Aspen Group Limited

ABN: 50 004 160 927

Appendix 4E and Financial Report for the year ended

30 June 2014

Details of reporting periods:

Current period	30 June 2014
Corresponding period	30 June 2013

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from ordinary activities	down	14.44%	to	25,349
Loss after tax	up	115.17%	to	(81,810)
Loss after tax attributable to securityholders of Aspen Group	up	154.81%	to	(70,716)
Operating Profit before tax	up	32.20%	to	14,710

Dividends/Distributions

Combined

30 June 2014		30 June 2013	
Cents per Stapled Security	Total $ '000	Cents per Stapled Security	Total $ '000
7.5	9,035	7.5	8,903
4	4,775	7.5	8,903
11.5	13,810	15.0	17,806

Aspen Property Trust

30 June 2014				30 June 2013			
Period	Cents per Unit	Total $ '000	Deferred tax %	Period	Cents per Unit	Total $ '000	Deferred tax %
Jul – Dec 13	7.5	9,035		Jul – Dec 12	7.5	8,903	
Jan – Jun 14	4	4,775		Jan – Jun 13	7.5	8,903	
	11.5	13,810	100.0%		15.0	17,806	100.0%

Aspen Group Limited

30 June 2014				30 June 2013			
Period	**Cents per Share**	**Total $ '000**	**Tax rate for franking credit %**	**Period**	**Cents per Share**	**Total $ '000**	**Tax rate for franking credit %**
Jul – Jun 14	-	-	-	Jul – Jun 13	-	-	-
	-	-			-	-	

Record date for determining entitlements to the dividend/distribution was:

Interim dividend (December) 31 December 2013

Interim dividend (June) 30 June 2014

Aspen Group Limited

ABN: 50 004 160 927

Financial Report for the year ended

30 June 2014

Financial Report

for the year ended 30 June 2014

Glossary of entities and terms

Entity name	Term
Aspen Group Limited	The Company
Aspen Property Trust	The Trust
Consolidated entity	Aspen Group
Aspen Funds Management Limited	AFM
Aspen Development Fund No 1 Limited	ADF
12-26 Franklin Street Property Trust	FSPT
Aspen Parks Property Fund	APPF
Aspen Parks Property Trust	APPT
Aspen Diversified Property Fund	ADPF
Aspen Whitsunday Shores Pty Limited	AWSS
Enclave at St Leonards Limited	EASL
Aspen Dunsborough Lakes Limited	ADLL
Fern Bay Seaside Village Limited	FBSV
St Leonard’s Estate Pty Limited	STLE
Aspen Parks Wholesale Property Fund	APWPF

Other terms used

Employee Stapled Security Incentive Plan	ESSIP
Distribution Reinvestment Plan	DRP
Performance Rights Plan	PRP
Earnings Per Share	EPS
Total Security Holder Returns	TSR
Long Term Incentive	LTI
Short Term Incentive	STI
Key Management Personnel	KMP
Long Term Incentive Instruments	LTII
Chief Executive Officer	CEO
Chief Financial Officer	CFO

Directors' Report

The directors present their report together with the consolidated financial statements of Aspen Group comprising of Aspen Group Limited ("the Company"), its subsidiaries, the Company's interest in associates and jointly controlled entities, and its stapled entity Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group"), for the financial year ended 30 June 2014 and the auditor's report thereon.

Contents of Directors' Report **Page**

Directors' Report

1. Directors

The directors of the Company and Aspen Funds Management Limited ("AFM"), the responsible entity of the Trust, at any time during or since the end of the financial year are:

