the Income Statement on an accruals basis when the Manager has earned them based on fund performance as detailed in the Funds' Product Disclosure Statement or Offer Document. Any revision to the performance fee will be adjusted through the Income Statement in the current financial period.

(o) Lease payments

(i) Operating leases

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.

(ii) Finance leases

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 including loan establishment costs are recognised in profit or loss using the effective interest method.

Financing costs exclude borrowing costs capitalised to qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset can be capitalised as part of that asset.

Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is complete and ceases to be a qualifying asset, borrowing costs are expensed as incurred.

(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

(i) 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(ii) 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.

(iii) 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.

Notes to the consolidated financial statements (continued)

(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 comprise share options granted to employees.

(u) Determination of fair values and areas of estimation uncertainty

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about determining fair values, information about areas of estimation uncertainty and critical judgements in applying accounting policies are disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of trust and property development rights acquired in a business combination is based on the discounted estimated fees that have been avoided as a result of the rights being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. Refer note 18.

(iii) Inventories

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory. Refer note 17.

(iv) Investment property

When assessing fair value, discounted cash flows of the investment property, the highest and best use of the investment property and sales of similar properties are considered.

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 willing, but not anxious, buyer and seller on an arm's length basis;
- 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;
- That the investment property will be reasonably exposed to that market;
- 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
- 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 Fund.

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. Refer note 15.

(v) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(vi) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(vii) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(viii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(ix) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

(x) Share-based payment transactions

The fair value of employee stock options is measured using a Monte Carlo option pricing model. The fair value of share appreciation rights is measured using the Black-Scholes, Monte Carlo or Binomial formulae. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(xi) Estimated impairment of investments accounted for using the equity method

Aspen impaired a number of investments accounted for using the equity method. The investments are tested for impairment by comparing recoverable amounts (higher of value-in-use and fair value less costs to sell) with the carrying amounts, whenever there is an indication that the investment may be impaired. In determining the value-in-use of the investment, Aspen estimates its share of the present value of estimated cash flows expected to be generated by the associate including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of investments. Details of this impairment and the assumptions used by management in assessing the impairment are provided in note 16.

Notes to the consolidated financial statements (continued)

(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 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 2).
- Revised AASB 101 Presentation of Financial Statements introduces the term total comprehensive income. Which represents changes in equity during a period other than those changes resulting from transactions with owners or in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes to presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AI 15 Agreements for the Construction of Real Estate provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 Construction Contracts or AASB 118 Revenue and the timing of revenue recognition. AI 15 will become mandatory for the Group's 30 June 2010 financial statements, with retrospective action required. The Group has not yet determined the potential effect of the interpretation.

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, including investments in associates and the share of profits and losses, 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 and companies 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.

Notes to the consolidated financial statements (continued)

2. Business segments

	Property Investment		Funds Management		Unallocated/Eliminations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Segment Revenue	48,154	33,049	19,313	35,765	(4,879)	(468)	62,587	68,346
Segment profit before financing costs	32,093	25,059	10,188	33,141	(15,866)	(21,767)	26,415	36,433
Net financing costs	-	-	-	-	(5,921)	(3,782)	(5,921)	(3,782)
Revaluation (losses)/gains on investment properties	(28,911)	33,672	-	-	-	-	(28,911)	33,672
(Losses)/gains on sale of investment property	(676)	-	-	-	(888)	-	(1,564)	-
(Losses)/gains on revaluation of interest rate swaps	-	-	-	-	(8,325)	1,346	(8,325)	1,346
Share of (losses)/gains of equity accounted investees	-	-	-	-	(45,973)	5,332	(45,973)	5,332
(Losses)/gains on carrying value of inventories	-	-	-	-	(24,395)	-	(24,395)	-
(Losses)/gain on available for sale investments	-	-	-	-	(2,339)	-	(2,339)	-
Restructuring costs	-	-	-	-	-	-	-	-
Income tax (expense)/benefit	-	-	-	-	26,355	(2,154)	26,355	(2,154)
(Loss)/Profit for the year	2,506	58,731	10,188	33,141	(77,352)	(21,025)	(64,658)	70,847
Segment Assets	380,748	421,739	31,567	56,925	-	-	412,315	478,664
Investment in associates	-	-	-	-	59,794	81,931	59,794	81,931
Unallocated assets	-	-	-	-	148,685	92,149	148,685	92,149
Total Assets	380,748	421,739	31,567	56,925	208,479	174,080	620,794	652,744
Segment Liabilities	26,523	27,227	16,511	16,736	-	-	43,034	43,963
Unallocated liabilities	-	-	-	-	176,851	228,868	176,851	228,868
Total Liabilities	26,523	27,227	16,511	16,736	176,851	228,868	219,885	272,831

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
3. Revenue				
Revenue from trading activities				
Revenue from property investments	42,973	32,581	–	–
Funds management – asset management fees	16,239	24,342	–	–
– establishment fees	3,029	9,510	–	–
– other	–	1,913	–	–
	19,268	35,765	–	–
4. Other expenses				
Marketing and advertising	295	203	197	171
Other	155	825	94	9
	450	1,028	291	180
5. Administration expenses				
Wages and salaries including on-costs	13,456	13,011	12,100	12,788
Contributions to defined contribution superannuation funds	1,243	1,020	1,128	990
Equity-settled share based payment transactions	3,287	3,483	3,287	3,483
Other administration costs	4,936	4,035	3,925	3,316
	22,922	21,549	20,440	20,577
6. Auditors' remuneration				
Audit services (KPMG)				
Audit and review of financial reports	264	239	264	114
Other regulatory audit services	4	18	–	–
	268	257	264	114
Other services (KPMG)				
Tax advisory services	75	53	22	35
Other advisory services	4	72	4	13
	79	125	26	48
	347	382	290	162

Note

Notes to the consolidated financial statements (continued)

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
7. Net financing costs				
Financial income				
Interest income – bank deposits	241	260	155	167
– on loans to controlled entities	–	–	2,337	2,625
– on loans to associates	6,938	8,285	6,938	8,285
	7,179	8,545	9,430	11,077
Dividend income	451	209	37,254	55,107
	7,630	8,754	46,684	66,184
Financial expenses				
Net change in cash flow hedge transferred to profit and loss	(153)	(153)	–	–
Change in fair value of interest rate swaps	(8,172)	1,499	–	–
Net change in fair value of financial assets through profit and loss	(8,325)	1,346	–	–
Impairment of financial assets (refer notes 12 & 19)	–	–	(65,938)	–
Interest expense on financial liabilities measured at amortised cost	(14,080)	(12,535)	(42,050)	(39,352)
Less amounts capitalised to qualifying assets	529	–	–	–
	(21,876)	(11,189)	(107,988)	(39,352)
Net financing costs	(14,246)	(2,435)	(61,304)	26,832
8. Income tax expense				
Recognised in the income statement				
Current tax expense/(benefit)				
Current year	(13,838)	–	(15,601)	(13,054)
	(13,838)	–	(15,601)	(13,054)
Deferred tax expense				
Origination and reversal of temporary differences	(12,517)	2,154	(9,201)	386
	(12,517)	2,154	(9,201)	386
Total income tax expense/(benefit) in income statement	(26,355)	2,154	(24,802)	(12,668)

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before income tax	(91,013)	73,001	(85,435)	5,609
Prima facie income tax calculated at 30%	(27,304)	21,900	(25,630)	1,683
Less prima facie income tax on profit from Trust	(5,106)	(20,287)	–	–
Increase in income tax expense due to:				
Non-deductible expenses	3,889	1,067	11,328	1,067
Under provided in prior periods	2,166	–	–	–
Decrease in income tax expense due to:				
Tax exempt revenues	–	(526)	(10,500)	(15,418)
Income tax expense/(benefit) on pre-tax net profit	(26,355)	2,154	(24,802)	(12,668)

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 30. 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 owned Australian resident entities (refer note 1(r)).

9. Earnings per stapled security

		Consolidated	
		2009 cents per stapled security	2008 cents per stapled security
Basic earnings per stapled security	(a)	(22.53)	29.20
Diluted earnings per stapled security	(b)	(22.53)	29.14
Basic earnings per stapled security before significant items	(c)	11.91	18.06
Diluted earnings per stapled security before significant items	(d)	11.91	18.02

(a) Basic earnings per stapled security

Basic earnings per security is calculated by dividing profit attributable to security holders by the weighted average number of ordinary securities outstanding during the year:

Notes to the consolidated financial statements (continued)

Profit attributable to ordinary stapled security holders

Consolidated	2009 \$'000	2008 \$'000
Profit attributable to ordinary stapled security holders	(62,858)	70,847

Weighted average number of ordinary stapled securities

Consolidated	2009 No. '000	2008 No. '000
Issued stapled securities 1 July	244,405	239,398
Effect of shares issued in July 07	–	68
Effect of units issued in August 08/August 07	571	1,448
Effect of shares issued in September 07	–	18
Effect of shares issued in October 08/October 07	17,473	1,025
Effect of shares issued in January 08	–	562
Effect of shares issued in February 09/February 08	3,084	3
Effect of shares issued in April 08	–	104
Effect of shares issued in May 09	182	–
Effect of shares issued in June 09	13,269	–
Weighted average number of ordinary stapled securities at 30 June	278,984	242,626

(b) Diluted earnings per stapled security

Diluted earnings per security is calculated by dividing profit attributable to security holders by the weighted average number of ordinary securities outstanding during the year after adjusting for the effect of dilutive securities granted under share plans accounted for as options and rights granted under employee share plans.

Profit attributable to ordinary stapled security holders

Consolidated	2009 \$'000	2008 \$'000
Profit attributable to ordinary stapled security holders	(62,858)	70,847

Weighted average number of ordinary stapled securities (diluted)

Consolidated	2009 No. '000	2008 No. '000
Weighted average number of stapled securities at 30 June	278,984	242,626
Effect of stapled security options on issue	–	512
Weighted average number of ordinary stapled securities (diluted) at 30 June	278,984	243,138

(c) Earnings per security before significant items

The profit attributable to security holders includes a number of significant items that in the opinion of the directors, should be adjusted to enable security holders to obtain an understanding of the results from operations. Basic earnings per security before significant items is calculated by dividing profit before significant items attributable to security holders (as detailed below) by the weighted average number of ordinary securities outstanding during the year excluding securities vested under share plans.

