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ASX ANNOUNCEMENT

23 October 2013

Chairman's Address Annual General Meeting 2013

Chairman's Address

Ladies and Gentlemen, welcome to our 2013 Annual General Meeting. My name is Frank Zipfinger. I am the Non-Executive Chairman of Aspen Group, and I have the privilege of being your Chairman for this meeting.

Chairman's Report

I now turn to my Chairman's Report to provide you with a brief overview of the 2013 financial year, together with an update on our business strategy announced at the time of the annual results in August this year.

Those securityholders who attended last year's Annual General Meeting and whom followed the announcement of our strategic review at that time, will be well aware that in late 2012 the Board undertook significant action to stabilise Aspen following a difficult year.

A clear set of objectives was determined for the 2013 financial year, foremost being the requirement to de-risk the balance sheet, increase liquidity and to simplify the business structure and earnings. Simplification of the business model has been a fundamental theme in our activities for 2013.

In respect of these objectives, significant progress was made during the year. In particular, the business has exceeded its debt repayment obligations, extended the senior debt facility for a further one and a half years and sold over \$200 million of non-core assets. Gearing was reduced to 40% at 30 June 2013, down from 46% at 30 June 2012.

Importantly, the business has delivered on its core operating earnings and distribution guidance for the year, with core earnings for the Group of \$23.4 million, up 88% on the prior year, representing 1.96 cents per share.

The payment of distributions recommenced during the year with 1.5 cents per security paid during the year.

Despite this progress Aspen recorded a statutory loss for the 2013 period of \$34.3 million, a disappointing outcome, principally due to impairments of several non-core assets. We are also acutely aware that the share price has been trading persistently below net tangible asset backing and, as a consequence, returns to securityholders have been unacceptable. Clearly, Aspen needs to accelerate the restoration of shareowner value. The Board views the appointment in June this year of Clem Salwin as Aspen Group chief executive as a key part of the strategy to do that.

Clem brings tremendous commercial acumen and skills suited to the role, having been acting Chief Executive Officer at Valad Property Group and previously, having senior roles in real estate investment banking at UBS and property funds management at Bankers Trust Australia.

In passing the executive leadership baton to Clem, I would like, on behalf of the Board, to acknowledge the outstanding work of Hugh Martin who acted as Interim CEO in 2013. Hugh delivered on our important initiatives of the last year at a very challenging time and provided a necessary stabilising influence in the company. I personally am extremely grateful to Hugh for stepping into the acting CEO role at short notice and at a considerable personal cost to his family.

I will also briefly comment on remuneration strategy. During 2013 the Board implemented changes to the remuneration framework and policies which included:

- A 5% reduction in all directors fees and board committee fees from the previous year;
- Introduction of a policy for our short term incentives where 25% of any future award for Key Management Personnel is deferred for 12 months
- Appointment of Clem Salwin as CEO and Managing Director on a performance orientated contract which ensures a strong alignment of his financial rewards with the creation of value for Aspen.

In respect of the remuneration for the past year, the Remuneration Committee considered the relative performance of Key Management Personnel against the Group's strategy for the year, including their achievements on:

- simplification of the business model;
- significant realisation of non-core assets;
- exceeding core operating guidance for FY13 and;
- exceeding the Group's debt reduction targets.

Lastly, as noted in the remuneration report, the vesting conditions of the performance rights issued in 2010 failed for the three year test period, meaning there was no benefit accrued to the employees and those performance rights have been cancelled.

Restoring shareowner value is an immediate strategic objective and we announced in August this year key initiatives to accelerate delivery of our program.

The primary objective is to simplify and narrow our business focus further to concentrate on the accommodation sector, an industry in which Aspen Group has a strong presence and expertise through its management of and equity interest in the Aspen Parks Property Fund and the Aspen Karratha Village property.

A key element in narrowing the business focus is the proposal to dispose of our \$311 million commercial property portfolio. Aspen Group does not have a strategic leadership position in the markets for these assets so it makes commercial and strategic sense now to divest the interests. We have very recently commenced the marketing program for this property portfolio and look forward to providing an update on this sale process in the near future.

In due course the disposal of these assets in a controlled and positive manner will deliver cash to reduce debt and, when prudent, to return capital to securityholders. In this respect, I note that a resolution to allow for an on-market buy-back of up to 25% of issued capital is tabled for consideration today.

In concluding my review I note that, while significant progress has been made this past year, a substantial amount of work remains to be done to execute the strategic plan of the Group and restore value.

Aspen Group has previously advised that it is providing distribution guidance for the first half of FY14 only, being a distribution of 0.75 cents per security, which assumes the retention of the commercial property portfolio during the first half and no material change in operating conditions. At this stage we have no reason to vary that guidance.

I thank my fellow Board members and all Aspen staff for their loyalty and hard work this past year. Most importantly, on behalf of the Board, I extend gratitude to our fellow securityholders for their support of Aspen Group.

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For further information please contact:

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