ASPEN GROUP

Annual Report 2010

Contents

Chairman's Letter	3
Managing Director's Review	5
Corporate Structure	8
Investment Property Portfolio	9
Funds Management	13
Board of Directors	22
Investor Relations	24
Directors' Report	25
Financial Report	45
Additional Securities Exchange Information	115
Corporate Directory	Inside Back Cover

“Strategy and platform in place to pursue earnings growth”

Year in Review

- FY10 Operating EPS and DPS guidance met
- Strong full year operating cash flows of $31m, up from $15m in the prior year
- Asset values stabilised
- “New look” executive team with a clear strategy
- Established platform to pursue solid earnings growth

Financial Summary

Key Financial Results

	2006	2007	2008	2009	2010
Operating Revenue*	$41.1 m	$60.4 m	$77.3 m	$70.2 m	$71.9 m
Operating Profit After Tax*	$18.5 m	$33.5 m	$43.8 m	$33.2 m	$33.6 m
Total Assets	$352.4 m	$536.9 m	$652.7 m	$620.8 m	$646.9 m
Net Borrowings	$165.3 m	$161.9 m	$211.2 m	$186.9 m	$220.8 m
Securityholder Equity	$168.1 m	$331.8 m	$379.9 m	$400.9 m	$388.6 m
Gearing	32%	31%	33%	30%	34%

Key Investor Data

	2006	2007	2008	2009	2010
Operating Earnings Per Security*	12.81 cents	15.99 cents	18.06 cents	11.91 cents	6.04 cents
Distributions Per Security	10.00 cents	12.75 cents	15.50 cents	8.995 cents	4.20 cents
Net Tangible Assets Per Security (NTA)**	$1.09	$1.35	$1.53	$0.71	$0.69

* 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

Whitsunday Shores, QLD.

"Lot sales increased 120% on the previous period,reflecting more stabilised residential markets and an improvement in investor confidence"

Dunsborough Lakes , WA

Chairman's Letter

Dear Investors,

The last financial year saw continued difficult trading conditions for the Australian property market. Whilst the worst of the Global Financial Crises appeared to be behind us, equity markets were beset with new challenges, as a result of uncertainty in the financial health of a number of European countries and the continued global reluctance of banking institutions to ease their credit practices, both of which inhibited the expected rebound in the property sector.

Despite these challenges, the Group reported an operating profit of $33.6 million, slightly ahead of the prior year result of $33.2 million, a significant achievement considering the uncertain landscape we operated in.

This equated to operating earnings per security of 6.04 cents, allowing us to pay distributions of 4.2 cents per security, in line with guidance provided at the start of the year.

Our property portfolio continues to deliver solid recurring earnings to the Group and the outcome of recent independent valuations undertaken clearly illustrates a stabilisation in commercial property values.

It was also very encouraging to see a recovery in our funds management business, after two very difficult years. Lot sales within our residential division increased substantially, reflecting more stabilised residential markets and an improvement in investor confidence.

The imminent commencement of projects in our development fund is also a significant achievement for the Group, following two years of tight credit markets that stalled commencement of these projects.

Your Board and senior executive team has made some difficult decisions over past 2 years which are now having a positive impact to our bottom line. Operating costs decreased by 20% through a number of cost cutting initiatives including streamlining the management team, implementing freezes on executive salaries and the rationalisation of non-income producing business units.

Over the past five months we also announced key changes to our senior executive team, changes that in the Board's view were appropriate to take the Group forward and ensure its continued growth and development as a quality national property and funds management business. I would like to extend the Board's appreciation at this time to Mr Angelo Del Borrello for the significant contribution he played in the development of the Group over his many years as Managing Director.

I would like to thank my fellow Board members and all Aspen staff for their dedication and perseverance over the past year. Their hard work leaves the Group transformed and well placed to take advantage of more positive conditions going forward.

On behalf of the Board, executive management team and staff I would like to thank you for your continued support of Aspen Group and I look forward to reporting to you next year.

Reg Gillard
Chairman

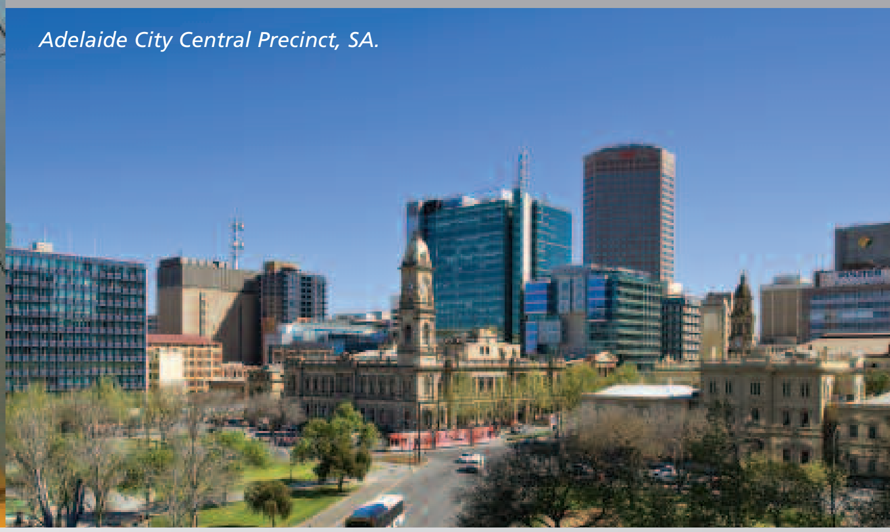

Karratha Accommodation Village, WA.


Coogee Beach Holiday Park, WA.

Tower 2, SA.

"Looking ahead, the investment property portfolio will continue to provide a stable revenue platform, and we expect a significant improvement from our Funds Management business"

Adelaide City Central Precinct, SA.



Managing Director's Review

I am pleased to present my first report to securityholders as Managing Director of Aspen Group. My overriding message to securityholders is that I am committed to the task ahead. I am confident the quality of Aspen's property assets and people provides the necessary framework to deliver on this commitment.

The 2010 financial year continued to present a number of challenges with recovery in markets not uniform, credit conditions still constrained and investor confidence in property, whilst recovering, is still low. I believe the Group has responded to these challenges in a prudent and positive manner, which will ultimately lead to improved results. To that end I acknowledge the hard work of our team and patience of securityholders.

Aspen's investment property portfolio underpins the Group's earnings and despite recent difficult market conditions has delivered reliable and consistent rental income, the importance of which cannot be underestimated.

Funds management remains a key pillar of Aspen's business model with its ability to generate attractive returns on invested capital. Despite a lower earnings contribution in 2010, as a result of subdued inventory levels and transactional activity within our development funds, assets under management have remained steady and with a more positive market backdrop I expect to see a resurgence in funds management earnings in FY11.

Financial Performance

Aspen recorded a statutory profit after tax of $12.5 million for the year, against the prior year loss of $64.5 million. Excluding non-cash adjustments such as property revaluations, an operating profit of $33.6 million was recorded which was in line with previously provided market guidance. The four quarterly distribution payments totaling 4.20 cents per security were also consistent with market guidance and were well covered by operating cashflows, which doubled to $31 million for the year.

Whilst the market remains cautious with regards to asset carrying values, it is pleasing to note that the carrying value of our asset base has stabilised and now represents a book value of $0.69 per security. Our current securityprice is therefore trading at a significant discount to the Group's asset value per security.

Gavin Hawkins, Managing Director

Capital Management

Capital management has remained at the forefront of the Group's priorities. Following a recapitalisation in 2009, the Group has maintained a disciplined approach to cashflow management which has assisted in maintaining an appropriate gearing level throughout the year. A continued strong focus on the cost structure of the Group saw overheads reduced by 20%. The majority of the cost savings resulted from reductions or freezing of executive salaries, the streamlining of business systems and functions and cost cutting initiatives implemented in previous periods.

The Group's Distribution Re-investment Plan was also re-introduced in June 2010. Judging by the good participation level this re-introduction has been well received by investors and reflects positively on our existing investors' long term view of Aspen's value.

To position the Group against the risk of a higher interest rate environment, Aspen entered into further interest rate swaps during the year, extending our hedged debt position to a comfortable 71% with an average maturity of 2.8 years.

Operational Update

Asset Management

Investment Property Portfolio

Aspen's investment property portfolio continued to perform strongly, recording a 14% increase in net rental income over the previous corresponding period (9% on a like-for-like basis). The result was in line with expectations, reflecting astute asset management initiatives undertaken over the past 2 years.
The portfolio continues to provide a stable recurring revenue platform for the Group, underpinned by quality tenants, and we forecast this to again be a solid contributor in FY11.

> "Disciplined capital management remains at the forefront of the Group's priorities"

The portfolio's weighted average occupancy increased 3% to 94%. Whilst occupancy rates across the portfolio's industrial assets reached 100% during the year, focus remains on actively increasing the occupancy rate of the office portfolio (currently at 92% occupancy), with recent leasing results encouraging.

Independent valuations were obtained during the year on the entire investment property portfolio, resulting in a minor 1% downward revaluation of the portfolio. The weighted average capitalisation rate has remained constant at 9.4% (excl Karratha) reflecting a more stable capitalisation rate environment.

Looking ahead the asset team is focused on addressing pending lease expiries to further de-risk future rental income streams by increasing the portfolio's WALE, which currently stands at 3.1 years.

Direct Development Portfolio

The portfolio comprises $39.4 million of assets which have been predominantly held for retirement village development. A recent strategic review of the portfolio identified limited ability to achieve necessary scale in this sector in the short-term, prompting management to pursue a strategy of recycling the assets through sales or syndication.

This revised strategy will allow the Group to redirect funds to more specific and accretive opportunities in the Group's funds management platforms, primarily in the syndicated residential land development sector, which will have a positive impact on future earnings. I am pleased to report that this strategy has already gained traction with the Group releasing its first retail residential syndicate in October 2010.

Funds Management

Fund assets under management were steady at circa $1 billion, providing a broad asset base from which to deliver revenue through both ongoing fund management fees and project development fees.

Funds management remains an integral part of the Group's business model despite a lower contribution to earnings in FY10. Recurring management fees decreased 30% to $11.3 million for the period whilst non-recurring transactional and performance fees decreased 52% to $1.4 million. The result was generally within expectations, as the development funds moved to increase inventory levels ahead of improving market conditions. While this has detracted from FY10 earnings, it will drive growth in FY11 as sales activity improves and key development opportunities commence.

Aspen Living benefited from a rebound in residential property markets during FY10, with lot settlements 120% higher than FY09. Positive contributions were achieved across all estates, leading to an increased contribution to Group earnings of 134%, albeit off a low FY09 base. All residential estates have seen improved sales activity following greater inventory levels and a return to more normalised residential property market conditions. Aspen Living is well placed to further improve its earnings contribution in FY11, with over 75% of forecast lot settlements already secured either through year to date settlements or pre-sales.

Earnings contribution from the Group's development fund, ADF No.1, remained lower than prior periods due to new development projects largely going through their planning or pre-development phases. This is set to


change in FY11 with imminent construction of two large scale development projects, the Tower 8 office development in Adelaide and the Currumbine retirement village in Perth. Construction of Tower 8 is scheduled to commence in the first half of FY11 and the development team is also progressing planning on future stages within the significant Adelaide City Central precinct. Earnings from these large scale developments have prudently been excluded from Aspen's FY11 earnings guidance.

Aspen Parks delivered another strong operating performance for the year, contributing $7.5 million to the Group's result. It was very pleasing to see not only strong performances from the Fund's mining related parks but also a good contribution from those assets servicing the tourism and permanent accommodation sectors. Aspen Parks has remained one of the few unlisted property funds in the market to achieve net equity inflows from retail and wholesale investors through the GFC. The Fund has attained significantly greater representation within the financial planning network during the year. This representation, coupled with the continuing strong sector outlook, is expected to result in even higher equity inflows into the Fund in FY11. Surplus cash headroom created will allow Aspen Parks to pursue earnings accretive asset acquisition opportunities, as well as development opportunities that have already been significantly progressed through the planning stages.

Aspen Diversified has had significant recent leasing success in a very tough leasing market, with new leasing deals over the past 6 months totaling in excess of 41,000 sqm. Agreement for a 15 year lease was secured with a new tenant at the Nunawading industrial property and a major tenant re-mix occurred at the Castle Hill retail complex edging it close to full occupancy. In Perth, a Heads of Agreement has also been signed for the lease of the Henderson industrial property, the remaining key vacancy in the Fund, increasing the Fund's WALE to 4.7 years.

Strategy and Outlook

Aspen Group's strategy for growth in the short to medium term is as follows:

- Improve the quality of our commercial property portfolio through the recycling of certain assets
- Execute development opportunities within our core funds, Aspen Living, ADF No.1 and AspenParks
- Sale or syndicate non-core development assets which we currently hold on our balance sheet
- Offer new products for syndication within the Funds Management Business
- Focus on maintaining gearing of between 25-35%

From a financial perspective we have commenced FY11 well positioned to pursue earnings growth. The investment property portfolio will provide a stable revenue platform, and we expect a significant improvement from our Funds Management business. We are also excited about the release of our first retail residential syndicate in October 2010, which will add further depth to our funds management platform.

Aspen Parks is generating strong cash flow and growth opportunities, while Aspen Living is set to capitalise on revitalised residential markets with 75% of its forecast FY11 settlement targets already achieved at the date of this report. In addition the two significant development projects about to commence within ADF No.1 will generate further growth in funds management income in the years ahead. It is important to note that from an earnings perspective, we have not included contributions from these significant development opportunities in our forecast FY11 guidance, due to their size and uncertainty in determining exact timing of delivery.

Importantly, Aspen has the capacity to grow earnings through the development of its current businesses and greater utilisation of existing assets, thereby presenting valuable and identifiable growth opportunities.

The Board reaffirms its operating FY2011 earnings before tax guidance of $34 million and an operating EPS of 6.13 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 support and look forward to reporting a stronger performance in FY 2011.

Gavin Hawkins
Managing Director

"Aspen's investment property portfolio continued to perform soundly recording a 14% increase in net rental income over the previous corresponding period"


Towers 1 and 2, SA.

Corporate Structure

Aspen Group
ASX: APZ

Rental income

- Funds management fee income
- Investment income
- Interest income

Property Portfolio

Investment Property Portfolio
Property Portfolio - $379m

Development Portfolio
Retirement & other non-strategic assets - $41m
(for development/recycling)

Funds Management

$1 billion of assets under management under the following brands:

Aspen Living Residential AUM $315m	Aspen Parks Tourist & Accommodation Parks AUM $271m
Aspen Development Fund Commercial & Residential AUM $233m	Aspen Diversified Commercial AUM $126m

In addition to investments in Funds:
- Equity investments - $90m
- Loan portfolio - $77m

Investment 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
- Financial strength to enable the Group to fund growth in value added activities such as funds management.

Review

Aspen's investment property portfolio continued to perform soundly during the 2010 financial year, recording a 14% increase in net rental income over the previous corresponding period (9% on a like-for-like basis excluding Karratha Village completed in December 2008 and Gardentown shopping centre sold in January 2009). The result was in line with expectations, and reflected astute asset management initiatives undertaken over the past 12-24 months including:

i the reversion of sub-market leases to market rates for new tenancies at Septimus Roe (WA); and

ii achievement of 100% occupancy across the Group's industrial portfolio.

Aspen remains conscious of ensuring the carrying values of its investment properties remain current given the disconnect between various sectors of the property market. As a result, updated independent valuations were obtained during the year on the entire investment property portfolio, resulting in a minor 1% downward revaluation of the portfolio. The weighted average capitalisation rate has remained constant at 9.4% (excl Karratha) reflecting a more stable capitalisation rate environment.

Portfolio Highlights

Contribution from the portfolio's core office markets remained significant, having stabilised with an improving outlook. Occupancy of the portfolio's office assets decreased slightly to 92%, still in line with broader occupancy rates in these sectors. The portfolio's three industrial property assets are 100% occupied as a result of successful leasing activity in a competitive leasing market. Key portfolio highlights included:

Office Portfolio

Septimus Roe Square (WA) - Numerous tenants either retained or expanded their areas during the year at rates of between $475-$485sqm, which compares favourably to the $400-$470sqm assumed in the asset's independent valuation report;

564 St Kilda Road (VIC) – The asset's anchor tenant, L'Oreal, extended their NLA by 10%, increasing the assets weighted average lease expiry to 5.4 years and resulting in 100% occupancy;

Alcoa, Booragoon (WA) – The office property remained 100% occupied throughout the period; and

55 Currie Street (SA) - A market rent review was concluded with a major government tenant over 5,800sqm, resulting in an increase in market rent of 14% to $400sqm.

Industrial Property

Browns Road, Noble Park (Vic) – A total of 35,000sqm of new leases / renewals were secured in a competitive leasing market, increasing occupancy from 65% at the half year to 100%;

Heaton Street, Rocklea (QLD) – The asset's major tenant renegotiated their lease for a further 6 year term; and

Woolstores, Spearwood (WA) – The asset remains 100% leased and negotiations have commenced with the existing tenant on the exercise of their option in 2012.