	2009 \$ '000	2008 \$ '000
Net Profit/(Loss) after Tax	(64,658)	70,847
<i>Add/(subtract) Significant items (net of tax):</i>		
Revaluation (Gains)/Losses on investment properties	25,266	(29,685)
(Gains)/Losses on revaluation of interest rate swaps	8,325	(1,346)
(Gains)/Losses on available for sale investments	1,637	–
(Gains)/Losses on write-down of inventories to net realisable value	19,491	783
Impairment adjustments of investments in equity associates	35,752	(263)
(Profit)/Loss on Sale of investment property	1,564	–
Equity settled transactions	5,454	3,483
Attributable to minority interests (not otherwise adjusted above)	390	–
	33,221	43,819

Weighted average number of ordinary stapled securities (basic)

	2009 No. '000	2008 No. '000
Consolidated		
Weighted average number of stapled securities at 30 June	278,984	242,626

Weighted average number of ordinary stapled securities (diluted)

	2009 No. '000	2008 No. '000
Consolidated		
Weighted average number of stapled securities at 30 June	278,984	242,626
Effect of stapled security options on issue	–	512
Weighted average number of ordinary stapled securities (diluted) at 30 June	278,984	243,138

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Cash at bank and in hand	4,662	18,376	1,598	2,571

10. Cash and cash equivalents

Cash at bank and in hand

The Group's exposure to interest rate risk and a sensitivity analysis is disclosed in note 29.

Notes to the consolidated financial statements (continued)

11. Trade and other receivables

Current

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Trade receivables	15,215	12,438	1,794	4,208
Other receivables	599	1,052	63	385
	15,814	13,490	1,857	4,593

Non Current

Trade receivables	–	3,357	–	–
Amount due from directors	7,191	–	7,191	–
	7,191	3,357	7,191	–

The Group's exposure to credit and liquidity risk is disclosed in note 29.

12. Other financial assets

Current

Amounts due from associates	20,336	25,828	20,336	25,827
Financial assets designated as held for sale	–	14,950	–	14,950
Interest rate derivatives	–	5,423	–	–
	20,336	46,201	20,336	40,777

Non-Current

Amount due from associates	67,719	34,835	67,719	34,835
Amount due from controlled entities	–	–	72,688	46,451
	67,719	34,835	140,407	81,286

The Company has recognised an impairment charge of \$22.36 million on amounts due from controlled entities.

The Group's exposure to credit and liquidity risk is disclosed in note 29.

13. Other current assets

Prepayments	2,677	3,140	620	–
Cash held in restricted funds	1,000	–	–	–
Other	8,226	3,395	3	211
	11,903	6,535	623	211

14. Property, plant and equipment

	Consolidated				Company			
	Plant and equipment \$'000	Leasehold improvements \$'000	Office equipment & fittings \$'000	Total \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Office equipment & fittings \$'000	Total \$'000
Cost								
Balance at 1 July 2007	181	435	476	1,092	82	435	476	993
Additions	464	5	548	1,017	14	5	331	350
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2008	645	440	1,024	2,109	96	440	807	1,343
Additions	716	11	523	1,250	5	11	510	525
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2009	1,361	451	1,547	3,359	101	451	1,317	1,868
Depreciation and impairment losses								
Balance at 1 July 2007	14	9	218	241	9	9	218	236
Depreciation charge for the year	19	21	361	401	9	21	144	174
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2008	33	30	579	642	18	30	362	410
Depreciation charge for the year	96	25	217	338	11	25	209	244
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2009	129	55	796	980	29	55	571	654
Carrying amounts								
At 1 July 2007	167	426	258	851	73	426	258	757
At 30 June 2008	612	410	445	1,466	78	410	445	933
At 1 July 2008	612	410	445	1,466	78	410	445	933
At 30 June 2009	1,232	396	751	2,379	72	396	746	1,214

Notes to the consolidated financial statements (continued)

15. Investment Property

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July	393,770	341,341	–	–
Acquisitions and additions	33,704	18,757	–	–
Disposals	(30,000)	–	–	–
Fair value adjustments	(28,911)	33,672	–	–
At 30 June	368,563	393,770	–	–

At 31 December 2008, the Group revalued 100% of all investment properties resulting in a total net decrease in the carrying value of investment properties of \$12.4 million. At 30 June 2009, the Group further revalued 43% of the investment properties and conducted directors' valuations on the remainder. This resulted in a further net decrease in the carrying value of investment properties of \$16.5 million. Note that the balance of the net change in the carrying value between periods is a result of capital improvements to existing properties, development expenditure at Karratha Village and the sale of the Toowoomba property.

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 in accordance with the accounting policy set out in note 1(g) and having regard to recent market transactions for similar properties in the same location as the Group's investment property.

The following table presents individual properties owned by the Group:

Property	Original Acquisition Date	Original Acquisition Cost \$'000	Latest Independent Valuation Date	Latest Independent Valuation \$'000	Book Value at 30 June 2009 \$'000	Book Value at 30 June 2008 \$'000
256 Adelaide Tce. (Septimus Roe) – WA	Oct 2002	29,648	Jun 2009	82,000	82,000	93,902
Phoenix Rd, Bibra Lake (Elders) – WA	Aug 2003	37,483	Dec 2008	58,000	56,000	57,504
Davy St, Booragoon (Alcoa) – WA	Aug 2003	18,329	Dec 2008	27,000	29,000	26,218
51 Heaton St, Rocklea – QLD	Oct 2004	9,184	Jun 2009	13,000	13,000	14,750
215 Browns Rd, Noble Park – VIC	Oct 2004	22,625	Jun 2009	19,300	19,300	22,750
564 St. Kilda Road – VIC	Dec 2004	26,426	Dec 2008	34,000	34,000	32,083
5/33 York St. – NSW	June 2005	3,169	Jun 2009	3,175	3,175	3,242
55 Currie St. – SA	June 2006	66,980	Dec 2008	84,000	82,000	94,268
Morrison Rd, Midland – WA	June 2007	5,500	Dec 2008	3,000	3,195	4,500
Karratha Village – WA	June 2005	1,000	Jun 2009	41,000	41,000	8,564
Sovereign Gardens, Ballina – NSW	Nov 2007	3,809	–	–	5,893	5,989
222 Margaret St, Toowoomba – QLD (iii)	April 2005	38,103	–	–	–	30,000
					368,563	393,770

- (i) During the financial year ended 30 June 2009, \$43.0 million was recognised as rental income in the income statement (2008: \$32.6 million) and \$12.4 million in respect to property expenses was recognised as an expense in the income statement relating to investment property (2008: \$9.6 million).
- (ii) At 30 June 2009 all investment properties have been pledged as security against loan facilities with the Group's bankers. Refer to note 23 for further details.
- (iii) The investment property at 222 Margaret St Toowoomba was sold in January 2009.
- (iv) As at 30 June 2009, the weighted average cap rate for the portfolio (excluding the Ballina, Midland and Karratha properties) was 9.43%. The weighted average lease duration (excluding the Ballina and Midland properties) was 3.66 years.
- (v) Material impairments were recognised for the following properties: Septimus Roe (\$12.1m); Noble Park (\$3.7m) and Currie Street (\$12.3m).

Leases as lessor

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Less than one year	42,180	26,180	–	–
Between one and five years	117,730	72,075	–	–
More than five years	26,564	16,831	–	–
	186,474	115,086	–	–

16. 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.

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

	Principal activities	Ownership		Share of associate's net assets equity accounted	
		2009	2008	2009	2008
Aspen Parks Property Fund	Tourist park investment	16.7%	15.6%	15,517	13,368
Aspen Diversified Property Fund	Commercial property investment	35.8%	33.0%	5,118	17,297
Aspen Dunsborough Lakes Limited	Residential property development	20.0%	20.0%	783	7,961
Aspen Whitsunday Shores Pty Ltd	Residential property development	25.0%	25.0%	91	4,738
Fern Bay Seaside Village Ltd	Residential property development	45.4%	38.5%	7,441	9,848
St Leonard's Estate Pty Ltd	Residential property development	9.6%	9.6%	1,846	2,361
Aspen Development Fund No 1 Ltd	Diversified property development	42.5%	25.0%	28,998	21,358
Aspen Villages Property Fund ⁽¹⁾	Modular product, affordable accommodation	–	44.4%	–	5,000
TOTAL				59,794	81,931

(1) Assumed control from 1 July 2008 (refer note 30)

Notes to the consolidated financial statements (continued)

The share of associates net profit accounted for using the equity method is as follows:

Consolidated	2009 \$'000	2008 \$'000
Share of associate profit before income tax	(13,346)	7,617
Share of income tax expense	622	(2,285)
Share of associate profit after income tax	(12,724)	5,332
Impairment of equity accounted investments	(33,249)	–
Share of associates net profit accounted for using the equity method	(45,973)	5,332

The carrying value of investments in equity accounted investees was comprehensively reviewed during the period ending 30 June 2009. The review incorporated obtaining independent valuations on the majority of property assets in each fund entity.

Each investment was treated as a separate cash generating unit and the value-in-use method was used to determine the appropriate impairment. Value-in-use was calculated using independent valuations for properties within the associate investments using the fair value principles set out in note 1(u)(iv) and on the basis that financing requirements will be met to enable the projects to be maintained or completed in accordance with the underlying valuation assumptions (refer notes 31 and 35).

The result of this review was the downward revaluation of asset values as assessed by Aspen Group at a fund level with Aspen Group equity accounting for write-downs, incorporated in the associates' loss before tax of \$12.2 million and providing for additional impairments totalling \$33.2 million. The write-downs were based on Aspen Group's ownership share of each fund, taking into account the fund net assets per share/unit post underlying asset revaluations.