Name and qualifications	Age	Experience, special responsibilities and other directorships
Frank Zipfinger BA (Economics), LLB, LLM, MBA **Independent chairman**	61	Mr Frank Zipfinger has over 30 years' experience in the property industry. Mr Zipfinger was formerly a Partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development. Mr Zipfinger was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, he completed over five years in various roles as a Managing Partner with the firm. Mr Zipfinger is a Member of the Australian Institute of Company Directors. He is also a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the Board of the Melbourne Business School and President of the School's Alumni Council, and a director of the Australian Youth Orchestra. He is the Chairman of the Ski Lodges Association of Perisher, Smiggins and Guthega Inc. Mr Zipfinger is Chairman of the Investor Representative Committee of AMP Capital Wholesale Office Fund and Chairman of the Investor Representative Committee of AMP Capital Wholesale Shopping Centre Fund. Mr Zipfinger was appointed a non-executive director on 31 January 2011 and Chairman on 28 November 2011. Mr Zipfinger was appointed Chairman of the Remuneration Committee on 10 February 2012, Chairman of the Nomination Committee on 10 February 2012 and was appointed a member of the Audit Committee on 2 August 2011. *Directorships of listed entities within last 3 years:* Non-executive director of Galileo Japan Trust since 2006.
Clem Salwin BA (Honours) **Managing director** *(appointed CEO on 1 July 2013)*	48	Mr Clem Salwin has over 25 years' experience across real estate funds, investment, management, development, investment banking and corporate management. Mr Salwin was most recently the Acting Chief Executive Officer ("CEO") of Valad Property Group, the ASX listed REIT, with operations across Australia and Europe. Prior to Valad, Mr Salwin was a real estate investment banker with UBS, having been based both in Australia and Japan. Before then, he was with Bankers Trust Australia, responsible for real estate funds management. Mr Salwin was appointed as Managing Director and CEO of Aspen Group from 1 July 2013. *Directorships of listed entities within the last 3 years*: Nil

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
Hugh Martin *B.Bus, CPA, MAICD* **Non-executive director**	67	Mr Martin has enjoyed a successful career at Director and Senior Executive level with over 30 years' experience in major institutions in the property industry, internationally and domestically. Mr Martin started his career as an Accountant in South Africa before relocating to Australia. Mr Martin was formerly an Executive Director of Lend Lease Limited. From 1997 to 2001, Mr Martin was CEO of the joint venture between Mirvac and Lend Lease for the development, construction and sale of the Olympic Village, now known as the suburb of Newington in Sydney. Mr Martin has previously held senior executive positions as Finance Director of Baulderstone Hornibrook, Director of Property Investment with the State Authorities Superannuation Board of NSW (now Dexus), Managing Director of Leda Holdings, Chief General Manager of Homebush Bay Development Corporation, General Manager of Special Projects at Westfield Holdings Limited, Executive Director for Vivas Lend Lease; and National General Manager for the Apartments Development Division at Stockland Corporation. Appointed a non-executive director on 30 April 2012 and a member of the Audit Committee on 10 May 2012. He relinquished his position on the Committee upon becoming the Interim CEO between 23 August 2012 and 30 June 2013. From 1 July 2013, he has resumed his role as a non-executive director. *Directorships of listed entities within last 3 years:* Nil
Clive Appleton *BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD* **Non-executive director**	62	Mr Appleton has had a successful career in property and funds management with over 30 years' experience in several of Australia's leading retail property investment, management and development groups. Mr Appleton's early career was spent with the Jennings Group where, from 1986, he held senior executive roles, responsible for managing and developing the retail assets jointly owned by Jennings Properties Limited (JPL) and Jennings Property and Investment Group. In 1990, following a restructure of JPL to become Centro Properties Limited, Mr Appleton became Managing Director. From 1997 to 2004, Mr Appleton was the Managing Director of the Gandel Group Pty Limited, one of Australia's leading retail property investment, management and development groups. In 2005 Mr Appleton joined APN Property Group Limited as Managing Director. Mr Appleton is currently a non-executive director of the Gandel Group, Arrow International Group Limited, APN Property Group Limited, Federation Centres, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd. He is also a council member of Cairnmillar Institute. Appointed a non-executive director on 30 April 2012, a member of the Remuneration Committee on 10 May 2012 and a member of the Nomination Committee on 22 January 2013. *Directorships of listed entities within last 3 years:* Non-executive director of Federation Centres (ASX: FDC)

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
Guy Farrands BEc, Grad Dip Man, FAPI **Non-executive director**	51	Mr Farrands has over 30 years' experience in direct and listed property markets both in Australia and internationally and across commercial, retail, industrial, residential and retirement asset classes. He was Managing Director and CEO of GEO Property Group (now Villa World Limited) between 2007 and 2011. Previously Mr Farrands was CEO of Valad Property Group between 2005 and 2007, departing prior to Valad's acquisition of Crownstone / Scarborough. Prior to that Mr Farrands was Head of Corporate Development and Investor Relations for Valad. Mr Farrands' former roles included Division Director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, Associate Director and joint head of property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle. Appointed a non-executive director on 26 November 2012, a member of the Remuneration Committee on 22 January 2013, a member of the Nomination Committee on 22 January 2013 and Chairman of the Audit Committee on 22 January 2013. *Directorships of listed entities within last 3 years* Managing director of GEO Property Group (now Villa World Limited to 31 March 2011).