Accommodation Village

Aspen Karratha Village (WA) – The asset, 100% leased to Woodside, delivered an 11% uplift in net operating income, increasing the asset's independent valuation by 7%.

Overall, the Group's property team has successfully added value through proactive leasing initiative which has resulted in the weighted average occupancy level of the portfolio increasing 3% to 94% and a weighted average lease expiry of 3.1 years.

Outlook

The investment property portfolio is forecast to deliver more normalised rental growth of circa 3.5% in FY11. Upside to this forecast exists where existing vacancies within the Septimus Roe and Currie Street assets can be closed out within reduced timeframes.

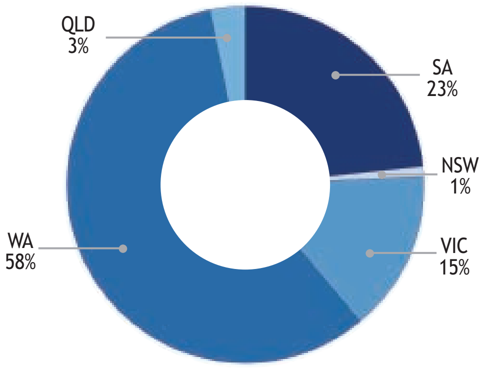
The asset management team will continue its focus on active asset management and strategies for the short to medium term including:

- Extending lease terms with existing tenants to de-risk income streams & increase WALE
- Disciplined capital expenditure management to enhance returns
- Explore opportunities to recycle certain assets and redirect proceeds to higher grade assets
- In addition the asset team is well advanced in completing its NABERS energy efficiency assessment of all assets within the portfolio and appropriate capital expenditure will be allocated where deemed necessary.

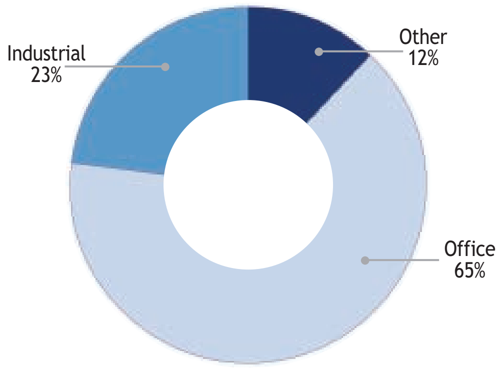
> “Negotiations have commenced to extend upcoming lease expires, to de-risk rental income and increase the portfolio’s WALE”

564 St Kilda Road, Vic.

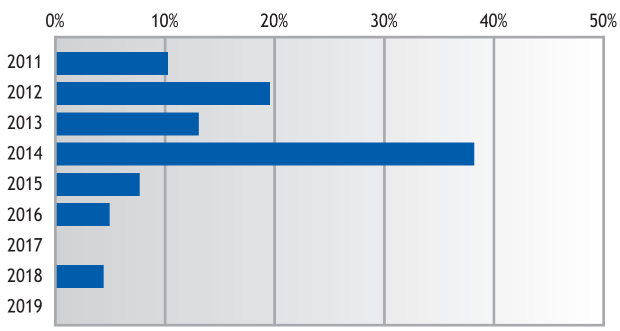
Portfolio Geographic Diversification
By Value



Portfolio Sector Diversification
By Value



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

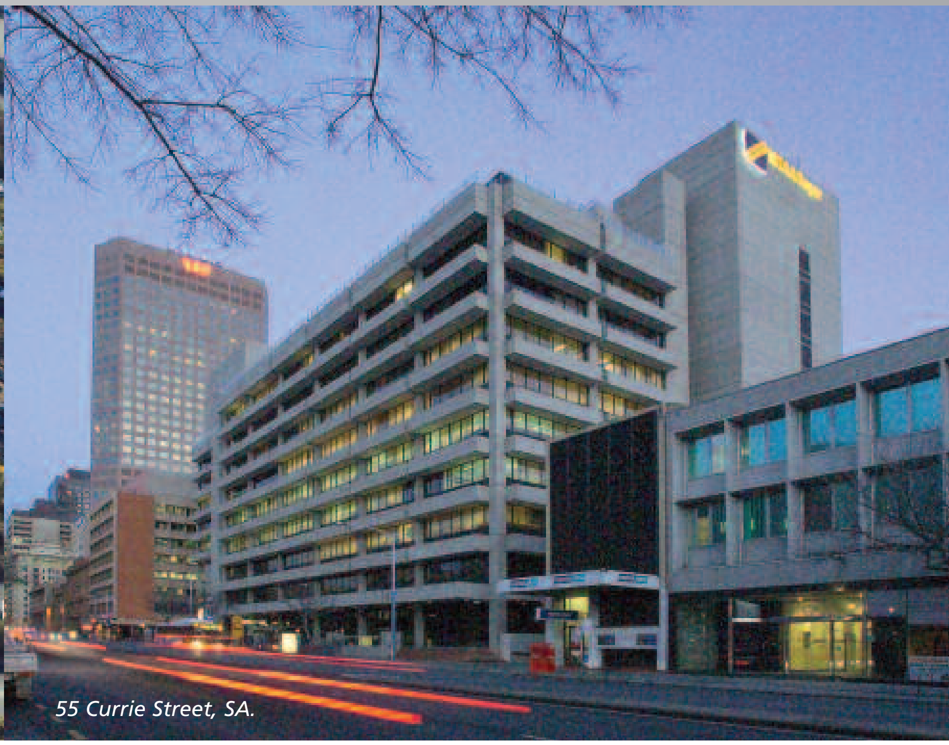


Key Tenant Expiry

Lease Expiry	Financial Year	% of Income
Centrelink	FY11	5.1%
AWH*	FY12	11.6%
Minister for Works	FY14	6.9%
Woodside**	FY14	21.0%
Alcoa Australia	FY14	2.7%
DIAC	FY14	6.2%
L’Oreal	FY18	4.3%
TOTAL		**57.9%**

* Negotiations commenced on lease extension
** 5 year option exists post 2014

Alcoa Office Complex, WA.



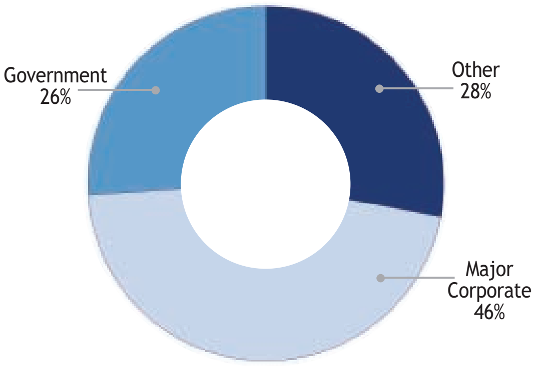
55 Currie Street, SA.

Summary of Investment Properties

Property	Latest Independent Valuation Date	Book Value ($m)	2H10 Change to Book Value (%)	Cap Rate (%)	WALE (yrs)	Occupancy (%)
Septimus Roe, WA	Dec 09	87.0	(0.2)	9.25	2.54	90
Alcoa Office Complex, WA	Dec 09	28.0	-	9.00	3.92	100
Woolstores, WA	Dec 09	52.0	-	10.00	1.92	100
Karratha Village, WA	June 10	44.0	2.9	18.50	3.51	100
564 St Kilda Road, VIC	Dec 09	34.0	0.6	8.50	5.36	100
Noble Park, VIC	June 10	19.3	-	10.25	3.43	100
33 York Street, NSW**	June 09	3.2	-	8.00	3.42	100
51 Heaton Street, Rocklea, NSW	June 10	10.5	(1.0)	9.75	4.46	100
55 Currie Street, SA	Dec 09	81.0	(3.0)	9.50	2.75	92
Sovereign Gardens, Ballina, NSW ***	n/a	23.3	-	n/a	n/a	n/a
Total / Averages		**382.3**	**(0.7)**	**9.40***	**3.10**	**94**

* Weighted Ave Cap Rate (ex Karratha)
** Classified as PP&E in the statutory accounts (sold in July 2010 at book value)
*** Relates to retirement village asset

Tenancy Profile



“...the Group has an established national distribution presence with the ability to access investors through either financial advisers, investment platforms or directly”

Tower 1, SA.

Woodman Point Holiday Park , WA.

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 2010
Aspen Living	Land development	Closed-end syndicates	Wholesale	$315 million
Aspen Developments	Commercial and residential development	Closed-end syndicate	Wholesale Sophisticated	$233 million
Aspen Parks	Tourism and accommodation parks	Open-ended stapled security	Retail	$271 million
Aspen Diversified	Diversified commercial core income	Open-ended Trust	Retail	$126 million

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

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, investment platforms or directly. Aspen's distribution activities were focused on Aspen's retail income funds, Aspen Parks and Aspen Diversified.

Aspen Parks remained one of the few unlisted property funds to remain open and furthermore continued to receive positive net equity inflows.

Aspen Diversified also raised equity through a successfully completed entitlement issue.

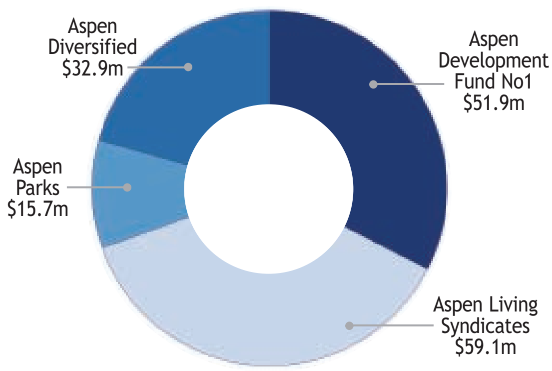
Aspen continues to enhance its existing relationships and seek new sources of support across both wholesale and retail distribution channels for its funds management activities. In addition, the delivery of new products is key to the expansion of the Funds Management division.

The Funds Management division generates three important revenue streams to the Group:

- Management fee income from managing the c$1 billion of assets under management within the various Funds
- Investment income from the Group's cornerstone equity position in each of its managed Funds
- Interest income through Aspen providing bridging finance to its managed funds to assist in the acquisition of fund assets and the advancement of development activities.

A summary of the current total capital employed in each Fund is shown below:

Capital Employed in each Fund



"Aspen Living is well placed to further improve its earnings contribution in FY11"

Seaside Fernbay, NSW.

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.

Review

Aspen Living has benefited from a rebound in residential property markets during the year, with lot settlements 120% higher than 2009. Positive contributions were achieved across all estates, leading to an increased contribution to Group earnings of 134%, albeit off a low base in 2009.

All five residential estates have seen improved sales activity following greater inventory levels and a return to more normalised residential property market conditions. St Leonard's Estate was a standout performer in its first year of release, amassing contracted sales in excess of $40 million since December 2009, with the outlook remaining very promising for this estate.

Dunsborough Lakes: Overall, Aspen Dunsborough Lakes has performed well, and continues to experience healthy sales and development activity. This is a positive indication that the estate is achieving the right mix of affordability and features to attract buyers in the region. In addition there is considerable building activity happening within the estate, a further sign of a strengthening market. The next stage of the development has commenced construction with titles expected late December 2010.

Whitsunday Shores: The financial year has seen an improved level of activity in both the sales and development of the estate. Apart from experiencing increasing sales activity, various construction and maintenance projects have commenced, allowing the issue of titles on Stage 5A. Vigorous marketing campaigns have seen the profile of Whitsunday Shores rise steadily, giving us cause to adopt a more positive albeit cautious outlook for the estate's future.

Dunsborough Lakes , WA.

St Leonard's Estate: St Leonards was released to the market in late 2009 to a strong positive response from the market. To date circa $40 million of presales have been achieved prior to the creation of the first titles. During the year practical completion for Stage 1A was achieved with construction of the next 2 stages now well advanced. Management's focus is now on obtaining sub-division approval for future stages to enable a continued lot supply to meet growing demand.

Fernbay Seaside Village: A key highlight for the estate was the formal approval of the Project Plan which was received from the Department of Planning during the year. In recent quarters there has been a late upswing in activity due to the introduction of the NSW Treasurers Builder's bonus initiative, which provides a stamp duty exemption. Furthermore, Telstra have been confirmed as the estate's fibre optic provider, resulting in good PR for the estate.

Byford on the Scarp: Located in the South East growth corridor of the Perth metropolitan area, Byford on the Scarp comprises in excess of 600 lots nestled on the Darling Scarp. Lot sales were more consistent during the year and going forward will benefit from the demand for affordable housing in the Perth residential market, and the Government Shared Equity Scheme.

Outlook

Aspen Living is well placed to further improve its earnings contribution in FY11, with over 75% of forecast lot settlements secured by pre-sales, and each estate now better positioned to release new stock to meet growing market demand.

Exposure remains highest to the WA market, where we are confident that population growth and land shortages will underpin a solid performance in the year ahead.

Balance sheets of each syndicate now support the development of more stock to meet expected market shortages following low production rates in previous years. This undersupply should be the catalyst for price growth and will improve margins.

Looking to the medium to long-term, Aspen's development pipeline of circa 4,000 zoned lots underpins future earnings growth for Aspen Group and management will prudently seek acquisition opportunities that may arise.

“ADF secured the Australian Taxation Office (ATO) to a 15 year lease over 30,000sqm, underpinning the development of Tower 8”

Tower 1 and 2, SA.

Aspen Developments

Aspen Developments is responsible for the identification, acquisition and development of assets across a range of industry and geographical sectors. This portfolio is currently contained within the Aspen Development Fund No.1 Limited Syndicate (ADF No1) comprising 14 projects across the commercial, healthcare, retirement and residential sectors.

Review

FY2010 was a year of consolidation for the ADF portfolio. The Syndicate emerged from the weak market conditions and credit squeeze in a stronger financial position and with promising prospects. This is largely due to the successful capital raising undertaken in early FY2010 which saw $35 million raised as part of an overall debt reduction strategy, with total debt reducing from $178 million to $97 million.

Development and sales progressed well during the year with the following key achievements:

- ADF secured the Australian Taxation Office (ATO) to a 15 year lease over 30,000 sqm of space in the 36,000 sqm, office tower development. This 17 level building will be the third tower to be developed within the Adelaide City Central Precinct. This is one of the most significant development milestones in the ADF’s history reflecting Adelaide City Central Precinct’s position in the market and a credit to the highly credentialed ADF development team. Early construction works have commenced and the tower is expected to reach practical completion by October 2012. As part of it’s overall development strategy ADF will be pursuing the sale of the building prior to practical completion.
- The Norwest Private Hospital opened to the public in September 2009 following settlement of the hospital to leading healthcare provider Healthscope for $61 million. The Syndicate was also successful in selling $23 million of medical suites across the Norwest and Campbelltown medical centres, and now has a further $15 million of inventory available for sale.
- ADF’s key residential project, Byford on the Scarp, enjoyed a significant increase in lot sales of 54% over FY2009, aided by improved affordability and Government incentives to first homebuyers in the first half of FY2010.


Campbelltown Private Hospital, NSW.

Currambine Retirement Village, WA.

Major sales at Norwest and Byford together with the capital raising and refinanced banking terms leave ADF in a much stronger financial position allowing for advancement of development projects.

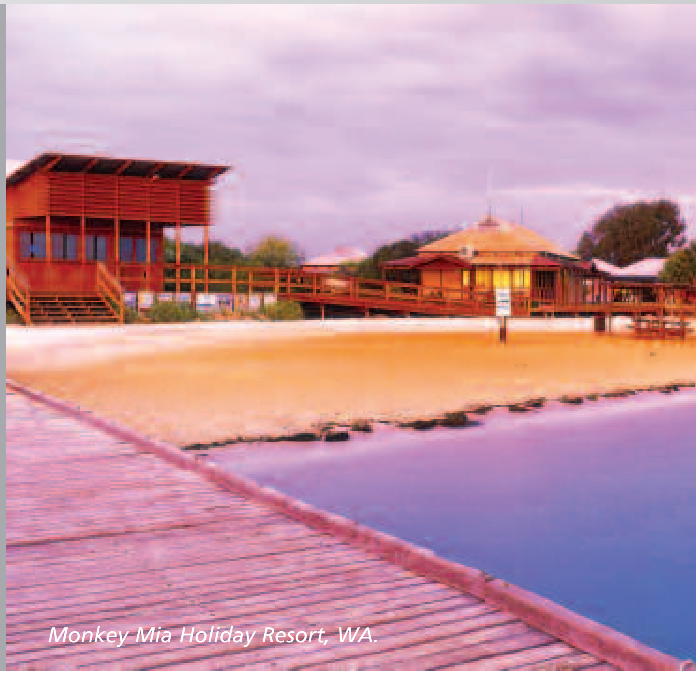
Outlook

Aspen Developments will continue to focus on progressing development of the balance of projects within ADF. Key initiatives to be pursued during the course of FY2011 include:

- Continuing the construction of the Tower 8 office building ensuring on-time delivery of the completed building by 31 October 2012
- Realisation of remaining Norwest medical suites
- Commencement of the first stage of construction of the Currambine Retirement Village
- Positive progression of a number of planning authority approvals across several of ADF's land holdings in Western Australia. This includes the proposed development of a transport depot in Upper Swan, which will benefit from the site's direct access to major transport routes which service the mining and resource industries in the state's north.