Loans to associates

The loan portfolio of \$88.1 million consists of loans to Aspen Group's funds management entities. A detailed review was performed on the recoverability of all loans to associates. Subsequent to the carrying value assessments at each syndicate level as noted above, any loans outstanding are considered fully recoverable at period end. The following at call loans are from the Group and are outstanding at 30 June 2009. These loans have been classified \$20.3 million as current and \$67.7 million as non-current (\$25.8 million current and \$34.8 million non-current at 30 June 2008), based on management's expectations on when such loans will be called. Refer Note 34 for further details.

	Revenue (100%) \$'000	Profit/ (loss) (100%) \$'000	Share of associates net profit/ (loss) recognised (1) \$'000	Impairment of Equity Accounted Investment (1) \$'000	Total Assets (100%) \$'000	Total Liabilities (100%) \$'000	Net assets as per associates (100%) \$'000
2009							
Aspen Parks Property Fund	67,066	(2,395)	(335)	(437)	249,378	159,688	89,690
Aspen Diversified Property Fund	17,463	(33,022)	(10,317)	(4,090)	156,111	141,814	14,297
Aspen Dunsborough Lakes Limited	3,855	(1,986)	(397)	(6,781)	106,156	68,234	37,923
Aspen Whitsunday Shores Pty Ltd	1,822	(893)	(223)	(4,383)	49,492	30,489	19,004
Fern Bay Seaside Village Ltd	4,022	(1,034)	(390)	(9,307)	92,285	48,305	43,980
St Leonard's Estate Pty Ltd	1,051	11	1	(489)	79,760	49,802	29,958
Aspen Development Fund No 1 Ltd	64,748	(2,710)	(677)	(7,761)	312,678	224,237	88,442
	160,027	(42,029)	(12,338)	(33,248)	1,045,860	722,569	323,294
Elimination of unrealised gains	–	–	(386)	–	–	–	–
	160,027	(42,029)	(12,724)	(33,248)	1,045,860	722,569	323,294

(1) Total share of profit/(loss) of equity accounted investees as reflected in the income statement.

Notes to the consolidated financial statements (continued)

	Revenue (100%) \$'000	Profit/ (loss) (100%) \$'000	Share of associates net profit/ (loss) recognised \$'000	Impairment of Equity Accounted Investment \$'000	Total Assets (100%) \$'000	Total Liabilities (100%) \$'000	Net assets as per associates (100%) \$'000
2008							
Aspen Parks Property Fund	56,295	12,130	1,892	–	264,704	170,819	93,885
Aspen Diversified Property Fund	18,204	4,252	1,402	–	190,172	139,688	50,484
Aspen Dunsborough Lakes Limited	21,645	4,766	953	–	102,737	62,929	39,808
Aspen Whitsunday Shores Pty Ltd	2,677	318	80	–	46,022	26,179	19,843
Fern Bay Seaside Village Ltd	7,648	1,712	660	–	85,846	54,595	31,251
St Leonard's Estate Pty Ltd	12,017	5,261	505	–	71,466	41,511	29,955
Aspen Development Fund No1 Ltd	71,807	1,523	381	–	245,115	153,668	91,447
Aspen Villages Property Fund	–	–	–	–	15,743	8,561	7,182
	190,293	29,962	5,873	–	1,021,805	657,950	363,855
Elimination of unrealised gains			(541)	–			
	190,293	29,962	5,332	–	1,021,805	657,950	363,855

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
17. Inventories – Non-Current				
Property Development				
Land – retirement village activities	11,146	11,278	–	–
Land – other development activities	23,823	23,744	–	–
	34,969	35,022	–	–

During the period, the Group has impaired \$24.4m (2008: nil) in relation to inventory that was carried in excess of the lower of cost or net realisable value.

18. Intangible Assets – Non-Current

Carrying amount at the beginning of the year	6,404	6,226	285	226
Other	92	178	45	59
Carrying amount at the end of the year	6,496	6,404	330	285

Intangible assets of \$6 million were acquired relating to the purchase of the St Leonards Estate land development rights. This is expected to commence amortisation in the next financial year as development activities commence.

19. Other investments

Investments in associates (net of impairment)
 Investments in controlled entities
 Investments in available for sale securities

Consolidated		Company	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
–	–	52,319	79,196
–	–	39,189	29,760
2,479	9,976	1,877	–
2,479	9,976	93,385	108,956

The Company has recognised an impairment charge of \$43.58 million for its investments in associates as a result of the decline in value of the investment.

20. Other non-current assets

Loan establishment costs
 Cash held in restricted funds
 Other

1,751	109	–	–
2,000	–	–	–
3,713	1,206	–	–
7,464	1,315	–	–

21. Trade and other payables

Trade payables and accrued expenses
 Unearned rental income
 Other
 Resident loans – retirement leases (1)

7,977	10,823	1,512	2,834
2,335	1,058	–	–
615	471	–	30
4,946	4,394	–	–
15,873	16,746	1,512	2,864

(1) Relates to initial lease amounts paid by residents at the Ballina LV Plus Retirement Village

22. Current tax assets/liabilities

The current tax asset for Aspen Group of \$25,000 (2008: asset of \$66,000) 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

Secured bank loans

Hire Purchase liability

Non-current liabilities

Secured bank loans

Hire Purchase liability

Loans from controlled and stapled entities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Secured bank loans	10,026	15,960	–	–
Hire Purchase liability	11	30	–	–
	10,037	15,990	–	–
Secured bank loans	181,500	213,600	–	–
Hire Purchase liability	–	12	–	–
Loans from controlled and stapled entities	–	–	315,056	211,985
	181,500	213,612	315,056	211,985
	191,537	229,602	315,056	211,985

The Group's exposure to interest rate risk and liquidity risk is disclosed in note 29.

As at 30 June 2009, the Company had a loan from Aspen Property Trust ("APT"), a stapled entity to the Company, of \$315.1 million. Due to the current net asset deficiency position of the Company, APT has agreed not to call on the repayment of the loan until the Company has the financial capacity to make the repayment.

Terms and debt repayment schedule

The terms and conditions of outstanding external loans were as follows:

Consolidated

	Currency	Nominal Interest Rate	Maturity	Face value at June 2009 \$'000	Carrying amount at June 2009 \$'000	Face value at June 2008 \$'000	Carrying amount at June 2008 \$'000
Secured bank loan	AUD	5.70%	Dec 2013	22,500	22,500	–	–
Secured bank loan	AUD	5.72%	Feb 2012	162,000	162,000	–	–
Secured bank loan	AUD	6.40%	Dec 2009	7,026	7,026	–	–
Secured bank loan	AUD	9.17%	Dec 2008	–	–	9,360	9,360
Secured bank loan	AUD	8.46%	Jul 2008	–	–	6,600	6,600
Secured bank loan	AUD	8.41%	Oct 2011	–	–	40,000	40,000
Secured bank loan	AUD	8.46%	Oct 2011	–	–	110,000	110,000
Secured bank loan	AUD	8.49%	Oct 2011	–	–	63,600	63,600
Hire purchase liability	AUD	8.41%	Oct 2009	11	11	42	42
				191,537	191,537	229,602	229,602

Financing arrangements

At 30 June 2009, the Group's total debt consisted of:

- (i) \$184.5 million including its Tranche A senior debt facility (\$162.0m) and its Tranche C facility (\$22.5m).
- (ii) \$7.0 million under its facility with Westpac Banking Corporation relating to retirement inventory.

In May 2009, the Group secured revised terms relating to the debt facility with its existing primary financier, National Australia Bank. The terms are detailed below:

Tranche A – Key Terms

- Facility Limit of \$198 million
- Loan to Value (LVR) covenant relating to both Tranches A and C of 65% to maturity.
- The LVR covenant is based on a security pool at balance date of \$363 million, and includes all properties as detailed in Note 15, except for the Sovereign Gardens Ballina property.
- Interest coverage ratio covenant of at least 1.5 times investment property net rental income
- Maturity date of 28 February 2012

Tranche C – Key Terms

- Project specific facility for the Karratha Accommodation Village
- The facility is fully drawn and has been amortising at \$250,000 per month from January 2009.
- Maturity date of 31 December 2013

The \$40 million Tranche B working capital facility was repaid from proceeds from the equity raising in June 2009.

All Tranches are secured over the Group's investment property portfolio and inventory.

The total cost of drawn debt as at 30 June 2009 for the Group inclusive of facility fees was 7.24%.

In June 2009, the Group secured an extension to its loan facility with Westpac Banking Corporation to 31 December 2009. The facility is partly secured over the investment property located at Ballina, NSW and inventory at Byford, WA.

The facility is currently fully drawn to \$7.03 million. Discussions are in place to refinance this facility with another lender prior to maturity.