2. Company secretary

Mr Eric Lee was appointed to the position of company secretary on 1 July 2011.

Mr Lee has been employed by Aspen Group since 2007. He has had over 21 years financial and corporate experience in Australia and United Kingdom across multiple business sectors, including property, funds management, wholesaling, health care and hospitality management.

Prior to joining Aspen Group, Mr Lee held senior finance and commercial management roles for 8 years in the property business of Elders Limited (formerly Futuris Corporation Limited) and he has extensive public company experience having held finance roles in other ASX listed entities including Foodland Associated Limited.

Mr Lee is a member of CPA Australia and a senior associate with the Financial Services Institute of Australia. He holds a Bachelor of Business degree from Curtin University.

3. Officers who were previously partners of the audit firm

The following persons were officers of the company during the financial year and were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of Aspen Group:

- Mr Brett Fullarton – Chief Financial Officer (resigned on 24 September 2013)

Directors' Report

4. 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).

	Board of Directors		Nomination Committee		Remuneration Committee		Audit Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Non-executive								
F Zipfinger	6	6	-	-	1	1	4	4
H Martin	6	6	-	-	1	1	4	4
C Appleton	6	6	-	-	1	1	n/a	n/a
G Farrands	6	6	-	-	1	1	4	4
Executive								
C Salwin (appointed 1 July 2013)	6	6	-	-	n/a	n/a	n/a	n/a

5. Operating and financial review

Aspen Group recorded a loss after tax calculated in accordance with International Financial Reporting Standards ("IFRS") of $81.810 million for the year ended 30 June 2014 (loss of $38.020 million for the year ended 30 June 2013).

Operating Results

Operating Profit (also referred to as "net profit after tax before significant items") is a non-IFRS measure that is determined to present, in the opinion of the directors, the operating activities of Aspen Group in a way that appropriately reflects Aspen Group's operating performance. Operating Profit excludes items such as consolidation/deconsolidation losses and gains and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial assets and investment property). Other Non-Operating Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Aspen Group's core ongoing business activities.

Operating Profit is determined having regard to principles which include providing clear reconciliation between statutory profit and Operating Profit in the Directors' Report and Financial Report, including both positive and negative adjustments, maintaining consistency between reporting years, and taking into consideration property industry practices.

Operating Profit as assessed by the directors, for the year was $14.710 million (2013: $11.127 million), reflecting a 32.2% increase from the previous corresponding year.

Directors' Report

The table below has not been audited or reviewed by KPMG.

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

	2014 $ '000	Restated 2013 $ '000
Accommodation operating profit before tax	7,699	10,878
Commercial / industrial operating profit before tax	15,151	13,985
Development operating loss before tax	(8,140)	(13,736)
Total operating profit before tax	14,710	11,127
Specific non-underlying items*		
Financial income	1,376	697
Other income	(173)	-
Change in fair value of investment properties	(11,500)	(7,600)
Property expenses	(502)	226
Termination payments and restructuring expenses	-	(3,691)
Administrative expenses	(145)	(46)
Financial expenses	(257)	(246)
Other expenses	(1,013)	(1,587)
Change in fair value of assets held for sale	(1,893)	(19,348)
Impairment adjustments of equity accounted investees	-	(461)
Share of loss of equity accounted investees	(7,487)	(2,620)
Loss from discontinued operations – subsidiary assets held for sale	(27,130)	(27,380)
Profit / (loss) from discontinued operations – commercial / industrial properties held for sale	(35,653)	12,910
Total specific non-underlying items	(84,380)	(49,147)
Consolidated statutory net loss before tax attributable to securityholders of Aspen Group	(69,669)	(38,020)
Tax expense (i)	(12,141)	-
Consolidated statutory net loss after tax attributable to securityholders of Aspen Group	(81,810)	(38,020)

* Refer to note 6, Operating segments, for further details on non-underlying items by segment.

(i) The tax expense relates to the write off of the Deferred Tax Asset balance.