The Aspen Developments team received a significant boost with highly respected commercial property developer Jeff Holloway joining the team. Jeff has more than thirty years experience in commercial property development and construction delivery and will be responsible for the execution and growth of Aspen's commercial development portfolios including the delivery of Tower 8.

“the increase in Aspen Park’s distribution rate reflects the strong operating performance and cash flows of the Fund”



Monkey Mia Holiday Resort, WA.

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 investors with regular income and potential for capital growth, capturing the benefits of well located land holdings with attractive income yields.

Review

Aspen Parks (APPF), which owns and manages 25 properties in the holiday and accommodation park sector, continues to be a success in the unlisted property fund sector, with an impressive track record of strong securityholder returns since inception.

Strong demand for accommodation at APPF’s North West mining parks and solid tourist numbers have underpinned increased earnings in FY10.

The tourist park industry has proven to be an excellent sector for investment. This, coupled with strong returns from the APPF’s resource related assets and the strong Aspen Parks brand, demonstrate the longevity in APPF’s business model.

As at 30 June 2010, three of the twenty five properties were independently valued, with the portfolio maintaining a value of $261 million versus $260 million one year ago. This excellent result, amongst falling values for other classes of property, indicates the resilience of the Fund’s assets to the effects of the GFC.

The ongoing success of APPF has resulted in a 73% increase in FY10 net equity inflows over the previous corresponding period with the number of new investors joining the fund increasing by 17% over the year.

Underpinned by a stable asset base, APPF has remained one of the few unlisted property funds in the market to achieve net equity inflows from retail and wholesale investors through the GFC. This has enabled full repayment of the $20.3 million loan to Aspen Group by the third quarter of the financial year.

APPF’s strong earnings and cashflow outlook has resulted in the Fund increasing its monthly distribution rate from July 2010, equating to a current earnings yield of circa 9% pa. Furthermore, independent research ratings firm, Lonsec, re-confirmed its rating for the Fund of Recommended (Upper End) in May of this year.

Outlook

In September 2010, Aspen Parks released its sixth Offer Document, and with the attractive monthly income return offered, this should support further growth in equity inflows.

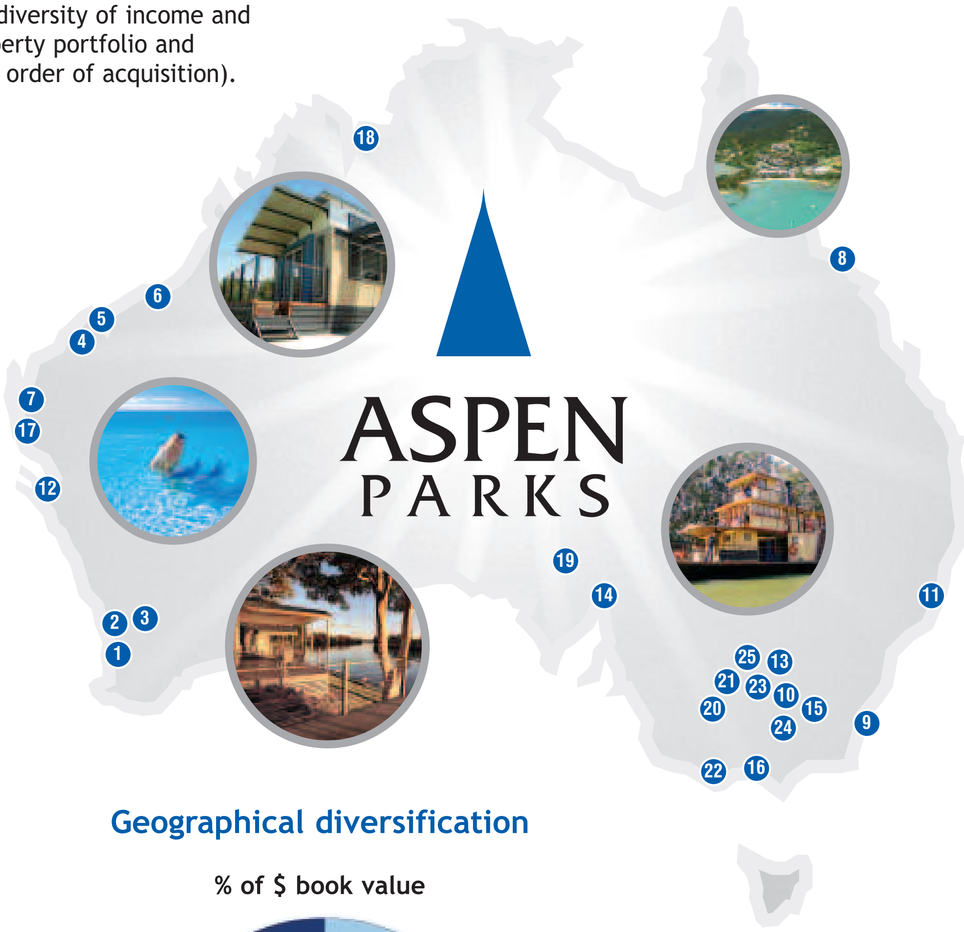
Together with surplus operating cash flows, new equity raised will be used to reduce the Fund’s debt levels, or be applied against acquisitions and development activities if deemed accretive to existing operations.

APPF is seeking further opportunities within its existing portfolio to provide worker accommodation to the resource sector, with several opportunities identified at properties in north west, WA.

Aspen remains confident on the long-term outlook for the sector as an attractive option for tourist, short stay and long-term accommodation.

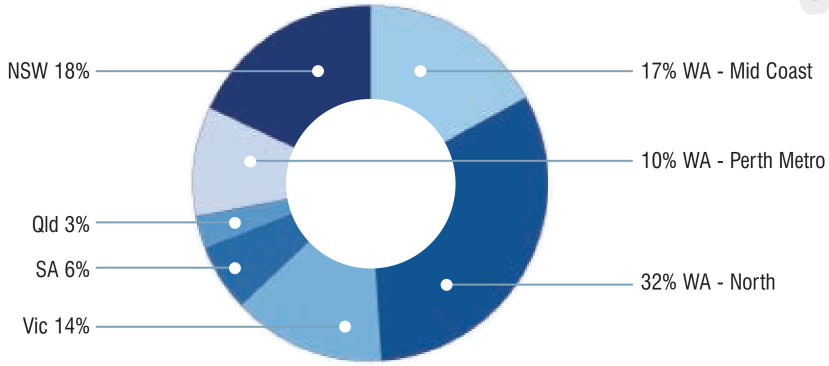
The portfolio as at 30 June 2010 comprises 25 holiday parks located throughout Australia. As the Fund continues to grow, so will the diversity of income and geographic locations. The property portfolio and locations are set out below (in order of acquisition).

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, QLD
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



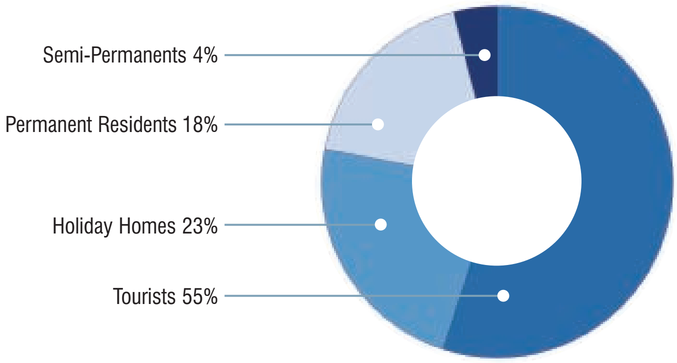
Geographical diversification

% of $ book value

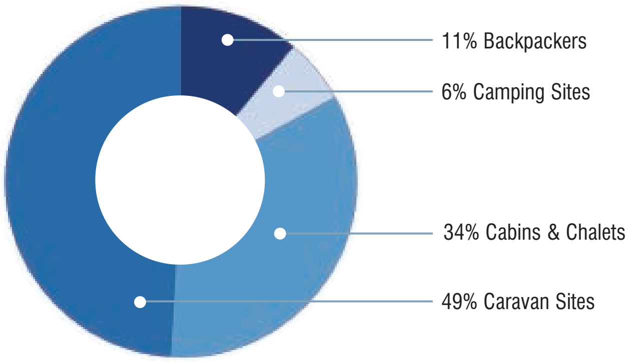


Diversification by accommodation types

Sites by occupancy type



Tourist sites by type



> “recent leasing deals were significant achievements in a competitive market, and have increased the portfolio’s occupancy to 91%”

Homemaker City, NSW.

Aspen Diversified Property Fund

Aspen Diversified Property Fund (ADPF) is a core income fund with a portfolio of commercial properties within the $5 million to $30 million range.

Review

Management has over the past 12 months been actively implementing the Fund’s revised strategy of holding and repositioning its assets for valuation re-ratings and potential sale as markets recover. The Fund continues to make good progress in this regard with some key asset sales and significant leasing outcomes achieved on a number of properties.

This followed the successful completion of a $15 million entitlement issue during the year which was necessary to reduce the Fund’s debt levels and to avoid unnecessary asset sales.

A full independent valuation of the portfolio was undertaken in June 2010 resulting in a 2% decline to the value of investment properties. The portfolio’s single exposure to soft secondary Sydney office markets was a key factor in the write-down, with the remaining portfolio recording a 0.4% increase in value.

Key portfolio highlights included:

- The sale of the commercial office property at 2 Bagot Road, Subiaco. The sale price of $8.5 million represented a 70% uplift on its 2005 acquisition value of $5 million, and a 5% increase over book value of $8.1 million. Settlement of the property occurred in June 2010, and together with the settlement of two unconditional sales (contracted in the prior year), resulted in a $26 million net reduction in ADPF’s debt level.
- A new 15 year lease was signed with an automotive parts and accessories group for the 22,541 sqm Nunawading industrial property in Melbourne. The lease commencement is timed to coincide with the departure of the incumbent tenant resulting in no vacancy downtime at the property;
- Successful re-leasing of the Castle Hill retail complex, including a new anchor tenant in Fantastic Furniture, bringing the complex close to full occupancy; and
- A Heads of Agreement has been secured for lease of the Henderson industrial property, which was the remaining key tenancy vacancy in the portfolio.

Outlook

The successful leasing activity noted above, has seen the Fund’s WALE increase to 4.7 years and occupancy to 88%. Management are continuing to address the remaining vacancies, principally the Mount Street office building, in order to further improve the portfolio’s metrics.

The strategy to hold assets and reposition for valuation uplift and or potential sale as markets recover, is likely to see ADPF remain closed to new retail investment in FY11. However monthly distributions continue to be paid to unitholders with these further secured by new leasing activity.

Furthermore, the asset team is completing its NABERS energy efficiency assessment of all office assets within the Fund and appropriate capital expenditure will be allocated where deemed necessary.

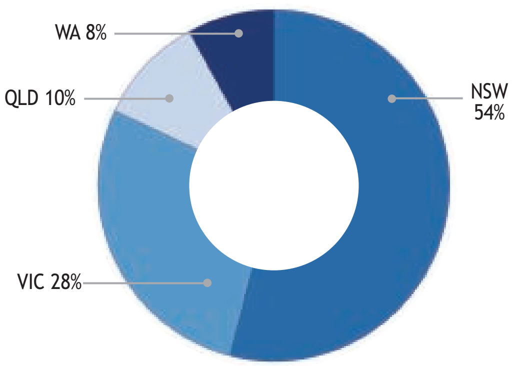
80 Mount Street, NSW.

Holeproof Complex, VIC.

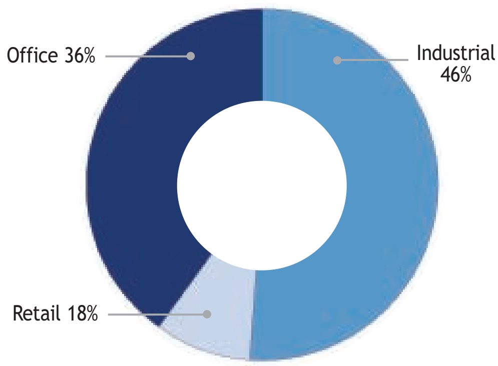
Portfolio Summary

Property	State	Primary Use	Date of most recent independent valuation	Book Value	Capitalisation Rate
99 Quill Way, Henderson	WA	Industrial	June 2010	$10.0m	9.00%
80 Mount Street, Sydney	NSW	Office	June 2010	$25.2m	9.00%
Holeproof Complex, Nunawading	VIC	Industrial	June 2010	$17.5m	8.25%
Homemaker City, Castle Hill	NSW	Retail	June 2010	$17.5m	9.75%
677 Springvale Road, Mulgrave	VIC	Industrial	June 2010	$17.0m	9.75%
2 & 3 Apollo Place, Lane Cove	NSW	Office	June 2010	$15.3m	9.25%
60 Grindle Road, Wacol	QLD	Industrial	June 2010	$12.4m	9.00%
5 Burra Place, Shellharbour	NSW	Office/Retail	June 2010	$7.3m	9.75%
TOTAL				**$122.2m**	**9.18%**

Portfolio Geographic Diversification



Portfolio Sector Diversification



“The sound business framework we have established has served Aspen well through a challenging period and will underpin the growth of our business going forward”

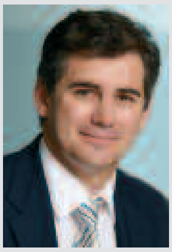
Board of Directors

Reg Gillard BA FCPA, FAICD, JP
Non-executive 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 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 Practicing Accountants of Australia, a Fellow of the Australian Institute of Company Directors and a Licensed Real Estate Agent.



Gavin Hawkins BBus, CA
Managing Director

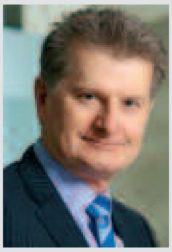
Mr Gavin Hawkins is a founding director of Aspen Group, and has extensive experience in the property, public accounting and corporate sectors.

As an Executive Director of Aspen Group, Mr Hawkins has played an integral role in Aspen’s business development and asset growth. Appointed Managing Director in June 2010, he is responsible for driving the strategic direction of the Group and overseeing the operations of key business divisions.

During his time 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.

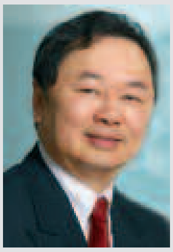


Terry Budge B Ecom, FAICD, FAIM, SF Fin
Non-Executive Director

Mr Terry Budge is a former career banker with over 35 years experience in the Australian banking industry and business. Mr Budge was 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 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.



Seng Fai Chan B Comm B Juris LLB AASA CPA
Non-Executive Director

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 area of taxation law.

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

Appointed Director on 1 November 2002 and member of Audit Committee on 9 June 2005.

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 Group's website provides information which is updated on a regular basis and includes latest Group news (a link to the most recent ASX announcements is also provided), the current Aspire investor newsletter, information on the 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 2010	18 November 2010
31 December 2010	17 February 2011
31 March 2011	20 May 2011
30 June 2011	18 August 2011

Other Key Dates	
Annual General Meeting	29 November 2010
Release of FY2011 Half Year Results	February 2011
Release of FY2011 Full Year Results	August 2011

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 2009/10 financial year totalled 4.20 cents per security.

The Group's distribution history is shown in the table on page 116.

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

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

Directors' Report
for the year ended 30 June 2010

1. Directors	26
2. Company Secretary	28
3. Directors' meetings	28
4. Corporate Governance Statement	28
5. Principal activities	28
6. Operating and financial review	29
7. Events subsequent to reporting date	31
8. Likely developments	31
9. Remuneration Report	31
10. Directors' interests	40
11. Indemnification of officers and auditors	40
12. Non-audit services	40
13. Lead Auditor's Independence Declaration	41
14. Rounding off	41

Directors' Report

The directors present their report together with the consolidated financial report of Aspen Group for the financial year ended 30 June 2010 and the auditor's report thereon. The financial report of Aspen Group comprises the financial reports of Aspen Group Limited ("the Company"), its controlled entities and its stapled entity Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group", or "the Group").