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financing facilities				
Secured bank loans	227,526	271,693	–	–
Unsecured bank facility	–	–	–	–
	<u>227,526</u>	<u>271,693</u>	<u>–</u>	<u>–</u>
Facilities utilised at reporting date				
Secured bank loans	191,526	229,560	–	–
Bank guarantees	–	22,200	–	–
	<u>191,526</u>	<u>251,760</u>	<u>–</u>	<u>–</u>
Facilities not utilised at reporting date				
Secured bank loans	36,000	19,933	–	–
Unsecured bank facility	–	–	–	–
	<u>36,000</u>	<u>19,933</u>	<u>–</u>	<u>–</u>

Notes to the consolidated financial statements (continued)

Hire Purchase Lease Liabilities

Hire purchase lease liabilities of the Group are payable as follows

	Future minimum lease payments 2009 \$'000	Interest 2009 \$'000	Present value of minimum lease payments 2009 \$'000	Future minimum lease payments 2008 \$'000	Interest 2008 \$'000	Present value of minimum lease payments 2008 \$'000
Less than one year	11	–	11	33	3	30
Between one and five years	–	–	–	12	–	12
More than five years	–	–	–	–	–	–
	11	–	11	45	3	42

24. Provisions

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Provision – Distributions	5,795	10,254	–	2,325
Movement in provisions during the financial year:				
Carrying amount at the beginning of the year	10,254	8,860	2,325	212
Additional provisions recognised	25,798	37,981	–	2,113
Provisions used during the year	(30,257)	(36,587)	(2,325)	–
Carrying amount at the end of the year	5,795	10,254	–	2,325

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated						
Trade and other receivables	(3)	–	332	406	329	406
Other	(69)	(28)	614	1,351	545	1,324
Equity accounted investments	(9,452)	(644)	623	1,500	(8,830)	855
Investment property	–	–	13,751	17,396	13,751	17,396
Trade and other payables	(528)	(72)	–	–	(528)	(72)
Provisions	(280)	(286)	2	36	(278)	(250)
Tax losses carried forward	(15,990)	(4,319)	–	–	(15,990)	(4,319)
Tax (assets)/liabilities	(26,322)	(5,349)	15,322	20,689	(11,000)	15,340
Company						
Other	–	–	–	530	–	530
Equity accounted investments	(8,677)	(644)	623	1,182	(8,055)	538
Trade and other payables	(94)	(42)	–	–	(94)	(42)
Provisions	(271)	(278)	2	36	(269)	(242)
Employee benefits	–	–	–	–	–	–
Tax losses carried forward	(15,990)	(4,319)	–	–	(15,990)	(4,319)
Tax (assets)/liabilities	(25,032)	(5,283)	625	1,748	(24,407)	(3,535)

The deferred tax assets have been recognised based on managements' five year forecast and assessment that it is probable that future taxable profits would be available against which they can be utilised.

Consolidated		Company	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

26. Employee benefits

Current

Salaries and wages accrued	69	105	66	31
Liability for annual and long service leave	862	784	837	772
Total employee benefits	931	889	903	803

Notes to the consolidated financial statements (continued)

Share based payments

Employee Stapled Security Incentive Plan

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 instruments 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 long term incentive instruments ("LTII") are settled by physical delivery of securities:

Grant date/employee entitled	Number of instruments 2009	Number of instruments 2008	Vesting conditions	Contractual life of LTII
1 December 2004 (i)	760,000	960,000	2 years of service	7 years
1 December 2005	1,520,000	2,130,000	2 years of service	7 years
19 December 2006	3,108,042	3,602,000	2 years of service	7 years
6 December 2007 (ii)	1,403,447	1,403,447	2 years of service	7 years
	(1,403,447)	–	Cancelled	–
11 June 2009 (ii)	2,707,404	–	2 years of service	7 years
Total	8,095,446	8,095,446		

(i) Disclosed post 1 for 5 security consolidation

(ii) During the year the December 2007 grant was cancelled and reissued (together with securities awarded to employees that have since departed) as part of the June 2009 grant and has been treated as a modification in accordance with AASB 2 "Share-based Payment".

Grant date	Type of LTII	Expiry Date of LTII	Exercise Price
1 December 2004	ESSIP	30 November 2011	\$1.005
1 December 2005	ESSIP	30 November 2012	\$1.090
19 December 2006	ESSIP	18 December 2013	\$1.767
6 December 2007	ESSIP	5 December 2014	\$2.690
11 June 2009	ESSIP	10 June 2016	\$0.321

Under AASB 2 "Share-based Payment", the LTII 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 LTII are as follows:

	Weighted average exercise price	Number of LTII	Weighted average exercise price	Number of LTII
	2009	2009	2008	2008
Outstanding at the beginning of the period (i)	\$1.729	8,095,446	\$1.527	6,692,000
Granted during the period (i)	\$0.321	2,707,404	\$2.690	1,403,446
Cancelled/forfeited during the period		(2,707,404)		–
Outstanding at the end of the period	\$1.258	8,095,446	\$1.729	8,095,446
Exercisable at the end of the period	\$1.258	8,095,446	\$1.729	8,095,446

(i) Modification of terms of equity-settled share based payment transactions

During the financial year, 1,403,446 LTI instruments previously issued on 6 December 2007 were terminated, and reissued as part of the 11 June 2009 issue. The unexpensed fair value of this tranche at the time was \$104,645 and this was to be expensed over the remaining vesting period to 6 December 2009. The termination was treated as a modification under AASB 2 Share Based Payments. The total impact on fair value of the LTI instruments to be expensed, i.e. the unexpensed portion of the terminated tranche plus the fair value of the replacement tranche is \$250,845, which will be amortised over the remaining vesting period (to June 2011). The respective exercise and market prices as well as vesting periods are noted in the tables above. The 11 June 2009 LTI instruments have the same terms and conditions as the cancelled tranche except that the vesting date is now 11 June 2011 and the exercise price is now \$0.321 per security.

The options outstanding at 30 June 2009 have an exercise price in the range of \$0.321 to \$1.767 (2008: \$1.005 to \$2.690) and a weighted average contractual life of 4.7 years (2008: 5.1 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.

	2009		2008	
	EDLTIP	ESSIP	EDLTIP	ESSIP
Fair value at measurement date	\$0.053	\$0.054	\$0.410	\$0.345
Stapled security price	\$0.466	\$0.321	\$2.693	\$2.690
Exercise price	\$0.466	\$0.321	\$2.693	\$2.690
Expected volatility	20.0%-78.0%	20.0%-78.0%	24.6%	24.6%
Option life	7 years	7 years	7 years	7 years
Risk-free interest rate (based on national government bonds)	5.25%	3.00%	6.50%	6.75%

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.

Notes to the consolidated financial statements (continued)

Executive Director Long Term Incentive Plan

The Executive Directors ceased participation in the ESSIP during the prior financial period. At the Group's Annual General Meeting in November 2007 the Executive Director Long Term Incentive Plan ("EDLTIP") was proposed and subsequently approved by security holders at the meeting. This resulted in the issue of stapled securities to each Executive Director subject to the terms and conditions noted in the Directors Report and summarised below.

Director	Number of instruments	Grant Date	Fair Value	Exercise Price	Expected volatility	Expiry Date of Option
A Del Borrello	5,500,000	27 November 2007	\$0.410	\$2.693	24.6%	30 June 2010
G Hawkins	5,500,000	27 November 2007	\$0.410	\$2.693	24.6%	30 June 2010
A Del Borrello	1,500,000	25 November 2008	\$0.053	\$0.466	20.0%-78.0%	30 June 2011
G Hawkins	1,500,000	25 November 2008	\$0.053	\$0.466	20.0%-78.0%	30 June 2011

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Share based payments					
Employee expenses					
Stapled security options granted in 2006 – equity settled		–	480	–	480
Stapled security options granted in 2007 – equity settled		1,226	785	1,226	785
Stapled security options granted in 2008 – equity settled		2,004	2,218	2,004	2,218
Stapled security options granted in 2009 – equity settled		57	–	57	–
Total expense recognised as employee costs	5	3,287	3,483	3,287	3,483

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
27. Other financial liabilities				
Current liabilities				
Interest rate derivatives – fair value through profit and loss	2,749	–	–	–
Financial guarantee	1,000	–	–	–
	3,749	–	–	–
Non-current liabilities				
Financial guarantee	2,000	–	–	–
Loans from controlled entities	–	–	13,110	7,313
	2,000	–	13,110	7,313

28. Capital and reserves

Issued capital

Company

On issue at 1 July

Issued during the year

On issue at 30 June – fully paid

Stapled securities	
2009 No.	2008 No.
264,600,482	247,090,493
315,379,594	17,509,989
579,980,076	264,600,482

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 in 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.

Unlisted options

At 30 June 2009, nil unlisted options exist. Movements in unlisted options (excluding ESSIP and EDLTIP options) during the year were as follows:

On issue at 1 July

Exercised during the year

Expired during the year

On issue at 30 June

Unlisted options 2009 No.	Unlisted options 2008 No.
–	188,060
–	(103,200)
–	(84,860)
–	–

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2009

	Consolidated		Company	
	No. '000	\$'000	No. '000	\$'000
Issued Capital				
On issue at 1 July 2008	244,504	301,890	244,504	44,874
Stapled securities issued at \$1.2141 (i)	654	794	654	–
Stapled securities issued at \$0.90 (ii)	24,518	22,066	24,518	–
Stapled securities issued at \$1.0676 (i)	984	1,051	984	–
Stapled securities issued at \$0.4058 (i)	8,464	3,434	8,464	–
Stapled securities issued at \$.3496 (i)	1,578	552	1,578	–
Stapled securities issued at \$0.30 (iii)	276,182	82,854	276,182	–
Less: stapled securities issue costs	–	(4,374)	–	–
On issue at 30 June 2009 – fully paid	556,884	408,267	556,884	44,874
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options				
1 July 2008 – Balance	19,096	–	19,096	–
25 November 2008 – EDLTIP	3,000	130	3,000	–
30 June 2009 – Balance	22,096	130	22,096	–
Other				
1 July 2008 – Balance	1,000	–	1,000	–
Total securities listed on ASX	579,980	408,397	579,980	44,874

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 stapled securities to institutional investors on 24 October 2008
- (iii) Relates to entitlement issue of 1 stapled security for every 1.1 held on 22 May 2009.

For the year ended 30 June 2008

Issued Capital

	Consolidated		Company	
	No. '000	\$'000	No. '000	\$'000
On issue at 1 July 2007	239,398	290,074	239,398	44,874
Stapled securities issued at \$1.2500 (i)	70	88	70	–
Stapled securities issued at \$2.3731 (ii)	1,656	3,937	1,656	–
Stapled securities issued at \$1.2500 (iii)	4	5	4	–
Stapled securities issued at \$1.2500 (iv)	20	25	20	–
Stapled securities issued at \$2.6849 (ii)	1,459	3,927	1,459	–
Stapled securities issued at \$2.2208 (ii)	1,286	2,864	1,286	–
Stapled securities issued at \$1.2500 (vi)	9	12	9	–
Stapled securities issued at \$1.5741 (ii)	602	958	602	–
Less: stapled securities issue costs	–	–	–	–
On issue at 30 June 2008 – fully paid	244,504	301,890	244,504	44,874

Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options

1 July 2007 – Balance	6,692	–	6,692	–
27 November 2007 – EDLTIP (v)	11,000	–	11,000	–
04 December 2007 – ESSIP	1,404	–	1,404	–
30 June 2008 – Balance	19,096	–	19,096	–
Other				
1 July 2007 – Balance	1,000	–	1,000	–
Total securities listed on ASX	264,600	–	264,600	–

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

- (i) 70,000 options exercised at \$1.25 on 13 July 2007.
- (ii) Relates to the issue of stapled securities under the Distribution Reinvestment Plan (DRP)
- (iii) 4,000 options exercised at \$1.25 on 7 September 2007.
- (iv) 20,000 options exercised at \$1.25 on 21 September 2007.
- (v) Relates to Executive Director Long Term Incentive Plan.
- (vi) 9,200 options exercised at \$1.25 on 26 February 2008.