Divisional performance

Aspen Group has three business divisions, as outlined below:

CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	
ACCOMMODATION	**COMMERCIAL**	**DEVELOPMENT**
Aspen Parks Property Fund Aspen Karratha Village	Spearwood Noble Park Septimus Roe (sold in FY14) Franklin Street Property Trust (sold in FY14)	Aspen Development Fund No.1 Aspen Living Residential Syndicates Aspen Diversified Property Fund (sold in FY14) On-balance sheet development assets

Directors' Report

Accommodation

Aspen Group's accommodation business comprises two activities:

- The management of and co-investment in Aspen Parks Property Fund ("APPF"); and
- Ownership of the Aspen Karratha Village ("AKV")

The contribution of both of these activities to the operating result is detailed further below:

Accommodation Earnings	FY14	FY13	Change
Aspen Parks Property Fund	**$'000**	**$'000**	
Management Fees	3,750	6,191	(39.4%)
Equity Profits	1,262	1,560	(19.1%)
Non-underlying	(8,901)	(2,853)	211.9%
Total Aspen Parks Property Fund	(3,889)	4,898	(179.4%)
Aspen Karratha Village			
Operating earnings	10,659	13,467	(20.8%)
Non-underlying	(12,842)	7,601	(264.2%)
Total Aspen Karratha Village	(1,823)	21,068	(108.6%)
Total Accommodation	(5,712)	25,966	(122.0%)

<u>Aspen Parks Property Fund</u>

Aspen Group generates earnings from APPF through its investment in, and management of, APPF. At report date, Aspen Group held a 12.5% equity interest in APPF (2013: 8.5%).

The contribution to earnings for the twelve months to 30 June 2014 from management fees was $3.750 million, down 39.4% on the comparable year of FY13 due to reduced acquisition and development fees, in addition to a reduction in management fees during the year. During the year, Aspen Group agreed to an ongoing reduction in management fee until 30 June 2015 to 1.0% of gross assets (from 1.5%). Subsequent to year end, it was agreed that the management fee be 1.0% of gross assets for so long as AFM is the responsible entity of APPF. In the event that AFM were to cease as responsible entity of APPF, the fee could increase back to 1.5% of gross assets.

a) Equity Profits

Aspen Group's equity share of operating profit from APPF during the year was $1.262 million, a 19.1% reduction from FY13.

Trading conditions for APPF during the year saw relatively steady earnings from mixed use properties but further softening in demand for accommodation from users in the resources industry, as the level of new construction and maintenance activity in key resource regions of Western Australia and South Australia remains subdued.

APPF had total assets as at 30 June 2014 of $200.779 million and during the year completed the settlement of four properties for $17.015 million. When including goodwill, APPF's total assets at 30 June 2014 are $210.294 million.

During the year APPF completed all remaining capital expenditure projects commenced in FY13. These projects were aimed at generating additional revenue through increasing accommodation capacity at a number of parks, addressing infrastructure requirements and also improving the amenity for residents and visitors.

b) Non Underlying

Aspen Group's non underlying share of statutory profit and other comprehensive income from APPF during the year was a loss of $8.901 million primarily due to Aspen Group taking up its share of devaluations within APPF's property portfolio during FY14.

APPF wrote down the value of its portfolio by $71.061 million in FY14 due to the weakness in performance of its accommodation parks that service the resource sector in North West Western Australia.

Directors' Report

Aspen Karratha Village

AKV is a 180 room, high quality transient worker accommodation facility which was 96.7% leased at 30 June 2014. Net income from the property during FY14 decreased 20.8% on the prior year to $10.659 million. The property value declined by 24% to 38.500 million based on an independent valuation. This reflects the terms of the two year lease extension (to January 2016) that Aspen Group secured during the year, and weaker demand in the resources accommodation sector more generally.

Commercial / Industrial

The commercial property portfolio consists of interests in 4 office and industrial properties (two of which were sold during the year).

The key metrics of these properties are:

Property	Carrying value		Weighted Lease Duration		Occupancy		Capitalisation rate	
	2014	2013	2014	2013	2014	2013	2014	2013
Spearwood	67.49	81.36	2.25	3.17	100.0%	100.0%	10.25%	10.00%
Noble Park	20.32	23.42	3.03	2.56	89.2%	100.0%	10.25%	10.00%
Septimus Roe	Sold	104.59	Sold	2.50	Sold	91.5%	Sold	8.75%
ATO Building*	Sold	99.5	Sold	13.69	Sold	100.0%	Sold	7.52%

*ATO building was held in Aspen's equity investment in the 12-26 Franklin Street Property Trust.