1. Directors

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

Name and qualifications	Age	Experience, special responsibilities and other directorships
Reg Gillard BA, FCPA, FAICD,JP Independent Chairman	63	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 Practicing Accountants of Australia, a Fellow of the Australian Institute of Company Directors and a Licensed Real Estate Agent. Appointed Independent Chairman on 24 December 2001 and appointed Chairman of the Nomination & Remuneration Committees on 9 June 2005. Appointed member of the Audit Committee on 24 December 2001. *Directorships of listed entities within last 3 years:* Mr Gillard is a Non-Executive Director (Chairman) of the following entities: • Caspian Oil & Gas Limited (since July 1994; resigned August 2010); • Perseus Mining Limited (since October 2003); • Eneabba Gas Limited (since August 2005); • Tiger Resources Limited (since December 2005); • Lindian Resources Limited (since October 2006; resigned August 2010); • Platina Resources Limited (since 1 July 2009);
Gavin Hawkins B.Bus, CA Managing Director	45	Mr Gavin Hawkins is a founding director of Aspen Group, and served as the Group's Finance Director until his appointment to the position of Managing Director in June 2010. Mr Hawkins is responsible for the implementation of the Group's strategy and overseeing all operational and administrative functions for the Group. As a Chartered Accountant, Mr Hawkins spent a number of years with Deloitte, developing expertise in audit, corporate governance, corporate advisory, and management consultancy. He further developed his skills and experience in the corporate finance and investment banking industry by spending several years in London working with major financial institutions including Sumitomo Finance and Barclays Capital. Mr Hawkins holds a Bachelor of Business and is an associate member of the Institute of Chartered Accountants. Appointed Director on 31 October 2001, and Managing Director on 23 June 2010 and a member of the Nomination Committees on 9 June 2005. *Directorships of listed entities within last 3 years:* Nil

Name and qualifications	Age	Experience, special responsibilities and other directorships
Seng Fai Chan B Comm, B Juris, LLB, AASA, CPA Independent Non-Executive Director	60	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 35 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. Appointed Director on 1 November 2002 and member of Audit Committee on 9 June 2005. *Directorships of listed entities within last 3 years:* Non-Executive Director of Kangaroo Metals Ltd (resigned 19 October 2008)
Terry Budge B, Ecom, SF Fin, FAIM, FAICD Independent Non-Executive Director	58	Mr Terry Budge is a former career banker with over 35 years experience in the Australian banking industry and business. Mr Budge was Managing Director of BankWest from 1997 to 2004 following a 25 year career with the National Australia Bank where he held 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. 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. *Directorships of listed entities within last 3 years:* Non-Executive Director of Westoz Investment Company Limited (since 31 August 2009)
Matthew McCann BEc, BLaw Independent Non-Executive Director (resigned 30 July 2010)	49	Matthew McCann is currently Executive Director at Brookfield Multiplex and has over 20 years experience in the corporate sector specialising in property and law. Mr McCann was previously Joint Head of Property at Gresham Partners Limited and prior to joining Gresham 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 and a member of the Nomination Committee on 24 June 2010. Resigned 30 July 2010. *Directorships of listed entities within last 3 years:* Nil

Name and qualifications	Age	Experience, special responsibilities and other directorships
Angelo Del Borrello DipFinAdvising (FINSIA) Managing Director (until 23 June 2010)	44	Mr Angelo Del Borrello served as Managing Director of Aspen Group for over 8 years until his departure in June 2010. 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. Appointed Managing Director on 31 October 2001 and ceased on 23 June 2010. *Directorships of listed entities within last 3 years:* Nil

2. Company Secretary

Mr Diniz Cardoso was appointed to the position of Group Company Secretary in July 2010. Mr Cardoso has held a variety of senior finance and corporate roles during his four years with Aspen and prior to joining the Group spent seven years with KPMG in both their Perth and Johannesburg offices.

Mr Cardoso is a member of the Institute of Chartered Accountants and holds degrees in both Bachelor of Commerce and Bachelor of Accounting.

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	1	1	2	2
T Budge	17	17	1	1	1	1	2	2
S F Chan	17	16	-	-	-	-	2	2
M McCann	17	17	-	-	1	1	-	-
Executive								
G Hawkins	15	15	1	1	-	-	-	-
A Del Borrello	14	14	-	-	-	-	-	-

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 107 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 profit calculated in accordance with International Financial Reporting Standards ("IFRS") of $12.6 million for the year ended 30 June 2010. This profit/(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 $33.64 million ($33.22 million for the year ended 30 June 2009), reflecting a 1.3% increase from the previous corresponding period. Key financial results for Aspen Group during the period were as follows:

	2010 $ '000s	2009 $ '000s
Net Profit / (Loss) after tax	12,552	(64,658)
Add / (Subtract) significant items		
Net movement in fair value of investment properties	6,074	25,266
Change in fair value of interest rate swaps	1,216	8,325
Impairment of available for sale investments	611	1,637
Write-down of inventories to recoverable amount	6,636	19,491
Impairment adjustments of investments in equity associates	5,292	34,950
Change in fair value of interest rate swaps in associates	(406)	802
(Profit) / Loss on disposal of investment property	-	1,564
Equity settled transactions	716	5,454
Termination costs	950	-
Attributable to minority interests (not otherwise adjusted above)	-	390
Net Profit after tax before significant items	33,641	33,221
Basic earnings per security (cents) *	2.25	(22.53)
Diluted earnings per security (cents) *	2.25	(22.53)
Basic earnings per security before significant items (cents) *	6.04	11.91
Diluted earnings per security before significant items (cents) *	6.04	11.91
Total Assets	646,880	620,794
Total Equity	388,615	400,909
Net Tangible Assets per security (cents)	$0.66	$0.68
Net Tangible Assets per security – excluding non-dilutive LTI instruments (cents)	$0.69	$0.71

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

Directors' Report (continued)

Income distributions were as follows:

Quarter Ended	Record Date	Amount Per Stapled Security 30 June 2010	Amount Per Stapled Security 30 June 2009
September	30 September 2009	1.050 cents	3.875 cents
December	31 December 2009	1.050 cents	2.040 cents
March	31 March 2010	1.050 cents	2.040 cents
June	30 June 2010	1.050 cents	1.040 cents
Total		**4.200 cents**	**8.995 cents**

Review of financial conditions

1. Liquidity and funding

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. In December 2009 the Group secured a new banking facility to provide funding for its retirement village portfolio and as at the date of this report, all banking covenants remain fully complied with.

Refer to Note 30 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 $31.1 million for the period, an increase of 107% over the previous corresponding period. This significant improvement is reflective of a return to more normalised operating conditions following recapitalisation of the Group's managed funds in 2009 as well as improved business performance.

Review of principal businesses

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

1. Property Portfolio

1.1 Investment Property Portfolio

The Group's investment property portfolio continues to perform soundly with a 14% increase in net rental income over the previous corresponding period to $35.3 million (9% increase excluding Karratha Village completed in December 2008 and Gardentown shopping centre sold in January 2009). Contribution from the portfolio's core office markets of Perth and Adelaide remained significant with both markets having stabilised with an improving outlook. Overall the weighted average occupancy level of the portfolio has increased 3% to 94% with a weighted average lease expiry of 3.1 years.

Aspen Group remains focused on ensuring 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 during the year on the entire investment property portfolio, resulting in a 1% downward revaluation of the portfolio.

1.2 Direct development portfolio

The portfolio comprises non-core land assets valued at $39.4 million. The strategy for the portfolio is to maximise the realisation of returns through development of assets with development approvals in place and recycling of longer term assets through either sales or syndication.

2. Funds Management

The Funds Management division remains an integral part of the Group's business model despite a lower contribution to earnings in FY10. Recurring management fees decreased 30% to $11.3 million whilst non-recurring transactional and performance fees decreased 52% to $1.4 million for the 12 month period. Equity profits increased 535% to $1.9 million for the 12 month period. The lower Funds Management contribution was due to a decrease in transactional activity within managed funds, in particular the Group's development fund, ADF No.1 Ltd. Improvement in FY11 earnings is expected as a result of increased lot sales from the Aspen Living Division, strong performance from Aspen Parks, and the imminent commencement of projects within the development fund.

As a result of the adoption of fair value assessments on property assets in underlying Funds, a post tax impairment of $4.9 million was recognised against the carrying value of the Group's equity investments in managed funds.

Assets under management were steady at circa $1 billion providing a broad asset base from which to deliver revenue through both ongoing fund management fees and project development fees.

Group Overheads

As noted in the previous period, the Group has made significant progress in reducing its overhead cost structure. Initiatives executed in 2009 resulted in the Group's most significant cost item, employee overheads, reducing 15%, with total overheads decreasing 20% over the period.

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

The following material events have occurred between the reporting date and the date of this report;

- The Group has settled the sale of the York Street property (refer note 15 in the accompanying notes to the financial statements).

Other than the above, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

8. Likely developments

Aspen Group will continue to pursue strategies aimed at increasing the profitability 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 Group, 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 Group 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 Group given trends in comparative companies and the objectives of the Group'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:

- the capability and experience of the key management personnel;
- the amount of incentives within each key management person's compensation;
- performance of the respective employees (measured based on financial budget targets and other non-financial measures).

Any final payment is then based on actual corporate budgeted targets being met and on the employees' level.

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 which then forms the basis for assessment as to the current year short term incentive payment (refer page 32) and the following years base remuneration level.

Directors' Report (continued)

The Remuneration Committee is responsible for:

(i) the assessment of the performance of the executive director, and this is carried out on both an informal and continuous basis, as well as formally at the end of each financial year, and

(ii) establishing an overarching remuneration structure for the Group.

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 below.

Fixed Compensation

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

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide advice to ensure the directors' and senior executives' compensation is competitive in the market place. This independent review takes into account the complexity of the Aspen Group business, particularly in terms of responsibility for management of the Group's extensive and diversified Funds Management business. The scope of these businesses covers residential land, commercial development and tourism sectors, and for FY10 generated revenues of circa $139m and had a net equity value of $382m.

Revised Short Term Incentive and Long Term Incentive Plans

Following the recent executive team restructure, the Remuneration Committee engaged an external consultancy firm to provide advice on implementing a revised STI and LTI plan for all KMPs including the Managing Director. The revised plans will ensure KMPs are adequately rewarded based on the outcomes of the formal Performance Appraisal System, the financial performance of the Group and the individual employee's business segment and the extent that they have met or exceeded their individual target objectives.

Variable Compensation - Short Term Incentive (STI)

No STI's were awarded to executive directors (2009: nil) or any KMP for the year ended 30 June 2010. As noted above, a revised STI plan is in the process of being finalised by the Remuneration Committee. The previous plan, which has been frozen for the FY09 and FY10 years, is detailed below:

Bonuses may be paid to 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 the Aspen Group against the ASX/S&P Listed Property Trust 200 Index.

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

Variable Compensation - Long Term Incentive (LTI)

No LTI's were awarded to executive directors (2009: nil) or to any KMP for the year ended 30 June 2010.

As noted above a revised LTI plan is currently being formulated for all employees, including a specific plan for the Managing Director. Once finalised this revised LTI plan will be submitted for securityholder approval at the next

Annual General Meeting in November 2010. No further issues will therefore be made under the Group's existing ESSIP and EDLTIP plans.

At 30 June 2010, the Group notified the Executive Directors that 11,000,000 securities awarded to them under the 2007 EDLTIP award had not met the required vesting conditions and were effectively forfeited. Over the 3 year vesting period (ended 30 June 2010) $4.5 million of expense had been attributed to these securities and included in the Remuneration Report disclosures for each Executive Director. As a result of not achieving the non-market related vesting conditions (accounting for 50% of the award), $2.25 million of this expense has been reversed to the FY10 income statement.

Details of the Group's previous LTI Plans are detailed below:

Employee Stapled Security Incentive Plan (ESSIP)

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 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 2010, the number of stapled securities issued under the plan to all employees was 8.1 million, compared to the maximum number of stapled securities permitted under the Plan of 29.0 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.

Executive Director Long Term Incentive Plan ("EDLTIP")

At the 2007 and 2008 Annual General Meetings (AGMs), securityholders approved the issue of stapled securities to the executive directors, 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 awarded under this plan is as follows:

Tranche A, approved at the 2007 AGM, represented 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, represented 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 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 Operating 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.

Directors' Report (continued)

(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%

(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 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 operating 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 1 month's notice and that the Group retains the right to terminate the contract immediately, by making payment equal to 1 month's pay in lieu of notice.

The Group has entered into service contracts with each key management person excluding the executive director 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.

Mr Gavin Hawkins, Managing Director, has a contract of employment dated 23 October 2009 with the Group. The contract specifies the duties and obligations to be fulfilled by the managing director. The service contract can be terminated by the Group providing 12 months' written notice. The Group may make a payment in lieu of notice of 12 months, equal to one years' total remuneration. The service contract can be terminated by the Managing Director providing three months' written notice to the Group.

The Managing Director has no entitlement to termination payment in the event of removal for misconduct.

Non-Executive Directors

The total remuneration for non-executive directors for the 2010 financial period was $490,500. 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 plans.

Directors' Report (continued)

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous four years.

	2010	2009	2008	2007	2006
Net profit after tax before significant items	$33.6m	$33.2m	$43.8m	$33.5m	$18.5m
Statutory profit / (loss) after tax	$12.6m	($64.7m)	$70.8m	$73.8m	$34.5m
Distributions per security	4.2cps	9.0cps	15.5cps	12.8cps	10.0cps
Market Cap (30th June)	$261m	$197m	$328m	$632m	$253m

Operating profit is considered as one of the financial performance targets in setting the STI. Statutory profit amounts for 2006 to 2010 have been calculated in accordance with Australian Accounting Standards (AASBs).

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. In 2006 to 2008, key management personnel compensation increased as a result of the significant growth of the Group and its earnings. Due to the economic downturn, no STIs and LTIs were awarded in FY09 or FY10.

9.2 Directors' and Executive Officers' Remuneration - 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 LTI(1) $	Total $	S300A (1)(e) (i) proportion of renumeration performance related %	S300A (1)(e) (vi) Value of LTI as proportion of renumeration %
		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Super-annuation benefits $	Other long term $	Termination benefits $				
Key Management Personnel												
Non-executive Directors												
Reg Gillard (Chairperson)	2010	180,000	-	-	180,000	16,200	-	-	-	196,200	-	-
	2009	180,500	-	-	180,500	16,245	-	-	-	196,745	-	-
Terry Budge	2010	99,000	-	-	99,000	8,910	-	-	-	107,910	-	-
	2009	99,750	-	-	99,750	8,978	-	-	-	108,728	-	-
Seng Fai Chan	2010	85,500	-	-	85,500	7,695	-	-	-	93,195	-	-
	2009	90,250	-	-	90,250	8,123	-	-	-	98,373	-	-
Matthew McCann	2010	85,500	-	-	85,500	7,695	-	-	-	93,195	-	-
(resigned 30 July 2010)	2009	90,250	-	-	90,250	5,273	-	-	-	95,523	-	-
Executive Directors												
Gavin Hawkins, Managing Director	2010	855,000	-	-	855,000	76,950	-	-	(230,492)	701,458	n/a	n/a
(appointed as MD 23 June 2010)	2009	902,500	-	-	902,500	81,225	-	-	1,014,087	1,997,812	50.8	50.8
Angelo Del Borrello, Managing Director	2010	855,000	-	-	855,000	76,950	-	931,950	(230,492)	1,633,408	n/a	n/a
(ceased as MD 23 June 2010)	2009	902,500	-	-	902,500	81,225	-	-	1,014,087	1,997,812	50.8	50.8
Consolidated Entity Executives												
Jonathan Timms, CEO Property	2010	445,961	-	-	445,961	40,136	-	-	29,803	515,900	5.8	5.8
	2009	300,000	150,000	-	450,000	40,500	-	-	17,857	508,357	33.0	3.5
Jamie Smith, Head of Commercial Property	2010	226,772	-	-	226,772	20,409	-	-	1,890	249,071	0.7	0.7
	2009	233,821	-	-	233,821	21,044	-	-	98	254,963	1.7	1.7
Chris Lewis, CEO Aspen Living	2010	333,173	-	-	333,173	15,199	-	-	2,940	351,312	0.8	0.8
	2009	45,481	-	-	45,481	529	-	-	153	46,163	0.3	0.3
Brendan Acott, Head of Development Services	2010	276,141	-	-	276,141	24,852	-	-	7,141	308,134	2.3	2.3
	2009	317,000	-	-	317,000	27,630	-	-	23,873	368,503	6.5	6.5
Philip Barker, General Manager - Funds	2010	173,575	-	-	173,575	15,621	-	-	2,940 1	92,136	1.5	1.5
Management(2)	2009	66,634	-	-	66,634	5,997	-	-	153	72,784	0.2	0.2
Diniz Cardoso, Company Secretary	2010	190,000	-	-	190,000	17,100	-	-	3,360	210,460	1.6	1.6
(appointed July 2010)	2009	190,000	-	-	190,000	17,100	-	-	175	207,275	-	-
Robert Morrison, Head of Corporate	2010	225,000	-	-	225,000	20,250	-	-	5,040	250,290	2.0	2.0
	2009	225,000	-	-	225,000	20,250	-	-	6,920	252,170	2.7	2.7
Total Key Management Personnel	2010	4,030,622	-	-	4,030,622	347,967	-	931,950	(407,870)	4,902,669	-	-
	2009	3,643,686	150,000	-	3,793,686	334,119	-	-	2,077,403	6,205,208	-	-

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.

   At 30 June 2010, the Group notified the Executive Directors that 11,000,000 securities awarded to them under the 2007 EDLTIP award had not met the vesting conditions and were effectively forfeited. Over the 3 year vesting period (ended 30 June 2010) $4.5 million of expense had been attributed to these securities and included in the Remuneration Report disclosures for each Director. As a result of not achieving the non-market related vesting conditions (accounting for 50% of the award), $2.25 million of this expense has been reversed to the income statement at 30 June 2010.

2) Mr. Barker's employment changed from part time to full time basis during 2010.