Notes to the consolidated financial statements (continued)

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$ '000	2008 \$'000
Reserves				
Hedge reserve	(121)	(273)	–	–
Available for sale reserve	(538)	(282)	(122)	–
	(659)	(555)	(122)	–
Movement in reserves				
Balance at the beginning of the financial year	(555)	(426)	–	–
Other	(257)	(282)	(122)	–
Effective portion of changes in the fair value of cash flow hedges during the year	153	153	–	–
Balance at the end of the financial year	(659)	(555)	(122)	–

Distributions

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

2009	Cents per security	Total Amount \$'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	–	–	–	–
Aspen Property Trust				
July 08 – Sept 08	3.875	8,620	22 October 2008	–
Oct 08 – Dec 08	2.040	5,607	18 February 2009	–
Jan 09 – Mar 09	2.040	5,779	20 May 2009	–
Apr 09 – Jun 09	1.040	5,792	19 August 2009	–
	8.995	25,798		
2008	Cents per security	Total Amount \$'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	–	–	–	–
Aspen Property Trust				
July 07 – Sept 07	3.875	9,397	18 October 2007	–
Oct 07 – Dec 07	3.875	9,504	23 January 2008	–
Jan 08 – Mar 08	3.875	9,527	23 April 2008	–
Apr 08 – Jun 08	3.875	9,553	21 August 2008	–
	15.500	37,981		–

Dividends

Dividend franking account

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

2009 \$'000	2008 \$'000
2,991	2,991

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

The Group and Company have exposure to the following risks from using their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's and Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, and loans to associates.

The Group 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 Group measures credit risk on a fair value basis.

(i) Trade and other receivables

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or tenant. The Company and Group have a diverse range of customers and tenants and therefore there is no significant concentrations of credit risk, either by nature of industry or geographically.

The Group requests rental deposit or bank guarantees from new tenants in order to secure the premises and tenants are invoiced in advance. Ongoing checks are performed by management to ensure settlement terms detailed in individual contracts are adhered to.

The Company and the Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposures to any one financial institution.

Notes to the consolidated financial statements (continued)

(ii) Loans to associates

The Group as manager has provided funding to its associates by way of loans. Based on the manager's review of the associates' net tangible asset position and cash flow projections, the loans have been assessed to be fully recoverable. Details of the loans and the terms and conditions attaching to these are set out in note 34. Repayment of these loans will occur through future business activities of each respective entity, and future capital raisings.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has liquidity risk management policies, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Cash flow requirements for the Group are reviewed weekly or more regularly if required. The Group is proactive with its financiers in managing the expiry profile of its debt facilities.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The Group is exposed to interest rate risk arising from its long-term interest bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Any decision to hedge interest rate risk will be assessed by the Board in light of the overall Group exposure, the prevailing interest rate market and any funding counterparty requirements.

The Group currently manages a proportion of its cash flow interest rate risk through the use of fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with hedge counterparties to exchange at specified intervals the difference between fixed contract rates and floating rate interest amounts, calculated with reference to the agreed notional principal amount.

The Group is required to hedge a minimum of 50% of its senior debt floating rate exposure in accordance with the conditions of its debt funding facility with its financiers. The Group does not apply hedge accounting to derivative financial instruments.

(ii) Other market price risk

The Group is exposed to equity securities price risk. The key risk variable is the quoted price of stocks which is influenced by a range of factors, most of which are outside the control of the Group. Management of the Group monitors the mix of debt and equity securities based on market indices. Material investments are managed on an individual basis and all buy and sell decisions are approved by the Board.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board of Directors monitors the level of dividends paid to unit holders.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity ratio) as part of its broader strategic plan.

Gearing is a measure used to monitor levels of debt capital used by the Group to fund its operations. This ratio is calculated as interest bearing debt, net of cash and cash equivalents divided by total assets.

The gearing ratios at 30 June 2009 and 30 June 2008 were 30% and 33%, respectively.

There were no changes in the Group's approach to capital management during the year.

Other than normal banking covenant requirements, the Group is not subject to externally imposed capital requirements.

The Group does not have a defined share buy-back plan.

During the year, the Group raised \$106.4m (net of costs) of additional capital including \$100.5m from an equity placement and rights issue. Proceeds from the equity raising strengthened the Group's balance sheet through the application of funds to reduce debt and providing substantial headroom within the Group's senior debt facility.

During the year, Aspen Group suspended its distribution re-investment plan (details of which are available from the Aspen group website).

Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2009 \$ '000	2008 \$ '000
Cash and cash equivalents	4,662	18,376
Trade and other receivables	23,005	16,847
Other financial assets	88,055	75,613
Derivatives	–	5,423
	115,722	116,259

The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2009 \$ '000	2008 \$ '000
Cash and cash equivalents	1,598	2,571
Trade and other receivables	9,048	4,593
Other financial assets	160,743	122,063
	171,389	129,227

The Group's maximum exposure to credit risk for trade receivables and financial assets at the reporting date by type of customer was:

	Carrying Amount	
	2009 \$ '000	2008 \$ '000
Funds management receivables	11,425	3,733
Property management receivables (net of provisions)	2,870	11,666
Amount due from associates	88,055	60,662
Available for sale financial assets	–	14,950
Amount due from directors (refer note 33)	7,191	–
Dividend receivable	219	301
GST and other receivables	1,300	1,148
	111,060	92,460

Notes to the consolidated financial statements (continued)

The Company's maximum exposure to credit risk for trade receivables and financial assets at the reporting date by type of customer was:

	Carrying Amount	
	2009 \$ '000	2008 \$ '000
Amount due from associates	88,055	60,662
Amount due from controlled entities	72,688	46,229
Available for sale financial assets	–	14,950
Trade receivables	1,794	4,208
Amount due from directors	7,191	–
Dividend receivable	23	365
GST and other receivables	40	242
	169,791	126,656

The ageing of the Group's trade receivables at the reporting date was:

	2009 Gross \$ '000	2009 Impairment \$ '000	2008 Gross \$ '000	2008 Impairment \$ '000
Not past due	111,060	–	92,460	–
Past due 0-30 days	–	–	–	–
Past due 31-120 days	266	(266)	–	–
Past due 121 days to one year	266	(266)	–	–
More than one year	–	–	–	–
	111,592	(532)	92,460	–

The impairment provision at 30 June 2009 of \$0.53 million relates to tenants that have either vacated their tenancy with outstanding rental arrears or are currently in financial difficulties. Management has assessed the collectability of all debts and provided for specific provisions for any doubtful debts. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

The Group requests rental deposit or bank guarantees from new tenants in order to secure the premises and tenants are invoiced in advance. At 30 June, the Group holds \$5.3m of bank guarantees pledged by tenants of its investment properties.

None of the Company's loans and receivables are past due. The company has recognised an impairment loss of \$22.36 million on its loans from controlled entities.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and net receipts under cash flow hedges:

Consolidated

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2009							
Secured bank loans	(191,526)	(222,980)	(13,781)	(6,626)	(13,913)	(188,661)	–
Hire purchase liabilities	(11)	(11)	(11)	–	–	–	–
Trade and other payables	(5,419)	(5,419)	(5,419)	–	–	–	–
Interest rate swaps	(2,749)	(3,796)	(1,395)	(869)	(1,140)	(393)	–
	(199,705)	(232,206)	(20,606)	(7,495)	(15,053)	(189,054)	–
2008							
Secured bank loans	(229,560)	(292,612)	(25,390)	(9,451)	(19,066)	(238,705)	–
Hire purchase liabilities	(42)	(44)	(17)	(17)	(10)	–	–
Trade and other payables	(7,054)	(7,054)	(7,054)	–	–	–	–
Interest rate swaps	5,423	6,874	1,203	1,367	2,137	2,167	–
	(231,233)	(292,836)	(31,258)	(8,101)	(16,939)	(236,538)	–

Company

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2009							
Trade payables	(1,512)	(1,512)	(1,512)	–	–	–	–
Amount due to stapled and controlled entities	(328,166)	(328,166)	–	–	(328,166)	–	–
	(329,678)	(329,678)	(1,512)	–	(328,166)	–	–
2008							
Trade payables	(488)	(488)	(488)	–	–	–	–
Amount due to stapled and controlled entities	(219,298)	(219,298)	–	–	(219,298)	–	–
	(219,786)	(219,786)	(488)	–	(219,298)	–	–

The amounts due to stapled and controlled entities are callable loans that the Company will not be required to repay within the next 12 months.

Notes to the consolidated financial statements (continued)

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 1.57 years (2008: 2.57 years) and have fixed swap rates ranging from 5.69% to 5.93% (2008: 5.69% to 5.93%). At 30 June the Group had interest rate swaps with a notional contract amount of \$119.6 million (2008: \$119.6 million).

The net fair value of interest rate swaps at 30 June 2009 was a liability for \$2,748,848 (2008: asset of \$5,423,556).