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	$0.421	$1.767	$1.767	36.7%	6.25%	9.51%
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 Analysis of bonuses included in remuneration - audited

No short-term incentive cash bonuses were awarded to the Executive Director or KMPs (2009: nil) for the 30 June 2010 financial year.

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

No LTII have been granted during or since the end of the financial year.

9.5 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/prior years	% Forfeited in year[2]	Financial year in which grant vests
	Number	Date			
Directors					
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[3]	27 November 2007	0%	100%	FY 2010
	1,500,000	25 November 2008	0%	0%	FY 2011
A Del Borrello[1]	300,000	1 December 2004	100%	100%	n/a
	500,000	1 December 2005	100%	100%	n/a
	1,250,000	19 December 2006	100%	100%	n/a
	5,500,000[3]	27 November 2007	0%	100%	n/a
	1,500,000	25 November 2008	0%	100%	n/a
Consolidated Entity Executives					
J Timms	99,863	24 May 2008	100%	0%	FY 2010
	466,708	11 June 2009	0%	0%	FY 2011
J Smith	70,006	11 June 2009	0%	0%	FY 2011
	50,000	9 December 2006	100%	0%	n/a
C Lewis	108,899	11 June 2009	0%	0%	FY 2011
B Acott	100,000	1 December 2005	100%	0%	FY 2008
	264,468	11 June 2009	0%	0%	FY 2011
P Barker	108,899	11 June 2009	0%	0%	FY 2011
D Cardoso	124,456	11 June 2009	0%	0%	FY 2011
R Morrison	186,683	11 June 2009	0%	0%	FY 2011

1. Ceased as Managing Director on 23 June 2010.
2. 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.
3. Vesting conditions not met – award has been forfeited post year end.

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 (ceased as MD 23 June 2010)	17,550,815	-
G Hawkins	14,622,466	3,550,000
T Budge	442,448	-
S F Chan	3,055,058	-
M McCann (resigned 30 July 2010)	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 2010 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 2011. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of the Group.

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 is 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 Group 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 Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2010 $ '000	2009 $ '000
Audit services:		
KPMG		
Audit and review of financial reports	318,800	264,066
Other regulatory audit services	41,000	4,300
	359,800	268,366

	2010 $ '000	2009 $ '000
Services other than statutory audit:		
KPMG		
Tax advisory services	9,002	75,146
Other advisory services	19,670	4,000
	28,672	79,146

13. Lead auditor's Independence Declaration under section 307C of the Corporations Act 2001

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 42 and forms part of the Directors' Report.

14. Rounding off

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

Signed in accordance with a resolution of the directors

Gavin Hawkins
Managing Director
PERTH, 23 August 2010

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 financial year ended 30 June 2010 there have been:

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

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

KPMG

KPMG

Kevin Smout
Partner

Perth

23 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Aspen Group Limited (the Company) and the entities it controlled at the year's end, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration.

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 Group's financial position and of its performance.

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

KPMG

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 the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 9.1 to 9.5 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth

23 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Financial Report
for the year ended 30 June 2010

Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Financial Position	47
Consolidated Statements of Changes in Equity	48
Consolidated Statement of Cash Flows	50
Notes to the Consolidated Financial Statements	51
Directors' Declaration	106
Corporate Governance Statement	107

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $ '000	2009 $ '000
Revenue and other income			
Rental income from investment properties	3	51,293	42,973
Funds management revenue	3	12,638	19,268
Financial income	7	7,872	7,630
Other income		105	346
Total revenue and other income		71,908	70,217
Change in fair value of retirement living assets		671	-
Net movement in fair value of investment properties	16	(5,061)	(28,911)
(Loss)/profit on disposal of investment property		-	(1,564)
Write-down of inventory to recoverable amount		(9,479)	(24,395)
Impairment of available for sale investments		(874)	(2,339)
Property expenses		(16,420)	(12,424)
Funds management commission expense		(757)	(376)
Administrative expenses	5	(15,858)	(22,922)
Other expenses	4	(184)	(450)
Financial expenses	7	(13,609)	(21,876)
Share of profit / (loss) of equity accounted investees	17	(4,633)	(45,973)
Profit / (loss) before tax		5,704	(91,013)
Income tax (expense) / benefit	8	6,848	26,355
Profit / (loss) for the period		12,552	(64,658)
Total comprehensive income for the period		12,552	(64,658)
Profit / (loss) attributable to:			
Security holders of Aspen Group		12,552	(62,858)
Minority Interests		-	(1,800)
Profit / (loss) for the period		12,552	(64,658)
Total comprehensive income attributable to:			
Security holders of Aspen Group		12,552	(62,858)
Minority Interests		-	(1,800)
Total comprehensive income for the period		12,552	(64,658)
Basic earnings per stapled security	9	2.25	(22.53)
Diluted earnings per stapled security	9	2.25	(22.53)

(The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.)

Consolidated Statement of Financial Position
as at 30 June 2010

	Note	2010 $ '000	2009 $ '000
Assets			
Cash and cash equivalents	10	4,426	4,662
Trade and other receivables	11	8,837	15,814
Other financial assets	12	3,504	20,336
Income tax receivable	23	29	25
Assets classified as held for sale	13	12,238	-
Prepayments and other current assets	14	9,674	11,903
Total current assets		38,708	52,740
Trade and other receivables	11	12,810	7,191
Other financial assets	12	72,996	67,719
Property, plant and equipment	15	5,416	2,379
Investment property	16	379,150	368,563
Investments in equity accounted investees	17	83,078	59,794
Inventories	18	27,216	34,969
Intangible assets	19	5,964	6,496
Deferred tax assets	26	17,848	11,000
Other investments	20	2,135	2,479
Other	21	1,559	7,464
Total non-current assets		608,172	568,054
Total Assets		646,880	620,794
Liabilities			
Trade and other payables	22	20,365	15,873
Interest-bearing loans and borrowings	24	3,000	10,037
Provisions	25	5,849	5,795
Employee benefits	27	952	931
Other financial liabilities	28	4,843	3,749
Total current liabilities		35,009	6,385
Interest-bearing loans and borrowings	24	222,256	181,500
Other financial liabilities	28	1,000	2,000
Total non-current liabilities		223,256	183,500
Total Liabilities		258,265	219,885
Net Assets		388,615	400,909
Security holders' funds			
Issued capital	29	408,422	408,397
Other equity		(1,855)	-
Reserves	29	(8)	(659)
Retained earnings		(17,944)	(6,829)
Total security holders' funds		388,615	400,909

(The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.)

Consolidated Statement of Changes in Equity
for the year ended 30 June 2010

	Issued Capital	Other Equity	Hedge Reserves	Available for Sale Reserve	Net Profit (Accumulated Losses)	Total Security Holders' Funds
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2009	408,397	-	(120)	(539)	(6,829)	400,909
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12,552	12,552
Other comprehensive income						
Cash flow hedge profit transferred to income statement	-	-	120	-	-	120
Impaired value of available for sale financial assets transferred to profit or loss	-	-	-	531	-	531
Total other comprehensive income	-	-	120	531	-	651
Total comprehensive income for the period	-	-	120	531	12,552	13,203
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share issue costs refunded	25	-	-	-	-	25
Distributions to security holders	-	-	-	-	(23,400)	(23,400)
Share based payment transactions	-	-	-	-	(267)	(267)
Total contributions by and distributions to owners	25	-	-	-	(23,667)	(23,642)
Acquisition of non controlling interest	-	(1,855)	-	-	-	(1,855)
Total transactions with owners	25	(1,855)	-	-	(23,667)	(25,497)
Closing balance at 30 June 2010	408,422	(1,855)	-	(8)	(17,944)	388,615

Consolidated Statement of Changes in Equity
for the year ended 30 June 2009

	Issued Capital	Hedge Reserves	Available for Sale Reserve	Net Profit (Accumulated Losses)	Non controlling interest	Total Security Holders' Funds
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2008	301,890	(273)	(282)	78,578	-	379,913
Total comprehensive income for the period						
Profit for the period	-	-	-	(62,858)	(1,800)	(64,658)
Other comprehensive income						
Cash flow hedge profit transferred to income statement	-	153	-	-	-	153
Net change in fair value of available for sale financial assets	-	-	(257)	-	-	(257)
Total other comprehensive income	-	153	(257)	-	-	(104)
Total comprehensive income for the period	-	153	(257)	(62,858)	(1,800)	(64,762)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	110,878	-	-	-	-	110,878
Share issue costs	(4,371)	-	-	-	-	(4,371)
Distributions to security holders	-	-	-	(25,799)	-	(25,799)
Share based payment transactions	-	-	-	3,250	-	3,250
Total contributions by and distributions to owners	106,507	-	-	(22,549)	-	83,958
Acquisition of non controlling interest	-	-	-	-	1,800	1,800
Total transactions with owners	106,507	-	-	(22,549)	1,800	85,758
Closing balance at 30 June 2009	408,397	(120)	(539)	(6,829)	-	400,909

(The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.)

Consolidated Statement of Cash Flows
for the year ended 30 June 2010

	Note	2010 $ '000	2009 $ '000
Cash flows from operating activities			
Cash receipts from customers		65,299	59,865
Cash payments to suppliers and employees		(27,814)	(34,626)
Dividends received		2,016	1,919
Interest received		7,873	7,130
Interest and other costs of finance paid		(16,263)	(19,279)
Net cash from / (used in) operating activities	33	31,111	15,009
Cash flows from investing activities			
Acquisition of property, plant and equipment		(295)	(1,226)
Payments for redevelopment works		(15,696)	(7,703)
Improvements to investment properties		(5,958)	(27,223)
Acquisition/(disposal) of intangible assets		129	(54)
Acquisition of funds management equity investments		(19,750)	(5,125)
Consolidation of subsidiary – cash acquired		-	2,027
Acquisition of non-controlling Interest		(1,091)	(500)
Proceeds from sale of investment properties		-	26,487
Net cash used in investing activities		(42,661)	(13,317)
Cash flows from financing activities			
Proceeds from issue of equity securities		(8)	98,804
Payment for equity securities issue costs		-	(4,371)
Proceeds from borrowings		70,794	73,341
Repayments of borrowings		(36,992)	(115,647)
Loans to associates		(28,952)	(62,581)
Repayments from associates		29,812	20,412
Distributions paid		(23,340)	(25,364)
Net cash from / (used in) financing activities		11,314	(15,406)
Net (decrease) / increase in cash and cash equivalents		(236)	(13,714)
Cash and cash equivalents at 1 July		4,662	18,376
Cash and cash equivalents at 30 June	10	4,426	4,662

(The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.)

Notes to the consolidated financial statements

Note	Page
1. Significant Accounting Policies	52
2. Operating Segments	64
3. Revenue	67
4. Other Expenses	67
5. Administration Expenses	67
6. Auditors' Remuneration	67
7. Net Financing Costs	68
8. Income Tax Expense	68
9. Earnings per Stapled Security	69
10. Cash and Cash Equivalents	70
11. Trade and Other Receivables	70
12. Other Financial Assets	71
13. Assets Classified as Held For Sale	71
14. Other Current Assets	71
15. Property Plant and Equipment	72
16. Investment Property	73
17. Investments in Equity Accounted Investees	75
18. Inventories	77
19. Intangible Assets	77
20. Other Investments	78
21. Other Non-Current Assets	78
22. Trade and Other Payables	78
23. Current Tax Assets / Liabilities	78
24. Interest-bearing Loans and Borrowings	79
25. Provisions	81
26. Deferred Tax Assets and Liabilities	81
27. Employee Benefits	81
28. Other Financial Liabilities	84
29. Capital and Reserves	85
30. Financial Instruments	88
31. Consolidated Entities	95
32. Capital and Other Commitments	96
33. Reconciliation of Cash Flows from Operating Activities	97
34. Key Management Personnel Disclosures	98
35. Related Party Transactions	102
36. Parent Entity Disclosures	104
37. Events Subsequent to Reporting Date	105

Notes to the consolidated financial statements

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 2010 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 23 August 2010.

(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 Financial Report of the Group complies 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, available for sale financial instruments, investment property, assets held for sale, and share based payments.

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

(iii) Functional and presentation currency

These financial statements are presented in Australian dollars, which is 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(v).

(v) Application of accounting policies

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(x).

(vi) New Accounting Standards and Interpretations

Overview

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2009.

- Accounting for business combinations – refer to note 1 (c)
- Accounting for acquisitions of non-controlling interest – refer to note 1(c)
- Determination and presentation of operating segments – refer to note 1 (r)
- Presentation of financial statements – refer to note 1 (w)
- Revised investment properties – refer to note 1 (g)

(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 ("the 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) Accounting for acquisitions of non-controlling interests

The Group has adopted AASB 3 Business Combinations (2008) and AASB 127 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 July 2009. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary, and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

(iii) 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.

(iv) 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.

(v) 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.

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 Statement of Comprehensive Income 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 profit or loss. The fair value of interest rate swaps is the estimated amount that the Group 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 with original maturities of three months or less.

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.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. 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) 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. 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 Group 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.

(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 re-measurement 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 profit or loss. 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.

The Group has applied the revisions to AASB 140 with effect from 1 July 2009. Investment properties in course of construction are now classified as investment property. Previously these assets were classified as property, plant and equipment or inventories. The adoption of this revision has not had a material effect on the carrying values of assets reclassified to investment properties.

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

(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(o).

(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. These rights have a finite useful life of the duration of the project until all lots are sold. These rights are measured at cost less accumulated amortization and accumulated impairment losses. Amortisation is calculated over the cost of the assets and is recognised in profit and loss over the estimated useful life of the intangible assets. Amortisation commenced in the current financial year as the Group started to consume economic benefits from these assets.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(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.

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) Current assets held for sale

Current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(m) 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 during which services are rendered by employees. 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 Group'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.

(n) 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. The unwinding of the discount is recognised as a finance cost.

(o) 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.

(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 accrual 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 profit or loss in the current financial period.

(p) 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.

(q) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-forsale 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 that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset including loan establishment costs are recognised in profit or loss using the effective interest method.

(r) Segment reporting

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Directors who are the chief operating decision makers in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity identify two sets of segments (business and geographical), using a risk and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments.

Information regarding these segments is presented in note 2. Based on a review of the entity's management and internal reporting structure, an additional reportable segment of Developments has been added. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8 since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

(s) 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 profit or loss 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 taxconsolidated 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.

Notes to the consolidated financial statements (continued)

(t) 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.

(u) 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.

(v) 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 19.

(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 18.

(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) A willing, but not anxious, buyer and seller on an arm's length basis;

b) A reasonable period in which to negotiate the sale, having regard to the nature and situation of the investment property and the state of the market for property of the same kind;

c) That the investment property will be reasonably exposed to that market;

d) That no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and

e) That it is based on all information that the valuer needs for the purposes of the valuation being made available by, or on behalf of the 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 Group 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 16.

(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.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(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. In determining the fair value of associates involved in the sale of residential land, key assumptions include sales rates, and escalation of revenue and expenses. Details of this impairment and the assumptions used by management in assessing the impairment are provided in note 17.

Notes to the consolidated financial statements (continued)

(w) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007),* which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 30 June 2010.

Comparative information has been re-presented so that is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per unit.

(x) 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 2010, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will be mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- Revised AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions, resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI Scope of AASB 2 and AI 11 AASB 2 Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

2. Operating Segments

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units hold different asset classes and offer different products and services, and are based on the consolidated entity's management and internal reporting structure. For each of the strategic business units, the Executive Directors review internal management reports on at least a quarterly basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The following describes the operations in each of the Group's reportable segments:

- Property Portfolio - This segment includes net rental income and associated interest expense and other expenditure from all properties held by Aspen Property Trust throughout Australia, and Aspen Communities and Aspen Villages operations and land held for development.
- Funds Management - Property funds management includes fees, interest income, equity profits and associated expenditure from unlisted property funds and syndicates that Aspen Group manages.

Other includes interest from related parties and dividends from investments which cannot be allocated to the segments above.

Comparative segment information has been represented in conformity with the requirements of AASB 8 *Operating Segments*.

2. Operating Segments (continued)

Information about reportable segments

	Property Portfolio		Funds Management		Other		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
External revenues	51,387	43,632	12,638	19,216	44	190	64,069	63,038
Interest Income	49	80	7,072	6,916	718	183	7,839	7,179
Total segment revenue	51,436	43,712	19,710	26,132	762	373	71,908	70,217
Interest Expense	7,490	8,867	4,903	4,684	-	-	12,393	13,551
Reportable segment profit before income tax and share of profits from investments accounted for using the equity method (and other significant items below)	24,942	17,545	2,383	5,789	731	456	28,056	23,790
Share of profits from investments accounted for using the equity method (before significant items below)	-	-	1,896	625	-	-	1,896	625
Segment Profit/(Loss) before significant items below	24,942	17,545	4,279	6,414	731	456	29,952	24,415
Change in fair value of investment properties	(5,061)	(28,911)	-	-	-	-	(5,061)	(28,911)
Impairment of available for sale investments	-	-	-	(2,339)	(874)	-	(874)	(2,339)
Write-down of inventory to recoverable amount	(9,479)	(24,381)	-	-	-	-	(9,479)	(24,381)
Profit/(Loss) on sale of investment properties	-	(1,564)	-	-	-	-	-	(1,564)
Impairment adjustments of investments in associates	-	-	(6,887)	(45,357)	-	-	(6,887)	(45,357)
Change in fair value of interest rate swaps	(734)	(5,447)	(482)	(2,879)	-	-	(1,216)	(8,326)
Change in fair value of interest rate swaps in associates	-	-	358	(873)	-	-	358	(873)
Segment Profit/(Loss) after significant items	9,668	(42,758)	(2,732)	(45,034)	(143)	456	6,793	(87,336)
Reportable segment assets	423,983	412,363	178,070	165,424	44,827	43,007	646,880	620,794
Investments in associates	-	-	83,078	59,794	-	-	83,078	59,794

2. Operating Segments (continued)

Reconciliations of reportable segment revenues, profit or loss and assets

	2010 $ '000	2009 $ '000
Revenues		
Total revenues for reportable segments	71,146	69,844
Other revenue	762	373
Consolidated revenue	71,908	70,217
Profit or loss		
Total profit/(loss) for reportable segments after significant items	6,936	(87,792)
Other profit and loss	(143)	456
Equity settled transactions	267	(3,287)
Attributable to minority interest	-	(390)
Termination costs	(1,356)	-
Consolidated profit/(loss) before income tax	5,704	(91,013)
Income tax benefit	6,848	26,355
Consolidated profit/(loss) after income tax	12,552	(64,658)
Assets		
Total assets for reportable segments	602,053	577,787
Other assets	44,827	43,007
Consolidated total assets	646,880	620,794

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.

Major Customers
Revenues from one customer of the Group's Property Portfolio represent approximately $12.6 million of the Group's total revenues.

	Note	2010 $ '000	2009 $ '000
3. Revenue			
Revenue from trading activities			
Revenue from property investments		51,293	42,973
Funds management - asset management fees		12,112	16,239
- establishment fees		-	3,029
- asset disposal fees		526	-
		12,638	19,268
4. Other Expenses			
Marketing and advertising		182	295
Other		2	155
		184	450
5. Administration Expenses			
Wages and salaries including on-costs		11,612	13,456
Contributions to defined contribution superannuation funds		934	1,243
Equity-settled share based payment transactions	27	(267)	3,287
Other administration costs		3,579	4,936
		15,858	22,922
6. Auditors' Remuneration			
Audit services (KPMG)			
Audit and review of financial reports		319	264
In respect of prior years		150	-
Other regulatory audit services		41	4
		510	268
Other services (KPMG)			
Tax advisory services		9	75
Other advisory services		20	4
		29	79
		539	347

		2010 $ '000	2009 $ '000

7. Net Financing Costs

		2010 $ '000	2009 $ '000
Financial incomes			
Interest income	- bank deposits	189	241
	- on loans to related parties	578	9
	- on loans to associates	7,072	6,929
		7,839	7,179
Dividend income		33	451
		7,872	7,630
Financial expenses			
Net change in cash flow hedge transferred to profit and loss		(120)	(153)
Change in fair value of interest rate swaps		(1,096)	(8,172)
Net change in fair value of financial assets through profit and loss		(1,216)	(8,325)
Interest expense on financial liabilities measured at amortised cost		(17,324)	(16,962)
Less amounts capitalised to qualifying assets		4,931	3,411
		(13,609)	(21,876)
Net financing costs		(5,737)	(14,246)

8. Income Tax Expense

	2010 $ '000	2009 $ '000
Recognised in profit or loss		
Current tax expense / (benefit)		
Current year	(5,293)	(13,838)
	(5,293)	(13,838)
Deferred tax expense		
Origination and reversal of temporary differences	(1,555)	(12,517)
	(1,555)	(12,517)
Total income tax expense / (benefit) in income statement	(6,848)	(26,355)
Numerical reconciliation between tax expense and pre-tax net profit		
Profit/(loss) before income tax	5,704	(91,013)
Prima facie income tax calculated at 30%	1,711	(27,304)
Less prima facie income tax on profit from Trust	(9,894)	(5,106)
Increase in income tax expense due to:		
Non-deductible expenses	1,335	3,889
Under provided in prior periods	-	2,166
Income tax expense/(benefit) on pre-tax net profit	(6,848)	(26,355)

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

No Tax Sharing Agreement has been established between Aspen Group Limited and its wholly owned Australian resident entities. Aspen Group Limited recognises the tax payable or receivables on behalf of the consolidated Group's wholly owned Australian resident entities (refer note 1(s)).

9. Earnings Per Stapled Security

		2010 cents per stapled security	2009 cents per stapled security
Basic earnings per stapled security	(a)	2.25	(22.53)
Diluted earnings per stapled security	(b)	2.25	(22.53)

(a) Basic earnings per stapled security

Basic earnings per security is calculated by dividing profit/(loss) attributable to security holders of Aspen Group by the weighted average number of ordinary securities outstanding during the year:

Profit attributable to ordinary stapled security holders (basic)	2010 $ '000	2009 $ '000
Profit/(loss) attributable to ordinary stapled security holders (basic)	12,552	(62,858)

Weighted average number of securities (basic)	2010 No. '000	2009 No. '000
Issued stapled securities 1 July	556,885	244,405
Effect of units issued in August 08	-	571
Effect of shares issued in October 08	-	17,473
Effect of shares issued in February 09	-	3,084
Effect of shares issued in May 09	-	182
Effect of shares issued in June 09	-	13,269
Weighted average number of securities at 30 June(1)	556,885	278,984

(1) Excludes non-dilutive LTI instruments

(b) Diluted earnings per stapled security

Diluted earnings per security is calculated by dividing profit/(loss) attributable to security holders of Aspen Group 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 (diluted)	2010 $ '000	2009 $ '000
Profit/(loss) attributable to ordinary stapled security holders (diluted)	12,552	(62,858)

Weighted average number of securities (diluted)	2010 No. '000	2009 No. '000
Weighted average number of stapled securities at 30 June	556,885	278,984
Effect of stapled security options on issue	424	-
Weighted average number of securities (diluted) at 30 June	557,309	278,984

10. Cash and Cash Equivalents

	2010 $ '000	2009 $ '000
Cash at bank and in hand	4,426	4,662

The Group's exposure to interest rate risk and a sensitivity analysis is disclosed in note 30.

11. Trade and Other Receivables

	2010 $ '000	2009 $ '000
Current		
Trade receivables	8,352	15,215
Other receivables	485	599
	8,837	15,814
Non Current		
Trade receivables	6,047	-
Amount due from directors	6,763	7,191
	12,810	7,191

The Group's exposure to credit and liquidity risk is disclosed in note 30.

12. Other Financial Assets

	2010 $ '000	2009 $ '000
Current		
Amounts due from associates	3,504	20,336
	3,504	20,336
Non Current		
Amount due from associates	72,996	67,719
	72,996	67,719

The Group's exposure to credit and liquidity risk is disclosed in note 30.

13. Assets Classified As Held For Sale

	2010 $ '000	2009 $ '000
Investment property	3,000	-
Inventories	9,238	-
	12,238	-

As part of a review of the Group's development portfolio a small number of non-strategic assets have been identified to be offered for sale. These assets are pledged as security as part of loans and borrowings (refer Note 24).

14. Other Current Assets

	2010 $ '000	2009 $ '000
Prepayments	1,935	2,677
Cash held in restricted funds	1,000	1,000
Other	6,739	8,226
	9,674	11,903

Notes to the consolidated financial statements (continued)

15. Property, Plant and Equipment

	Plant and equipment $'000	Leasehold improvements $'000	Land and Buildings $'000	Office equipment & fittings $'000	Total $'000
Cost					
Balance at 1 July 2008	645	440	-	1,024	2,109
Additions	716	11	-	523	1,250
Disposals	-	-	-	-	-
Balance at 30 June 2009	1,361	451	-	1,547	3,359
Additions	120	41	-	192	353
Reclassifications	-	-	3,200	-	3,200
Disposals	(58)	-	-	(11)	(69)
Balance at 30 June 2010	1,423	492	3,200	1,728	6,843
Depreciation and impairment losses					
Balance at 1 July 2008	33	30	-	579	642
Depreciation charge for the year	96	25	-	217	338
Disposals	-	-	-	-	-
Balance at 30 June 2009	129	55	-	796	980
Depreciation charge for the year	171	23	-	267	461
Disposals	(3)	-	-	(11)	(14)
Balance at 30 June 2010	297	78	-	1,052	1,427
Carrying amounts					
At 1 July 2008	612	410	-	445	1,467
At 30 June 2009	1,232	396	-	751	2,379
At 1 July 2009	1,232	396	-	751	2,379
At 30 June 2010	1,126	414	3,200	676	5,416

Since the reporting date, the York Street property classified in Land and Buildings has been sold at its carrying value. Refer to note 37.

16. Investment Property

	2010 $ '000	2009 $ '000
At 1 July	368,563	393,770
Acquisitions and additions	6,793	33,704
Disposals	-	(30,000)
Transfers in from inventories	15,055	-
Reclassifications	(6,200)	-
Fair value adjustments	(5,061)	(28,911)
At 30 June	379,150	368,563

At 31 December 2009, the Group independently revalued 78% (by value) of investment properties resulting in a total decrease in the carrying value of the revalued investment properties of $0.9 million. At 30 June 2010, the Group further revalued 20% 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 $4.2 million. Note that the balance of the net change in carrying value between periods is a result of capital improvements to existing properties, development expenditure on Karratha Village and the reclassification of assets ($6.2 million).

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) of the Financial Report for the year ended 30 June 2010 and having regard to recent market transactions for similar properties in the same location as the Group's investment property.

As at 30 June 2010, the weighted average cap rate for the portfolio (excluding Karratha which has a cap rate of 18.5% and has been excluded as it is not indicative of the rest of the portfolio) was 9.4%. The weighted average lease duration (excluding the Ballina property) was 2.96 years.

Notes to the consolidated financial statements (continued)

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 2010 $'000	Book Value at 30 June 2009 $'000
256 Adelaide Tce. (Septimus Roe) - WA	Oct 2002	29,648	Dec 2009	87,000	87,000	82,000
Phoenix Rd, Bibra Lake (Woolstores) - WA	Aug 2003	37,483	Dec 2009	52,000	52,000	56,000
Davy St, Booragoon (Alcoa) - WA	Aug 2003	18,329	Dec 2009	28,000	28,000	29,000
51 Heaton St, Rocklea - QLD	Oct 2004	9,184	Jun 2010	10,500	10,500	13,000
215 Browns Rd, Noble Park - VIC	Oct 2004	22,625	Jun 2010	19,300	19,300	19,300
566 St. Kilda Road - VIC	Dec 2004	26,426	Dec 2009	33,400	34,000	34,000
5/33 York St. - NSW	June 2005	3,169	Jun 2009	3,175	-(1)	3,175
55 Currie St. - SA	June 2006	66,980	Dec 2009	84,000	81,000	82,000
Morrison Rd, Midland - WA	June 2007	5,500	Dec 2008	3,000	-(2)	3,195
Karratha Village - WA	June 2005	1,000	Jun 2010	44,000	44,000	41,000
Aspen LV Plus Ballina, Ballina - NSW	Nov 2007	3,809	-	-	23,350(3)	5,893
					379,150	368,563

(1) Reclassified as property plant and equipment as at 1 July 2009.
(2) Reclassified as assets held for sale as at 1 July 2009.
(3) $15.1m reclassified from inventories as at 1 July 2009.

(i) During the financial year ended 30 June 2010, $51.3 million was recognised as rental income in the income statement (2009: $43.0 million) and $16.4 million in respect to property expenses was recognised as an expense in the income statement relating to investment property (2009: $12.4 million).

(ii) At 30 June 2010 all investment properties have been pledged as security against loan facilities with the Group's bankers. Refer to note 24 for further details.

(iii) Material reductions in fair value were recognised for the following properties: Woolstores ($4.0m) and Rocklea ($2.5m).

(iv) The total of the Ballina land (previously treated as inventory) has been reclassified as investment property as at 1 July 2009.

The key assumptions used by the Group at the reporting date in determining the fair value for its investment property (excluding the Ballina and Karratha properties) are shown below.

	30 June 2010	30 June 2009
Weighted average discount rate	10.37%	10.02%
Weighted average terminal yield	9.68%	10.09%
Weighted average capitalisation rate	9.41%	9.43%
Weighted average vacancy rate	4.72%	6.58%
Weighted average rental growth rate	3.04%	2.63%

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:

	2010 $'000	2009 $'000
Less than one year	30,050	42,180
Between one and five years	93,865	117,730
More than five years	43,379	26,564
	167,294	186,474

17. Investments in Equity Accounted Investees

The consolidated entity accounts for investments in associates using the equity method. The consolidated entity has the following investments in associates using the equity method:

	Principal activities	Ownership		Share of associate's net assets equity accounted	
		2010	2009	2010 $'000	2009 $'000
Aspen Parks Property Fund	Tourist park investment	13.3%	16.7%	15,731	15,517
Aspen Diversified Property Fund	Commercial property investment	35.8%	35.8%	11,664	5,118
Aspen Dunsborough Lakes Limited	Residential property development	43.2%	20.0%	3,144	783
Aspen Whitsunday Shores Pty Ltd	Residential property development	42.1%	25.0%	2,755	91
Fern Bay Seaside Village Ltd	Residential property development	45.4%	45.4%	4,855	7,441
St Leonard's Estate Pty Ltd	Residential property development	13.4%	9.6%	3,585	1,846
Aspen Development Fund No 1 Ltd	Diversified property development	47.3%	42.5%	41,344	28,998
TOTAL				83,078	59,794

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

	2010 $'000	2009 $'000
Share of associate profit before income tax	1,763	(13,346)
Share of income tax expense	(2,771)	622
Share of associate profit after income tax	(1,008)	(12,724)
Impairment of equity accounted investments	(3,625)	(33,249)
Share of associates net profit accounted for using the equity method	(4,633)	(45,973)

The carrying value of investments in equity accounted investees was reviewed during the period ending 30 June 2010.

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 with reference to independent valuations, and internal management modelling for properties within the associate investments using the fair value principles set out in note 1(v)(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 Note 32).

Notes to the consolidated financial statements (continued)

The pre-tax discount rates used to determine the "value in use" which supports the carrying value of the following investments in associates as at 30 June 2010 are set out below:

Associate	Discount Rate
Aspen Dunsborough Lakes Limited	16.5 %
Fern Bay Seaside Village Ltd	15.5 %
St Leonard's Estate Pty Ltd	14.6 %
Aspen Development Fund No 1 Ltd	20% - 22%

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 $1.0 million and providing for additional impairments totalling $3.6 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 $76.5 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, all associates were in net asset positions and therefore 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 2010. These loans have been classified $3.5 million as current and $73.0 million as non-current ($20.3 million current and $67.7 million non-current at 30 June 2009), Refer Note 35 for further details.

	Revenue (100%)	Profit (loss) (100%)	Share of associates net profit/ (loss) recognised[1]	Revaluation/ Impairment of Equity Accounted Investment[1]	Total Assets (100%)	Total Liabilities (100%)	Net assets as per associates (100%)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010							
Aspen Parks Property Fund	72,590	12,668	1,788	-	270,932	159,406	111,526
Aspen Diversified Property Fund	15,127	(3,129)	(1,120)	(168)	126,394	93,814	32,580
Aspen Dunsborough Lakes Limited	8,046	1,730	703	(1,541)	91,243	60,439	30,804
Aspen Whitsunday Shores Pty Ltd	1,144	(813)	(310)	1,100	51,014	29,397	21,617
Fern Bay Seaside Village Ltd	6,255	843	429	(3,016)	82,877	44,805	38,072
St Leonard's Estate Pty Ltd	1,387	253	32	-	88,723	50,619	38,104
Aspen Development Fund No1 Ltd	33,212	(5,859)	(2,530)	-	232,506	122,481	110,025
	137,761	5,693	(1,008)	(3,625)	943,689	560,961	382,728

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

	Revenue (100%)	Profit (loss) (100%)	Share of associates net profit/ (loss) recognised[1]	Revaluation/ Impairment of Equity Accounted Investment[1]	Total Assets (100%)	Total Liabilities (100%)	Net assets as per associates (100%)
	$'000	$'000	$'000	$'000	$'000	$'000	$'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 No1 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

18. Inventories - Non Current

	2010 $ '000	2009 $ '000
Property Development		
Land – residential and retirement	27,216	34,969
	27,216	34,969

During the period, the Group has impaired $9.48m (2009: $24.4m) in relation to inventory so it is carried in excess of the lower of cost or net realisable value. These assets are pledged as security for bank borrowings. Refer to note 24.

Land relating to the Ballina retirement village was reclassified as investment property as at 1 July 2009.

19. Intangible Assets - Non Current

	2010 $ '000	2009 $ '000
Carrying amount at the beginning of the year	6,496	6,404
Other	(167)	92
Amortisation	(365)	-
Carrying amount at the end of the year	5,964	6,496

Intangible assets of $6 million were acquired relating to the purchase of the St Leonards Estate land development rights. $0.37m was amortised in the current period (2009: Nil).