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying Amounts				
Fixed Rate Instruments				
Hire purchase liability	(11)	(42)	–	–
	(11)	(42)	–	–
Variable Rate Instruments				
Cash and cash equivalents	4,662	18,376	1,598	2,571
Amount due from associates	88,055	60,662	88,055	60,662
Amount due from directors	7,191	–	7,191	–
Interest rate derivatives	(2,749)	5,423	–	–
Interest bearing loans	(191,526)	(229,560)	(315,056)	(211,985)
	(94,367)	(145,099)	(218,212)	(148,752)

The put option referred to in Note 31 has been fair valued by an independent valuer. As at 30 June, it was estimated that there was no liability required to be raised in relation to this option. Measurement inputs included the current net tangible asset position of the underlying investment, asset growth assumptions, expected volatility, and expected investor and capital returns.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

	Consolidated Profit or loss		Company Profit or loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$'000	\$'000	\$'000	\$'000
30 June 2009				
Variable rate instruments	(916)	916	(2,254)	2,254
Interest rate swap	1,196	(1,196)	–	–
Cash flow sensitivity (net)	280	(280)	(2,254)	2,254
30 June 2008				
Variable rate instruments	(1,505)	1,505	(1,487)	1,487
Interest rate swap	1,195	(1,195)	–	–
Cash flow sensitivity (net)	(310)	310	(1,487)	1,487

Equity price risk

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

Estimation of fair value

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(u).

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009 %	2008 %
Derivatives	3.2% – 4.9%	7.7% – 8.2%

Notes to the consolidated financial statements (continued)

30. Consolidated entities

	Ownership interest 2009	Ownership interest 2008
	%	%
Parent entity		
Aspen Group Limited (stapled entity – Aspen Property Trust)		
Subsidiaries		
Aspen (Septimus Roe) Pty Ltd	100	100
Aspen Property Developments Pty Ltd	100	100
Aspen (Midland Cinemas) Pty Ltd	100	100
Aspen Funds Management Ltd	100	100
Aspen Living Villages Pty Ltd	100	100
Aussie.com.au (2000) Pty Ltd	100	100
Aspen Development Fund No. 2 Ltd	100	100
Aspen Property Management Pty Ltd	100	100
Aspen Clifftleigh Ltd	100	100
Aspen Search Pty Ltd	100	100
Aspen Select Property Fund	100	100
Aspen Communities Property Fund ⁽¹⁾	100	100
Aspen Villages Property Fund ^{(1) (2)}	73	44

(1) Including controlled entities

(2) On 1 July 2008, the Aspen Villages Property Fund was consolidated with fair values of Assets of \$24.3m and Liabilities of \$17.2m.

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.

31. Capital and other commitments

Aspen Group has a put option commitment to a shareholder in Aspen Development Fund No.1 Ltd (“ADF”). Under the terms of the option, the shareholder may serve a notice to Aspen to purchase its shares in ADF for their original cost amount, being \$31.25 million, less any investor and capital returns received by the shareholder from the acquisition date to the date the option is exercised. The option is exercisable on 31 October 2012.

Aspen Group has committed to participate in Rights Issues relating to certain of its investments in associated entities. The total of the commitment (including further funding if required of \$15 million) amounts to \$39.4 million, of which \$24.4 million will be funded through existing reserves and \$15 million will be funded from additional bank facilities as disclosed on Note 35. A further \$5 million commitment may also be required to be contributed. The total funds raised will be used to support continuing development activities within the funds.

The Group has committed to pay an amount of \$13 million in relation to a retirement village site.

Other than noted above, the consolidated entity had no significant capital or other commitments.

32. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Cash flows from operating activities				
Profit/(loss) for the year	(64,658)	70,847	(60,633)	18,277
Adjustments for:				
Depreciation	707	401	219	174
Change in value of investment property	28,911	(33,672)	–	–
Change in value of cash flow hedges	8,172	(1,499)	–	–
Share of profit of associates	45,973	(5,332)	–	–
Share-based payment expenses	3,267	3,483	3,274	3,483
Write-down of inventory to recoverable amount	19,422	–	563	–
Profit/(loss) from disposal of assets	1,564	(1,913)	–	–
Impairment of Net Assets of Controlled Entities	–	–	22,358	–
Impairment of Investment in Associates	–	–	43,579	–
Income tax (expense)/benefit	(26,355)	2,154	(24,802)	(12,668)
Amortisation of derivative reserve	153	153	–	–
Operating profit/(loss) before changes in working capital and provisions	17,156	34,622	(15,442)	9,266
(Increase)/decrease in trade and other receivables	(3,955)	(312)	2,647	752
(Increase)/decrease in other assets	1,730	1,593	1,191	(1,694)
Increase/(decrease) in trade and other payables	(298)	3,803	(1,387)	(4,734)
Increase/(decrease) in other liabilities	333	762	64	(179)
Increase in provisions and employee benefits	43	65	100	185
Net cash from/(utilised in) operating activities	15,009	40,533	(12,827)	3,596

33. 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, M McCann
Executive directors: A Del Borrello, G Hawkins
Senior Executives: C Lewis, J Timms, B Acott, W Marshall, R Botha

Notes to the consolidated financial statements (continued)

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

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Short-term employee benefits	3,550	5,155	3,550	5,155
Other long term benefits	–	–	–	–
Post-employment benefits	303	266	303	266
Termination benefits	–	–	–	–
Equity compensation benefits	2,075	1,829	2,075	1,829
	5,928	7,250	5,928	7,250

Information regarding individual directors' and executives' remuneration is provided in the Remuneration Report section of the Director's 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/EDLTIP

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 Monte Carlo 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 26 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/EDLTIP

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

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 01 July 2008	Granted as Remuneration ¹	Other ³	Expired/ Forfeited	Balance at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
R Gillard	–	–	–	–	–	–	–
A Del Borrello ²	5,500,000	–	1,500,000	–	7,000,000	–	–
A Del Borrello ¹	2,050,000	–	–	–	2,050,000	1,250,000	2,050,000
G Hawkins ²	5,500,000	–	1,500,000	–	7,000,000	–	–
G Hawkins ¹	2,050,000	–	–	–	2,050,000	1,250,000	2,050,000
S F Chan	–	–	–	–	–	–	–
T Budge	–	–	–	–	–	–	–
M McCann	–	–	–	–	–	–	–
Senior Executives							
C Lewis ¹	–	108,899	–	–	108,899	–	–
J Timms ¹	99,863	466,708	–	–	566,571	–	–
B Acott ¹	442,926	264,468	–	(342,926)	364,468	250,000	100,000
W Marshall ¹	55,756	108,899	–	(55,756)	108,899	–	–
R Botha ¹	105,756	124,456	–	(105,756)	124,456	50,000	–
Total	15,804,301	1,073,430	3,000,000	(504,438)	19,373,293	2,800,000	4,200,000

	Balance at 01 July 2007	Granted as Remuneration ¹	Other ³	Expired/ Forfeited	Balance at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
R Gillard	–	–	–	–	–	–	–
A Del Borrello ²	–	–	5,500,000	–	5,500,000	–	–
A Del Borrello ¹	2,050,000	–	–	–	2,050,000	500,000	800,000
G Hawkins ²	–	–	5,500,000	–	5,500,000	–	–
G Hawkins ¹	2,050,000	–	–	–	2,050,000	500,000	800,000
S F Chan	–	–	–	–	–	–	–
T Budge	–	–	–	–	–	–	–
M McCann	–	–	–	–	–	–	–
Senior Executives							
S Price ^{1 3}	200,000	55,756	–	–	255,756	100,000	150,000
J Timms ¹	–	99,863	–	–	99,863	–	–
B Acott ¹	350,000	92,926	–	–	442,926	100,000	100,000
W Marshall ¹	–	55,756	–	–	55,756	–	–
R Botha ¹	50,000	55,756	–	–	105,756	–	–
M Rance ^{1 3}	50,000	55,756	–	–	105,756	–	–
Total	4,750,000	415,813	11,000,000	–	16,165,813	1,200,000	1,850,000

1. Relates to options granted as part of the Employee Stapled Security Incentive Plan (ESSIP).
2. Relates to options granted under the Executive Director Long Term Incentive Plan (EDLTIP).
3. Executives resigned during the financial year.

Notes to the consolidated financial statements (continued)

Listed Options

No listed options were granted during the financial year ended 30 June 2009 (2008: Nil). No listed 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 01 July 2008	Granted as Remuneration	Net Purchases/ (Sales)	Balance at 30 June 2009
Directors				
R Gillard	1,287,831	–	1,368,992	2,656,823
T Budge	208,499	–	233,949	442,448
SF Chan	1,439,664	–	1,615,394	3,055,058
M McCann	80,000	–	89,764	169,764
A Del Borrello	4,150,000	–	13,400,815	17,550,815
G Hawkins	3,149,523	–	11,472,943	14,622,466
Senior Executives				
C Lewis	–	–	–	–
J Timms	276,000	–	632,728	908,728
B Acott	97,426	–	(49,787)	47,639
W Marshall	–	–	–	–
R Botha	6,274	–	(1,731)	4,543
Total	10,695,217	–	28,763,067	39,458,284
	Balance at 01 July 2007	Granted as Remuneration	Net Purchases/ (Sales)	Balance at 30 June 2008
Directors				
R Gillard	1,188,572	–	99,259	1,287,831
T Budge	138,499	–	70,000	208,499
SF Chan	1,439,664	–	–	1,439,664
A Del Borrello	3,429,104	–	720,896	4,150,000
G Hawkins	3,149,523	–	–	3,149,523
M McCann	–	–	80,000	80,000
Senior Executives				
S Price	401,521	–	–	401,521
J Timms	–	–	276,000	276,000
B Acott	91,512	–	5,914	97,426
W Marshall	–	–	–	–
R Botha	13,670	–	(7,396)	6,274
M Rance	35,143	–	(14,632)	20,511
Total	9,887,208	–	1,230,041	11,117,249

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 and Executive Director Long Term 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 \$6,333 (2008: \$3,500) for legal services relating to the Group's commercial property transactions on normal terms and conditions.

In addition, Chan Galic is also a tenant of Septimus Roe, an investment property held by the Group. Rentals at commercial terms were paid during the year to the Group.