Notes to the consolidated financial statements (continued)

20. Other Investments

	2010 $ '000	2009 $ '000
Investments in available for sale securities	2,135	2,479
	2,135	2,479

21. Other Non-Current Assets

	2010 $ '000	2009 $ '000
Loan establishment costs	559	1,751
Cash held in bank restricted accounts	1,000	2,000
Other	-	3,713
	1,559	7,464

22. Trade and Other Payables

	2010 $ '000	2009 $ '000
Trade payables and accrued expenses	10,082	7,977
Unearned rental income	2,303	2,335
Other	508	615
Resident loans – retirement leases[1]	7,472	4,946
	20,365	15,873

[1] Relates to initial lease amounts paid by residents at the Ballina LV Plus Retirement Village. Refer to note 1 (d) (ii).

23. Current Tax Assets / Liabilities

The current tax asset for Aspen Group of $28,891 (2009: asset of $25,000) 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.

24. Interest-bearing Loans and Borrowings

	2010 $ '000	2009 $ '000
Current liabilities		
Current portion of secured bank loans[1]	3,000	10,026
Hire Purchase liability	-	11
	3,000	10,037
Non-current liabilities		
Secured bank loans	222,256	181,500
	222,256	181,500
	225,256	191,537

[1] The balance as at 30 June 2010 relates to amortisation of Tranche C, as per detailed below. The Group's exposure to interest rate risk and liquidity risk is disclosed in note 30.

Terms and debt repayment schedule

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

Consolidated

	Currency	Maturity	Face value at June 2010 $'000	Carrying amount at June 2010 $'000	Face value value at June 2009 $'000	Carrying amount at June 2009 $'000
Secured bank loan[1]	AUD	Dec 2013	19,500	19,500	22,500	22,500
Secured bank loan	AUD	Feb 2012	197,000	197,000	162,000	162,000
Secured bank loan	AUD	Dec 2009	-	-	7,026	7,026
Secured bank loan	AUD	Dec 2012	8,756	8,756	-	-
Hire purchase liability	AUD	Oct 2009	-	-	11	11
			225,256	225,256	191,537	191,537

[1] Amortised at $250,000 per month.

Financing arrangements

At 30 June 2010, the Group's total debt consisted of:

(i) $216.5 million including its Tranche A senior debt facility ($197.0m) and its Tranche C facility ($19.5m). These facilities are with National Australia Bank.

(ii) $8.8 million under its facility with Bendigo and Adelaide Bank.

Tranche A – Key Terms

- Facility Limit of $213 million.
- Loan to Value (LVR) covenant relating to both Tranche A & C of 69% to maturity.
- Interest coverage ratio covenant of at least 1.5 times investment property net rental income.
- Maturity date of 28 February 2012.

Notes to the consolidated financial statements (continued)

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.

All Tranches are secured over the consolidated entity's investment property portfolio excluding retirement assets.

The total cost of drawn debt as at 30 June 2010 for the Group inclusive of facility fees was 8.32%.

In December 2009, the Group established a $20.5 million loan facility with Bendigo and Adelaide Bank, which refinanced the previous Westpac debt facility and is secured over the investment property located at Ballina, NSW and the Group's inventory assets. The key terms are as follows:

- $12 million construction facility for development of the Ballina retirement village (drawn to $8.8 million). Use of funds from this facility is restricted to land and building construction costs for the Ballina retirement village.
- $8.5 million facility for partial reimbursement of equity (nil drawn). Release of this facility is contingent on achieving 48 settlements at the Ballina retirement village.
- Loan to Value (LVR) covenant of 50% to maturity.
- Maturity date of December 2012.

Aspen uses interest rate swaps to hedge its exposure to interest rate risks and at 30 June 2010, 71% of the senior debt facility was hedged with a weighted average maturity of 3.06 years.

	2010 $'000	2009 $'000
Financing facilities		
Secured bank loans	253,000	227,526
	253,000	227,526
Facilities utilised at reporting date		
Secured bank loans	225,256	191,526
Bank guarantees	1,221	-
	226,477	191,526
Facilities not utilised at reporting date		
Secured bank loans	26,523	36,000
	26,523	36,000

25. Provisions

	2010 $ '000	2009 $ '000
Provision - Distributions	5,849	5,795
Movement in provisions during the financial year:		
Carrying amount at the beginning of the year	5,795	10,254
Additional provisions recognised	23,393	25,798
Provisions used during the year	(23,339)	(30,257)
Carrying amount at the end of the year	5,849	5,795

26. Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade and other receivables	(45)	(3)	404	332	359	329
Other	(242)	(69)	1,678	614	1,436	545
Equity accounted investments	(10,814)	(9,452)	1,121	623	(9,693)	(8,829)
Inventories	(2,826)	-	-	-	(2,826)	-
Investment property	-	-	14,837	13,751	14,837	13,751
Trade and other payables	(1,374)	(528)	-	-	(1,374)	(528)
Provisions	(286)	(280)	-	2	(286)	(278)
Tax losses carried forward	(20,301)	(15,990)	-	-	(20,301)	(15,990)
Tax (assets) / liabilities	(35,888)	(26,322)	18,040	15,322	(17,848)	(11,000)

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

27. Employee Benefits

	2010 $ '000	2009 $ '000
Current		
Salaries and wages accrued	77	69
Liability for annual and long service leave	875	862
Total employee benefits	952	931

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.

Notes to the consolidated financial statements (continued)

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 2010	Number of instruments 2009	Vesting conditions	Contractual life of LTI
1 December 2004 (i)	760,000	760,000	2 years of service	7 years
1 December 2005	1,520,000	1,520,000	2 years of service	7 years
19 December 2006	3,108,042	3,108,042	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)	(1,403,447)	Cancelled	-
11 June 2009 (ii)	2,707,404	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 prior year the December 2007 grant was modified 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 Payments".

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, 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 LTI	Weighted average exercise price	Number of LTI
	2010	2010	2009	2009
Outstanding at the beginning of the period (i)	1.258	8,095,446	$1.729	8,095,446
Granted during the period (i)	-	-	$0.321	2,707,404
Modified/reissued during the period	-	-	-	(2,707,404)
Outstanding at the end of the period	1.258	8,095,446	$1.258	8,095,446
Exercisable at the end of the period	1.258	8,095,446	$1.258	8,095,446

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

During the previous 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 2010 have an exercise price in the range of $0.321 to $1.767 (2009: $0.321 to $1.767) and a weighted average contractual life of 3.7 years (2009: 4.7 years).

The fair value of services received in return for stapled security options granted are measured by reference to the fair value of stapled security options granted. The estimate of the fair value of the services received is measured based on the binominal option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal option-pricing model. There were no share options granted in the year ended 30 June 2010.

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

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 Director Long Term Incentive Plan ("EDLTIP") 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[1]	27 November 2007	\$0.410	\$2.693	24.6%	30 June 2010
G Hawkins	5,500,000[1]	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

[1] Vesting conditions not met – award has been forfeited.

Share based payments	Note	2010 \$'000	2009 \$'000
Employee expenses			
Stapled security options granted in 2007 – equity settled		-	1,226
Stapled security options granted in 2008 – equity settled		1,862	2,004
Stapled security options granted in 2009 – equity settled		126	57
Total expense	5	1,988	3,287
EDLTIP stapled security options granted in 2007 - adjustment		(2,255)	-
Total expense recognised as employee costs		(267)	3,287

50% of the EDLTIP options were subject to the achievement of certain market conditions (total shareholder return) and 50% subject to non-market conditions (EPS growth). In accordance with AASB2, the Group have assessed the likelihood of the options subject to non-market conditions vesting and therefore the cumulative expense recognised in profit or loss has been adjusted to reflect the actual number of options expected to vest.

28. Other Financial Liabilities

	2010 \$ '000	2009 \$ '000
Current liabilities		
Interest rate derivatives – fair value through profit and loss	3,843	2,749
Financial guarantee	1,000	1,000
	4,843	3,749
Non-current liabilities		
Financial guarantee	1,000	2,000
	1,000	2,000

29. Capital and Reserves

	Stapled securities 2010 No.	Stapled securities 2009 No.
Issued capital		
On issue at 1 July	579,980,076	264,600,482
Issued during the year	-	315,379,594
On issue at 30 June – fully paid	579,980,076	579,980,076

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.

Unlisted options

At 30 June 2010, nil unlisted options exist (2009: nil).

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

For the year ended 30 June 2010

Issued Capital	No. '000	$'000
On issue at 1 July 2009	556,884	408,267
Add: Share Issue Costs Rebate	-	25
On issue at 30 June 2010 – fully paid	556,884	408,292
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options		
30 June 2010 – Balance	22,096	130
Other		
30 June 2010 – Balance	1,000	-
Total securities listed on ASX	579,980	408,422

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

EDLTIP Securities

At 30 June 2010, the Group notified the Executive Directors that 11,000,000 securities awarded to them under the 2007 EDLTIP award had not met the required vesting conditions and were effectively forfeited. Aspen Group will seek securityholder consent, at the November 2010 Annual General Meeting, to have these securities cancelled that will result in a reduction to the Group's issued equity.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2009

Issued Capital	No. '000	$'000
On issue at 1 July 2008	244,504	301,890
Stapled securities issued at $1.2141 (i)	654	794
Stapled securities issued at $0.90 (ii)	24,518	22,066
Stapled securities issued at $1.0676 (i)	984	1,051
Stapled securities issued at $0.4058 (i)	8,464	3,434
Stapled securities issued at $0.3496 (i)	1,578	552
Stapled securities issued at $0.30 (iii)	276,182	82,854
Less: stapled securities issue costs	-	(4,374)
On issue at 30 June 2009 - fully paid	556,884	408,267
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options		
1 July 2008 - Balance	19,096	-
25 November 2008 - EDLTIP	3,000	130
30 June 2009 - Balance	22,096	130
Other		
1 July 2008 and 30 June 2009- Balance	1,000	-
Total securities listed on ASX	579,980	408,397

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.

Reserves	2010 $'000	2009 $'000
Hedge reserve	-	(121)
Available for sale reserve	(8)	(538)
	(8)	(659)
Movement in reserves		
Balance at the beginning of the financial year	(659)	(555)
Transfer from/(to) available for sale reserve	531	(257)
Effective portion of changes in the fair value of cash flow hedges during the year	120	153
Balance at the end of the financial year	(8)	(659)

Distributions

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

2010	Cents per security	Total Amount $'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	-	-	-	-
Aspen Property Trust				
July 09 - Sept 09	1.050	5,853	21 November 2009	-
Oct 09 - Dec 09	1.050	5,849	18 February 2010	-
Jan 10 - Mar 10	1.050	5,849	20 May 2010	-
Apr 10 - Jun 10	1.050	5,849	25 August 2010	-
	4.200	23,400		-

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		-

Dividends	2010 $'000	2009 $'000
Dividend franking account		
30 per cent franking credits available to security holders of Aspen Group Limited for subsequent financial years	2,094	2,094

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

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

30. Financial Instruments

The Group has exposure to the following risks from using their financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group'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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or tenant. The Group has 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 Group has 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.

(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 35. Repayment of these loans is expected to 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 market interest rate 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 or unit prices of funds which are 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.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operating losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective
- Periodical reporting to the Group's compliance committee on compliance and regulatory matters.

Notes to the consolidated financial statements (continued)

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 2010 and 30 June 2009 were 34% and 30%, respectively.

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

Other than this, 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.

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	
	2010 $'000	2009 $'000
Cash and cash equivalents	4,426	4,662
Trade and other receivables	21,647	23,005
Other financial assets	76,500	88,055
	102,573	115,722

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	
	2010 $'000	2009 $'000
Funds management receivables	9,371	11,425
Property management receivables (net of provisions)	3,898	2,870
Amount due from associates	76,500	88,055
Amount due from directors (refer note 34)	6,763	7,191
Dividend receivable	183	219
GST and other receivables	1,432	1,300
	98,147	111,060

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

	2010 Gross $'000	2010 Impairment $'000	2009 Gross $'000	2009 Impairment $'000
Not past due	98,147	-	111,060	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	30	(30)	266	(266)
Past due 121 days to one year	72	(72)	266	(266)
More than one year	63	(63)	-	-
	98,312	(165)	111,592	(532)

The impairment provision at 30 June 2010 of $0.17 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 $3.2 million of bank guarantees pledged by tenants of its investment properties.

Liquidity risk

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

2010	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
Secured bank loans	(225,256)	(272,408)	(10,026)	(10,126)	(20,235)	(232,021)	-
Trade and other payables	(6,604)	(6,604)	(6,604)	-	-	-	-
Interest rate swaps	(3,843)	(2,800)	(716)	(600)	(990)	(494)	-
	(235,703)	(281,812)	(17,346)	(10,726)	(21,225)	(232,516)	-

2009	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
Secured bank loans	(191,526)	(222,980)	(13,781)	(6,626)	(13,913)	(188,661)	-
Trade and other payables	(11)	(11)	(11)	-	-	-	-
Interest rate swaps	(5,419)	(5,419)	(5,419)	-	-	-	-
	(2,749)	(3,796)	(1,395)	(869)	(1,140)	(393)	-
	(199,705)	(232,206)	(20,606)	(7,495)	(15,053)	(189,054)	-

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.

Notes to the consolidated financial statements (continued)

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 3.06 years (2009: 1.57 years) and have fixed swap rates ranging from 5.41% to 6.00% (2009: 5.69% to 5.93%). At 30 June the Group had interest rate swaps with a notional contract amount of $164.8 million (2009: $119.6 million).

The net fair value of interest rate swaps at 30 June 2010 was a liability for $3,842,888 (2009: liability of $2,748,848).

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

Carrying Amounts	2010 $'000	2009 $'000
Fixed Rate Instruments		
Hire purchase liability	-	(11)
	-	(11)
Variable Rate Instruments		
Cash and cash equivalents	4,426	4,662
Amount due from associates	76,500	88,055
Amount due from directors	6,763	7,191
Interest rate derivatives	(3,843)	(2,749)
Interest bearing loans	(225,256)	(191,526)
	(141,410)	(94,367)

The put option referred to in Note 32 has been fair valued and 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 2009.

	Profit or loss 100bp increase	100bp decrease	Equity 100bp increase	100bp decrease
30 June 2010	$'000	$'000	$'000	$'000
Variable rate instruments	(1,376)	1,376	-	-
Interest rate swap	1,647	(1,647)	-	-
Cash flow sensitivity (net)	271	(271)	-	-
30 June 2010	$'000	$'000	$'000	$'000
Variable rate instruments	(916)	916	-	-
Interest rate swap	1,196	(1,196)	-	-
Cash flow sensitivity (net)	280	(280)	-	-

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.

Fair Values

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(v).

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:

	2010 %	2009 %
Derivatives	4.9% - 5.2%	3.2% - 4.9%

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial assets	-	-	2,135	2,135
Derivative financial liabilities	-	(3,843)	-	(3,843)
	-	(3,843)	2,135	(1,708)

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2010.

The following table shows a reconciliation of movements in the Group's financial instruments classified as Level 3 within the fair value hierarchy for the year ended 30 June 2010:

	Available for Sale Assets $'000
Opening balance at 1 July 2009	2,479
Total gains or losses:	
- in profit or loss	(344)
Closing balance at 30 June 2010	2,135

During 2010 $0.5m relating to the impairment of the available for sale financial assets was reclassified from the available for sale revaluation reserve to profit or loss.

The fair value of the available for sale financial assets has been determined by reference to the published unit price of the investments at the year end date. The investment comprises an investment in a closed fund which is not currently meeting redemption requests.

31. Consolidated Entities

	Ownership Interest 2010 %	Ownership Interest 2009 %
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 Pty Ltd	100	100
Aspen Property Management Pty Ltd	100	100
Aspen Cliftleigh Pty 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)	100	73

(1) Including controlled entities as listed below:

Aspen Communities Property Fund

- Aspen Communities Property Trust
- Aspen Communities Holdings Pty Ltd
- Aspen Communities Trustee Pty Ltd
- Aspen Communities Management Pty Ltd
- Aspen Communities Construction Pty Ltd

Aspen Villages Property Fund

- Aspen Villages Property Trust
- Aspen Villages Ltd
- Aspen Villages Holdings Pty Ltd
- Aspen Villages Nominees Pty Ltd
- Aspen Villages Management Pty Ltd
- Aspen Villages Construction Pty Ltd

(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.

All subsidiary entities were formed / incorporated in Australia.

32. Capital and Other Commitments

	2010 $'000	2009 $'000
Investment Property		
Contracted but not provided for and payable;		
Within one year	458	-
	458	-

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.

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.

Aspen Group is a cornerstone investor in its various managed funds, which are classified as associate entities in these financial statements. In this regard Aspen Group has committed $5 million of funds, drawn to $3.5 million at 30 June 2010, with a potential of a further $10 million in funding commitments through to 30 June 2011.

Other than noted above, Group had no significant capital or other commitments.

33. Reconciliation of Cash flows from Operating Activities

	2010 $'000	2009 $'000
Cash flows from operating activities		
Profit / (loss) for the year	12,552	(64,658)
Adjustments for:		
Depreciation and amortisation	835	707
Change in fair value of investment property	5,061	28,911
Change in fair value of cash flow hedges	1,096	8,172
Share of profit /(loss) of equity accounted investees	4,633	45,973
Share-based payment expenses	(267)	3,267
Write-down of inventory to recoverable amount	9,479	19,422
Impairment of available-for-sale investments	874	-
Profit / (loss) from disposal of investment properties	-	1,564
Income tax (expense) / benefit	(6,848)	(26,355)
Fair value adjustment to hedge reserve	120	153
Operating profit / (loss) before changes in working capital and provisions	27,535	17,156
(Increase) / decrease in trade and other receivables	353	(3,955)
(Increase) / decrease in other assets	(2,198)	1,730
Increase / (decrease) in trade and other payables	4,838	(298)
Increase / (decrease) in other liabilities	562	333
Increase in provisions and employee benefits	21	43
Net cash from / (utilised in) operating activities	31,111	15,009

Non-cash investing activities

In the first half of the financial year, a number of syndicates undertook equity raisings to strengthen their balance sheets and reduce debt. Aspen Group, as cornerstone investor, participated in all these rights issues through either cash investments or by converting existing loan balances to equity (totalling $10.0m).

Notes to the consolidated financial statements (continued)

34. Key Management Personnel Disclosures

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

Non-executive directors: R Gillard, T Budge, S F Chan, M McCann (resigned 30 July 2010)

Executive directors: G Hawkins, A Del Borrello (up to 23 June 2010)

Senior Executives: C Lewis, J Timms, B Acott, R Morrison, D Cardoso, P Barker, J Smith

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

	2010 $'000	2009 $'000
Short-term employee benefits	4,031	3,794
Post-employment benefits	348	334
Termination benefits	932	-
Equity compensation benefits	(408)	2,077
	4,903	6,205

Information regarding individual directors' and executives' remuneration (including the terms of termination benefit agreements) is provided in the Remuneration Report section of the Director's Report.

Prior year comparative figures in the table above and in the Remuneration Report have been restated to include additional KMP personnel for the Group during the current financial year.

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 1 (v) for further details regarding the calculation of fair values.

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

Refer to note 1 (m) 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. Adjustments are recognised in profit or loss for those options subject to achievement of non-market conditions.

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 2009	Granted as Renumeration[1]	Other[3]	Expired/ Forfeited	Balance at 30June 2010	Vested during the year	Vested and exercisable at 30June 2010
Directors							
R Gillard	-	-	-	-	-	-	-
A Del Borrello[2]	7,000,000	-	(7,000,000)	-	-	-	-
A Del Borrello[1]	2,050,000	-	(2,050,000)	-	-	-	-
G Hawkins[2]	7,000,000	-	-	(5,500,000)	1,500,000	-	-
G Hawkins[1]	2,050,000	-	-	-	2,050,000	-	2,050,000
S F Chan	-	-	-	-	-	-	-
T Budge	-	-	-	-	-	-	-
M McCann[3]	-	-	-	-	-	-	-
Senior Executives							
J Timms[1]	566,571	-	-	-	566,571	-	-
J Smith[1]	120,006	-	-	-	120,006	-	50,000
C Lewis[1]	108,899	-	-	-	108,899	-	-
B Acott[1]	364,468	-	-	-	364,468	-	100,000
P Barker[1]	108,899	-	-	-	108,899	-	-
D Cardoso[1]	124,456	-	-	-	124,456	-	-
R Morrison[1]	186,683	-	-	-	186,683	-	-
Total	**19,679,982**	**-**	**(9,050,000)**	**(5,500,000)**	**5,129,982**	**-**	**2,200,000**

	Balance at 01 July 2008	Granted as Renumeration[1]	Granted as Renumeration[2]	Expired/ Forfeited	Balance at 30June 2009	Vested during the year	Vested and exercisable at 30June 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							
J Timms[1]	99,863	466,708	-	-	566,571	-	-
J Smith[1]	50,000	70,006	-	-	120,006	50,000	50,000
C Lewis[1]	-	108,899	-	-	108,899	-	-
B Acott[1]	442,926	264,468	-	(342,926)	364,468	250,000	100,000
P Barker[1]	-	108,899	-	-	108,899	-	-
D Cardoso[1]	105,756	124,456	-	(105,756)	124,456	-	-
R Morrison[1]	108,083	186,683	-	(108,083)	186,683	-	-
Total	**15,906,628**	**1,330,119**	**3,000,000**	**(556,765)**	**19,679,982**	**2,800,000**	**4,250,000**

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. Executive resigned during the financial year.

Listed Options

No listed options were granted during the financial year ended 30 June 2010 (2009: Nil). No listed options were held by key management person related parties.

Notes to the consolidated financial statements (continued)

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 2009	Granted as Remuneration	Net Purchases/ (Sales)	Balance at 30 June 2010
Directors				
R Gillard	2,656,823	-	-	2,656,823
T Budge	442,448	-	-	442,448
SF Chan	3,055,058	-	-	3,055,058
M McCann[2]	169,764	-	-	169,764
A Del Borrello[1]	17,550,815	-	-	17,550,815
G Hawkins	14,622,466	-	-	14,622,466
Senior Executives				
J Timms	908,728	-	(908,728)	-
J Smith	13,637	-	-	13,637
C Lewis	-	-	-	-
B Acott	47,639	-	-	47,639
P Barker	-	-	-	-
D Cardoso	17,398	-	-	17,398
R Morrison	8,197	-	-	8,197
Total	**39,492,973**	**-**	**(908,728)**	**38,584,245**

	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				
J Timms	276,000	-	632,728	908,728
J Smith	7,143	-	6,494	13,637
C Lewis	-	-	-	-
B Acott	97,426	-	(49,787)	47,639
P Barker	-	-	-	-
D Cardoso	17,398	-	-	17,398
R Morrison	7,665	-	532	8,197
Total	**10,721,149**	**-**	**28,771,824**	**39,492,973**

1. Resigned 23 June 2010.

2. Resigned 30 July 2010.

No stapled securities were granted to key management personnel during the reporting period. 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 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 $nil (2009: $6,333) 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 $4,465 (2009: $2,298), for capital raising on behalf of Aspen Group in 2009. The gross fee earned by the company was a maximum of 4% (2009: 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.

Aspen Group 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 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 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 movement in the loans to Executive Directors during the year is outlined below:

	$'000
Opening balance at 1 July 2009	7,191
Interest accrued	578
Distributions received	(1,006)
Closing balance at 30 June 2010	6,763

The loan amount is recorded as a receivable in the balance sheet of Aspen Group Limited (refer to note 11) and is fully repayable at the end of the loan term.

The loans are fully secured against property backed assets. Mr Del Borrello maintains his loan position subject to him meeting the covenant requirements under the Loan Deed.

Notes to the consolidated financial statements (continued)

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.

35. Related Party Transactions

Identity of related parties

The consolidated entity has a related party relationship with its associates (see note 17) and with its key management personnel (see note 34).

Other related party transactions

In the first half of the financial year, a number of syndicates undertook equity raisings to strengthen their balance sheets and reduce debt. Aspen Group, as cornerstone investor, participated in all these rights issues through either cash investments ($19.8m) or by converting existing loan balances to equity (totalling $10.0m).

Associates

All associates borrowed funds from Aspen Group Limited at an average interest rate of 9.75% per annum (2009:8.15% per annum). The following at call loans are from the Group and are outstanding at year end.

	2010 $'000	2009 $'000
Aspen Parks Property Fund	-	20,287
Aspen Diversified Property Fund	21,192	29,722
Aspen Living		
Aspen Dunsborough Lakes Ltd	19,798	9,746
Aspen Whitsunday Shores Pty Ltd	12,300	11,469
Fern Bay Seaside Village Ltd	9,430	8,127
St Leonards Estate Pty Ltd	3,264	3,798
Aspen Development Fund No 1 Ltd	10,513	4,906
Other	3	-
	76,500	88,055

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.

In addition the Group has receivables from associates of $3.6m (2009: $11.4m).

During the year Aspen Group received the following management fees and interest income:

	2010 $'000	2009 $'000
Management Fees		
Aspen Parks Property Fund	5,084	5,377
Aspen Diversified Property Fund	1,672	1,431
Aspen Living		
Aspen Dunsborough Lakes Ltd	686	340
Aspen Whitsunday Shores Pty Ltd	134	263
Fern Bay Seaside Village Ltd	522	304
St Leonard's Estate Pty Ltd	1,522	-
Aspen Development Fund No 1 Ltd	2,883	11,311
Other investments	135	242
	12,638	19,268

	2010 $'000	2009 $'000
Interest Income		
Aspen Parks Property Fund	596	757
Aspen Diversified Property Fund	2,014	2,643
Aspen Living		
Aspen Dunsborough Lakes Ltd	1,516	426
Aspen Whitsunday Shores Pty Ltd	1,037	893
Fern Bay Seaside Village Ltd	733	780
St Leonard's Estate Pty Ltd	327	170
Aspen Parks Wholesale Property Fund	1	-
Aspen Development Fund No 1 Ltd	850	764
	7,074	6,433

Notes to the consolidated financial statements (continued)

36. Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2010 the parent company of the Group was Aspen Group Limited.

	Company	
	2010 $'000	2009 $'000
Result of the parent entity		
Loss for the period	(33,094)	(60,633)
Total comprehensive income for the period	(33,094)	(60,633)
Financial position of parent entity at year end		
Current assets	8,041	24,506
Total Assets	341,197	291,440
Current liabilities	3,869	2,415
Total liabilities	413,577	330,581
Total equity of the parent entity comprising of:		
Share capital	44,874	44,874
Reserves	-	(122)
Accumulated losses	(117,254)	(83,893)
Total Equity	(72,380)	(39,141)

Parent entity contingencies

The directors are of the opinion that the parent entity has no contingent liabilities which require disclosure in the financial report for the year ended 30 June 2010.

Guarantees to related parties

From time to time the parent entity expects to be required to provide performance guarantees to third parties in respect of certain obligations of its associated entities.

The parent entity and its subsidiaries as per note 31 provide an unlimited guarantee and indemnity in favour of Aspen Funds Management Limited as responsible entity for Aspen Property Trust.

Aspen Funds Management Limited, as responsible entity for Aspen Property Trust, has guaranteed the bank loans of two of the Group's associates. Under the terms of the agreements, the Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Details of the guarantees are as follows:

	30 June 2010 $'000
Aspen Whitsunday Shores Pty Ltd	1,183
Aspen Dunsborough Lakes Ltd(1)	1,500

(1) The total amount guaranteed is $5 million (with $3.5 million provided for at 30 June 2010).

The parent entity expects to be required to provide further guarantees relating to the performance of certain associated entities in the next financial year as a result of ongoing negotiations. In this regard the parent entity may be required to provide a corporate guarantee for $15m in support of a performance guarantee facility being considered by Aspen Development Fund No1. Ltd.

37. Events Subsequent to Reporting Date

The following material events have occurred between the reporting date and the date of this report;

- The Group has settled the sale of the York Street property (refer note 15).

Other than the above, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

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

(a) the financial statements and notes (including the remuneration disclosures that are contained in the Remuneration report in the Director's Report), are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2010 and of its performance, as represented by the results of its operations and 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); and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' Report comply with Australian Accounting Standards AASB 124 "Related Party Disclosures", Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Managing Director for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the directors

Gavin Hawkins
Managing Director
PERTH, 23 August 2010

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.Aspen Group.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 security holders' interests are protected and the value of their investment is maximised. To fulfil this role, the Board carries out its responsibilities according to the following mandate:

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

During the financial period, the Board consisted of four independent non-executive directors and two executive directors. Following the resignation of Mr McCann and Mr Del Borrello, the composition at the date of this report is three non-executive directors and one executive director. The Board is currently in the process of finding a further non-executive director to meet the requirements of its mandate. 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.

Corporate Governance Statement (continued)

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 (resigned 30 July 2010)
- 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 security holder 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. As noted previously, as of the date of this report, there are currently only four directors. The Board are however in the process of finding a further non-executive director to ensure compliance with its mandate.

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.

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 Matthew McCann – Independent Non-Executive (appointed June 2010 and resigned 30 July 2010)
- 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

Corporate Governance Statement (continued)

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 prorata 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.

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:
  - a) external audit scope;
  - b) external audit reports;
  - c) external audit performance, including time of audit, fees, partner rotation and value added services;
  - d) materiality; and
  - e) auditor independence.

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 security holders 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.

Corporate Governance Statement (continued)

In summary the Disclosure and Communication Policy operates as follows:

- The Board is committed to effectively communicating with its security holders and the investment market 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 security holders, it may be impractical to present this to all security holders. In this instance a copy of the presentation material including the response to any significant questions will be made available on the Group's website where it contains new material which is not known to the market.
- Where the Group is to hold a security holder meeting, the full text of the notice of meeting will be provided in the announcement to the ASX.
- All directors and employees are educated on the importance of sensitive information and confidentially as part of an induction session. Employees must sign a copy of the Code of Conduct at the commencement of their employment, and by doing so agree to abide by its terms. A breach of the Code may lead to disciplinary action ranging from counselling to dismissal.

Security holders are encouraged to attend and participate in Aspen Group's Annual General Meeting which is usually held in 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@Aspen Group.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 Chief Financial Officer 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.

Corporate Governance Statement (continued)

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 (resigned 30 July 2010)

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.

Additional Securities Exchange Information

Capital Structure

As at 30 September 2010 Aspen Group had on issue 583,934,711 stapled securities.

(a) Distribution of Securities

Range of Units Snapshot

Size of Holding	Number of Securityholders
1 - 1,000	753
1,001 - 5,000	823
5,001 - 10,000	604
10,001 - 100,000	2,058
More than 100,001	367
Total	**4,605**

There were 801 holdings of less than marketable parcels (Minimum $500 parcel at $0.45 per stapled security).

(b) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of stapled securities as at 30 September 2010 are listed below:

Name	Number of Stapled Securities	Percentage Held of Stapled Securities
J P MORGAN NOMINEES AUSTRALIA LIMITED	103,181,403	17.67
NATIONAL NOMINEES LIMITED	55,055,841	9.43
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,900,897	7.00
CITICORP NOMINEES PTY LIMITED <DRP ACCOUNT>	32,553,512	5.57
COGENT NOMINEES PTY LIMITED	27,130,279	4.65
VBS INVESTMENTS PTY LTD	21,074,669	3.61
ASPEN GROUP <EMPLOYEE SHARE SCHEMES>	16,730,026	2.87
MR ANGELO DEL BORRELLO <THE ADB A/C>	12,667,055	2.17
MR GAVIN HAWKINS <HAWKINS FAMILY A/C>	12,006,404	2.06
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,742,383	2.01
SKIPTAN PTY LTD < THE P & M MEURS FAMILY A/C>	7,825,000	1.34
ANZ NOMINEES LIMITED <CASH INCOME A/C>	7,817,508	1.34
BOND STREET CUSTODIANS LIMITED < MACQUARIE SMALLER CO'S A/C>	6,745,299	1.16
CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH PROPERTY A/C>	6,676,428	1.14
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO1 ACCOUNT>	6,510,815	1.11
MR ANGELO DEL BORRELLO <THE ADB A/C>	4,883,760	0.84
UBS NOMINEES PTY LTD	3,419,652	0.59
MR SENG FAI CHAN	3,126,789	0.54
MR GAVIN RONALD HAWKINS <HAWKINS FAMILY A/C>	2,997,043	0.51
AGENS PTY LIMITED <MARK COLLINS FAMILY A/C>	2,791,363	0.48
TOTAL TOP 20	**385,836,126**	**66.08**
TOTAL STAPLED SECURITIES ON ISSUE	**583,934,711**	**100%**

Additional Securities Exchange Information (continued)

(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
8/07/10	Commonwealth Bank of Australia	37,094,374
13/05/10	Paradice Investment Management Pty Ltd	35,957,764

(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	20/01/03	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
September 2009	18/11/09	-	-	1.05	-	1.05
December 2009	18/02/09	-	-	1.05	-	1.05
March 2009	20/05/10	-	-	1.05	-	1.05
June 2009	25/08/10	-	-	1.05	-	1.05

Amounts have been adjusted for the 1 for 5 capital consolidation in Novemebr 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.

Corporate Directory

Board of Directors:

Reginald Gillard	Non-Executive Chairman
Gavin Hawkins	Managing Director
Terry Budge	Non-Executive Director
Seng Fai Chan	Non-Executive Director

Registered office:

Level 8, Septimus Roe Square
256 Adelaide Terrace
Perth WA 6000
Tel: (08) 9220 8400
Fax: (08) 9220 8401
E-mail: homemail@aspengroup.com.au

Group Company Secretary:

Diniz Cardoso

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

Auditors:

KPMG
235 St Georges Terrace
Perth WA 6000
Tel: +61 8 9263 7171
Fax: +61 8 9263 7129

Investor Enquiries
Freecall 1800 220 840

www.aspengroup.com.au

ASPEN
GROUP