During the year, corporate advisory and securities firm Peak Financial Partners Pty Ltd, a director related company of Mr G Hawkins and Mr A Del Borrello, received net commission totalling \$2,298 (2008: \$30,761), for capital raising on behalf of Aspen Group. The gross fee earned by the company was a maximum of 4% (2008: 4%) of funds raised by Peak's agency advisors, and on the same terms and conditions as generally offered to external advisors.

Loans to Executive Directors

In May 2009, Aspen Group announced a 1 for 1.1 pro rata offer (Entitlement Offer) to all existing securityholders. As announced to the ASX on the 19 May 2009, Aspen Group has provided a full recourse \$7.2 million loan to the Executive Directors to enable them to fully participate in the Entitlement Offer. Key terms of the loan which are as follows:

- 5 year term with allowance for early repayment
- Interest to accrue at 50 basis points above Aspen's senior cost of debt
- Loan fully secured against property backed assets
- Mandatory early repayment triggers by resignation or dismissal
- Distributions earned in excess of interest charged (net of tax), are required to be applied against the loan balance
- All transaction costs including stamp duty, legal fees, valuations etc to be at the Executive Director's account
- Entitlement securities are placed in a trading lock for the term of the loan and will only be lifted once the receivable has been paid off in full.

The loan amount is recorded as a receivable in balance sheet of Aspen Group Limited and is fully repayable at the end of the loan term.

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 IFRS because they are considered options for accounting purposes.

Under AASB 2 "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 not 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.

Notes to the consolidated financial statements (continued)

34. Related Party Transactions

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 30), associates (see note 15) and with its key management personnel (see note 33).

Other related party transactions

Subsidiaries

The following at call loans are outstanding between group entities at year end. These loans are interest free (except for Aspen Property Trust) and not subject to any formal repayment arrangements.

	Company	
	30 June 2009 (\$'000)	30 June 2008 (\$'000)
Aspen (Septimus Roe) Pty Ltd	31,776	12,489
Aspen Property Development Pty Ltd	9,529	7,206
Aspen (Midland Cinemas) Pty Ltd	(1,040)	(1,320)
Aspen Property Trust	(315,056)	(211,985)
Aspen Funds Management Pty Ltd	(12,070)	(5,968)
Aspen Living Villages No 1 Pty Ltd	1,095	210
Aspen Villages Property Fund	11,310	–
Aspen Communities Property Fund	18,978	25,541
Aspen Development Fund No 2 Ltd	–	980
Total	(255,478)	(172,847)

The interest expense on the loan from Aspen Property Trust was \$41.8 million (2008: \$39.3 million).

Associates

All associates borrowed funds from Aspen Group Limited at an average interest rate of 8.15% per annum (2008: 10.0% per annum). The following at call loans are from the Group and are outstanding at year end.

	Consolidated		Company	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Aspen Parks Property Fund	20,287	1,463	20,287	1,463
Aspen Diversified Property Fund	29,722	30,040	29,722	30,040
<i>Aspen Living</i>				
Aspen Dunsborough Lakes Ltd	9,746	2,499	9,746	2,499
Aspen Whitsunday Shores Pty Ltd	11,469	7,086	11,469	7,086
Fern Bay Seaside Village Ltd	8,127	10,795	8,127	10,795
St Leonards Estate Pty Ltd	3,798	–	3,798	–
Aspen Development Fund No 1 Ltd	4,906	–	4,906	–
	88,055	51,883	88,055	51,883

Aspen Group limited has receivables owing from Associates of \$11.4m (\$3.7m in 2008).

Aspen Group manages the funds for Aspen Parks Property Fund, Aspen Diversified Property Fund, Aspen Dunsborough Lakes Ltd, Aspen Whitsunday Shores Pty Ltd, Fern Bay Seaside Village Ltd, St Leonard's 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 2009 (\$'000)	30 June 2008 (\$'000)
Management Fees		
Aspen Parks Property Fund	5,377	8,779
Aspen Diversified Property Fund	1,431	4,744
<i>Aspen Living</i>		
Aspen Dunsborough Lakes Ltd	340	3,829
Aspen Whitsunday Shores Pty Ltd	263	218
Fern Bay Seaside Village Ltd	304	620
St Leonard's Estate Pty Ltd	–	1,041
Aspen Development Fund No 1 Ltd	11,311	13,416
Aspen Villages Property Fund	–	955
Other investments	242	250
	19,268	33,852

	Consolidated	
	30 June 2009 (\$'000)	30 June 2008 (\$'000)
Interest Income		
Aspen Parks Property Fund	757	296
Aspen Diversified Property Fund	2,643	2,185
<i>Aspen Living</i>		
Aspen Dunsborough Lakes Ltd	426	424
Aspen Whitsunday Shores Pty Ltd	893	448
Fern Bay Seaside Village Ltd	780	1,355
St Leonard's Estate Pty Ltd	170	331
Aspen Development Fund No 1 Ltd	764	68
	6,433	5,107

Guarantees to related parties

Aspen Group Limited and Aspen Funds Management have guaranteed the bank facilities of two controlled entities, Aspen Communities Property Fund totalling \$0.7 million and an associated entity Aspen Village Property Fund totalling \$0.2 million. These guarantees expire 31 December 2009. The fair value has been assessed to approximate book value.

The Group has also indemnified the Aspen Villages Property Fund (AVPF) in relation to the sale of land held in AVPF at Herne Hill, WA. The land (which has a carrying value of \$3.7m) does not form part of the fund's initial portfolio and is currently on the market. Under the indemnity, the profit or loss on disposal of the land will be passed onto Aspen Group with nil impact to AVPF.

Notes to the consolidated financial statements (continued)

35. Events subsequent to reporting date

On 25 August 2009, the Group announced that the minimum equity raising and asset sale requirements of \$33 million for the Aspen Diversified Property Fund was successfully achieved to ensure it will meet all finance facility obligations of the Fund. As part of the equity raising an investor was secured to underwrite any shortfall in the \$15 million minimum entitlement offer. As a requirement of the underwriting agreement, the Group has committed to acquire any of the underwritten units not divested by the underwriter at the end of a two year period, or earlier at the Group's discretion, together with a commercial return. At the date of this report the maximum under this commitment totalled \$4.94 million.

The Group has increased its senior debt facility limit to \$213.0 million subsequent to year end. The facility LVR covenant has been increased from 65% to 69% to accommodate this increase, thus ensuring no reduction in the facility headroom. The \$15.0 million increase can be applied to any funding requirements of the Group's associated entities that have facilities with the Group's primary lender.

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 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 Group as at 30 June 2009 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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b)(i);
 - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' Report comply with Australian Accounting Standard AASB 124 "Related Party Disclosures", Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) 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 Managing Director and Finance Director for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors



Angelo Del Borrello
Executive Director

Perth, 31 August 2009



Gavin Hawkins
Executive Director

Perth, 31 August 2009

Corporate Governance Statement

The ASX Corporate Governance Council requires that the Group must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

The following is a summary of major policies adopted by the Group, and where appropriate, explanations of where best practice recommendations have not been applied. This Corporate Governance Statement is not an exhaustive list of all the Company's corporate governance policies. The policies have been updated to reflect the second edition of ASX Corporate Governance Principles and Recommendations, which were released by the ASX Corporate Governance Council during August 2007. The Groups Corporate Governance Charter is located on the Group's website (www.aspengroup.com.au)

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Group has complied with this recommendation. A Corporate Governance Charter of matters reserved for the Board and management is available on the Group's website and summarised as follows:

Responsibilities of the Board

The Board's primary role is to ensure securityholders' 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 30 June 2009, 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 securityholders 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 Executive Directors;
- Confirm the appointment and removal of Senior Executives;
- 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;
- Approving and monitoring financial and other reporting;
- 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.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Group has complied with this recommendation. All employees including senior executives participate in a formal review process which assesses individual performance against predetermined objectives. The process evaluates the individual's contribution to the organisation, gains feedback on enhancing performance and insight into future career aspirations. The outcomes of the review are used as a basis for determining appropriate remuneration packages and the most efficient organisational structure.

Outcomes of the performance reviews are communicated to the Board and Remuneration Committee.

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the board should be independent directors.

The Group has complied with this recommendation. The independent directors of the Group are:

- Mr Reg Gillard
- Mr Terry Budge
- Mr Matthew McCann
- Mr Seng Fai Chan

The Group will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independence status changes this should be disclosed to the Board and explained to the market in a timely manner.

The criteria to be adopted in determining the independence of directors follows the definition as prescribed in the ASX best practice guidelines. That is:

- Is not directly or indirectly a substantial securityholder in Aspen Group;
- Has not within the last three years been employed in an executive capacity by Aspen Group
- Has not within the last three years been an adviser, consultant or material supplier to Aspen Group;
- Has no material contractual relationship with Aspen Group other than the appointment as Director;
- As no other interest or relationship that could interfere with the director's ability to act in the best interests of Aspen Group and independently of management.

(Materiality in this context is defined as a 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).

Composition of the Board

The Board 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 candidate's other commitments in both executive and non-executive roles;
- Conducting face to face interviews with members of the Nomination Committee to determine the candidate's 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.

Corporate Governance Statement

Recommendation 2.2: The chair should be an independent director.

The Group has complied with this recommendation.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The Group has complied with this recommendation.

Recommendation 2.4: The board should establish a nomination committee.

The Group has complied with this recommendation. The Nomination Committee is appointed by the Board and comprised the following members during the year:

- Mr Reg Gillard (Chairperson) – Independent Non-Executive
- Mr Terry Budge – Independent Non-Executive
- Mr Gavin Hawkins – Executive

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 roles as members of the Committee.

The Nomination Committee's Charter is available on the Group's website within the Corporate Governance Charter.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Group has complied with this recommendation. Performance evaluations of the Board, its Committees and individual directors took place in the reporting period in accordance with the following evaluation process:

- On an annual basis, the Board and its committees adopt a formal review process, overseen by the Chairman. The process involves a peer evaluation assessing each individual director's performance and competence, their contribution to the Board and feedback on enhancing performance. Board members are encouraged during this process to raise any matter, either positive or negative which they believe will contribute to the ongoing effectiveness of the Board.
- Where a Board member is due for re-election other Board members will be invited to review the performance of the Board member prior to making a recommendation for re-election.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the company's integrity;
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Group has complied with this recommendation. The Board has adopted a Code of Conduct to promote ethical and responsible decision making by directors, management and employees. 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 code of conduct must be read and agreed at the commencement of employment and at regular intervals thereafter.

The Code of Conduct is available on the Group's website within the Corporate Governance Charter.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Group has complied with this recommendation. The Board has adopted a policy on trading in the Group's securities by directors, senior executives and employees. The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

Aspen Group must continuously release information as required under the ASX Continuous Disclosure Rules. Such information becomes generally available after a reasonable period has elapsed, for it to be disseminated among the public. 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 or not. These prohibitions regarding the behaviour of employees and their associates in the trading of Aspen securities are contained in the Code of Conduct, a document which is discussed with all employees in the induction meeting with the Compliance Manager. 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. The Policy for trading in Aspen Group Stapled Securities by employees and directors is available on the Group's website within the Corporate Governance Charter.

Corporate Governance Statement (continued)

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The board should establish an audit committee.

The Group has complied with this recommendation. The members of the Audit Committee during the year were:

- Mr Terry Budge (Chairman) – Independent Non-Executive
- Mr Reg Gillard – Independent Non-Executive
- Mr Seng Fai Chan – Independent Non-Executive

Due consideration will be given by the Board of Directors from time to time, with a view to rotating members without, however, losing the continuity of experience and knowledge gained by the members of the Audit Committee.

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 Financial Officer, or the external auditors. Any director, if they wish, may attend any meeting. The Chief Financial 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 Managing Director and Financial Director declare annually in writing to the Board that the financial records of the Group have been properly maintained; the Group's financial reports comply with accounting standards and present a true and fair view of the Group's financial condition and operational results.

The Audit Committee's responsibilities include the following:

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.

External Audit

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

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.

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.

Recommendation 4.2: The audit committee should be structured so that it:

- Consists only of non-executive directors;
- Consists of a majority of independent directors;
- Is chaired by an independent chair, who is not chair of the board; and
- Has at least three members.

The Group has complied with these recommendations.

Recommendation 4.3: The audit committee should have a formal charter.

The Group has complied with this recommendation. The Audit Committee's charter is available on the Group's website within the Corporate Governance Charter.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Group has complied with this recommendation. The Board has adopted a Disclosure and Communication Policy to ensure that:

- All investors have equal and timely access to material information concerning the Group including its financial position, performance, ownership and governance; and
- Group announcements are factual, presented in a clear and balanced way, are made in a timely manner and do not omit material information.

The Group provides securityholders with information using this 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.

In summary the Disclosure and Communication Policy operates as follows:

- The Board is committed to effectively communicating with its securityholders and the investment market 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 ASX 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 approved 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 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 securityholders, it may be impractical to present this to all securityholders. 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 securityholder meeting, the full text of the notice of meeting will be provided in the 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.

Corporate Governance Statement (continued)

Securityholders are encouraged to attend and participate in Aspen Group's Annual General Meeting which is usually held in October or November each year. An explanatory memorandum on the resolutions proposed is provided with the Notice of Meeting. Securityholders unable to attend the AGM are able to lodge a proxy in accordance with the Corporations Act 2001. Securityholders 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 securityholder register. Securityholders can contact Computershare on 1800 804 985 or via their website www.computershare.com.au.

The Disclosure and Communication Policy is available on the Company's website within the Corporate Governance Charter.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Group has complied with this recommendation. The Disclosure and Communication Policy is available on the Company's website within the Corporate Governance Charter.

Principle 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Group has complied with this recommendation. The Board as a whole is ultimately responsible for establishing and reviewing the Group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has adopted a Risk Management Policy designed to:

- Identify, assess, monitor and manage risk
- Identify material changes to the Group's risk profile

Management has instituted a structure that identifies and addresses risks that could have a material impact on its business. This structure includes a senior Aspen executive working with the Compliance Manager, to liaise with working parties from each Aspen division. Risks are identified and analysed for each area, and suitable reporting created to address the risks.

It is also a Board function to identify risks in its consideration of strategic matters, and feed such information into the Risk Management structure.

Risks and their treatment are included in the Compliance Committee's report to the Board.

The Group's Risk Management Policy is available on the Group's website within the Corporate Governance Charter.

Management and Board Responsibility

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, senior management investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel. Management shall report to the Board annually that the Group has a sound system of risk management in place and that those systems are operating efficiently and effectively in all material respects. The Board is required to disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

Compliance Committee

Aspen Fund Management Limited (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 function and effectiveness of the Compliance Plan 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 Keith Platel (Chairman) – External Independent Member
- Mr Mark Atkinson – External Independent Member
- Mr David Mortimer – Executive 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 majority of Compliance Reports presented to the Committee by the Responsible Managers are designed to monitor risks and risk treatment.

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.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Group has complied with this recommendation.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Group has complied with this recommendation. The Managing Director and Financial Director are required by the Group to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(A) of the Corporations Act:

- That the Group's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Group and comply with relevant accounting standards; and
- That the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The board should establish a remuneration committee.

The Group has complied with this recommendation. The members of the Remuneration Committee during the year were:

- Mr Reg Gillard (Chairperson) – Independent Non-Executive
- Mr Terry Budge – Independent Non-Executive
- Mr Matthew McCann – Independent Non-Executive

Corporate Governance Statement (continued)

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 Remuneration Committee's charter is available on the Group's website within the Corporate Governance Charter.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Group has complied with this recommendation. Details of directors' and executives' remuneration, including those with respect to retirement benefits, are set out in the Remuneration Report section of the Directors' Report.

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ASPEN
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Additional Securities Exchange Information

Capital Structure

As at 24 September 2009 Aspen Group had on issue 579,980,076 stapled securities.

(a) Distribution of Securities

Analysis of numbers of holders by size of holding.

Size of Holding	Number of Securityholders
Less than 1,001	734
1,001 to 5,000	876
5,001 to 10,000	667
10,001 to 100,000	2,277
More than 100,001	399
	4,953

There were 746 holders of less than marketable parcels (Minimum \$500 parcel at \$0.47 per stapled security)

(b) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of stapled securities as at 24 September 2009 are listed below:

Name	No. of Stapled Securities	Percentage Held of Stapled Securities
NATIONAL NOMINEES LIMITED	99,926,819	17.23%
J P MORGAN NOMINEES AUSTRALIA LIMITED	60,478,175	10.43%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,459,436	5.08%
VBS INVESTMENTS PTY LTD	21,094,248	3.64%
COGENT NOMINEES PTY LIMITED	18,144,505	3.13%
MR ANGELO DEL BORRELLO <ADB FAMILY A/C>	13,467,055	2.32%
MR GAVIN HAWKINS <HAWKINS FAMILY A/C>	12,006,404	2.07%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	11,570,189	1.99%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	11,566,746	1.99%
ANZ NOMINEES LIMITED <CASH INCOME A/C>	10,394,601	1.79%
MR ANGELO DEL BORRELLO <ADB FAMILY A/C>	8,250,000	1.42%
GAVIN HAWKINS <HAWKINS FAMILY A/C>	8,250,000	1.42%
SKIPTAN PTY LTD <THE P & M MEURS FAMILY A/C>	7,825,000	1.35%
CITICORP NOMINEES PTY LIMITED	7,498,281	1.29%
BOND STREET CUSTODIANS LIMITED <MACQUARIE SMALLER CO'S A/C>	6,230,304	1.07%
CITICORP NOMINEES PTY LTD <CWLTH BANK OFF SUPER A/C>	5,104,469	0.88%
MR ANGELO DEL BORRELLO <THE ADB A/C>	4,883,760	0.84%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,740,056	0.82%
LENTAL PTY LTD	4,191,942	0.72%
CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH PROPERTY 1 A/C>	3,803,969	0.66%
Total Top 20	348,885,959	60.15%
Total Stapled Securities on Issue	579,980,076	100.00%

(c) Substantial Securityholders

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

Date of Notification	Securityholder	No. of stapled securities
8/09/2009	Acorn Capital Limited	58,908,717
7/08/2009	UBS Nominees Pty Ltd	36,013,108
7/07/2009	VBS Investments Pty Ltd	28,986,212

d) Dividend and Distribution History

Period/ Quarter Ended	Date Paid	Aspen Group Ltd		Aspen Property Trust		Total Amount Paid cents
		Dividend Cents per share	Franking %	Distribution cents per share	Tax Deferred%	
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	71.30	0.9435	47.51	1.235
December 2003	20/01/04	0.4345	71.30	1.4155	47.51	1.85
March 2004	22/04/04	0.4345	71.30	1.4155	47.51	1.85
June 2004	12/08/04	0.337	0.00	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
September 2007	18/10/07	–	–	3.875	0.70	3.875
December 2007	23/01/08	–	–	3.875	0.70	3.875
March 2008	23/04/08	–	–	3.875	0.70	3.875
June 2008	21/08/08	–	–	3.875	0.70	3.875
September 2008	22/10/08	–	–	3.875	1.54	3.875
December 2008	18/02/09	–	–	2.040	1.54	2.040
March 2009	20/05/09	–	–	2.040	1.54	2.040
June 2009	19/08/09	–	–	1.040	1.54	1.040

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

(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.

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ASPEN
GROUP

Corporate Directory

Board of Directors:

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

Registered office:

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256 Adelaide Terrace
Perth WA 6000

Tel: +61 8 9220 8400

Fax: +61 8 9220 8401

E-mail: homemail@aspengroup.com.au

Group Company Secretary:

Gavin Hawkins

Share Registry:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Tel: +61 8 9323 2000

Fax: +61 8 9323 2033

Auditor:

KPMG
235 St Georges Terrace
Perth WA 6000

Tel: +61 8 9263 7171

Fax: +61 8 9263 7129

Investor Enquiries

Freecall: **1800 220 840**

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