The portfolio recorded a 6.7% increase on a like for like basis in net rental income over the previous year to $21.483 million excluding the sale of two assets that occurred in FY14.

During the year, Aspen Group commenced a sale process on its commercial and industrial property portfolio. The key rationale for this sale is that the existing portfolio is diffuse and strategically Aspen Group does not have a leadership position in these markets.

The investment portfolio value declined by $29.989 million during the year following independent valuations of Spearwood and Noble Park, and the sale price achieved on Septimus Roe.

During the year, Aspen Group achieved the sale and settlement of:

- Septimus Roe in June 2014 for $91.000 million (note $2.000 million held in escrow for 12 months).
- Aspen Group's equity investment and management rights of FSPT in April 2014 for $29.541 million.

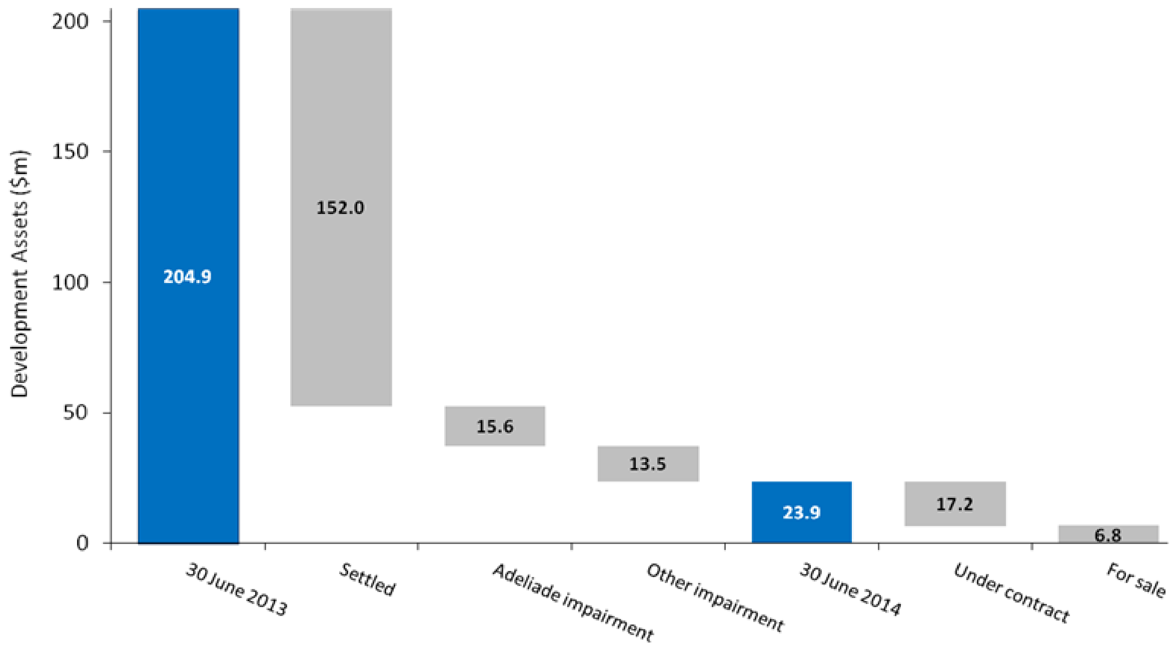
The remaining two assets, being Spearwood and Noble Park, are held for sale at 30 June 2014.

Development

The development segment recorded a loss of $38.313 million in FY14 (2013: $60.054 million). The reduction in loss reflects Aspen Group's success in pursuing a strategy of realising value by selling all development assets in an orderly manner. In FY14 that strategy generated sales of $95.090 million (2013: $203.585 million) through the sale of residential inventory and non-core assets.

Directors' Report

The following chart details the development activity during the year ended 30 June 2014:



Aspen Development Fund No. 1 (ADF)

Aspen Group has a 75.1% interest in ADF which is a subsidiary and consolidated for accounting purposes.

Sales totalling $13.430 million settled during the year, reducing the number of remaining projects to three. Proceeds were used to repay debt and provide working capital.

At 30 June 2014, ADF had assets under contract for sale for $14.391 million, with $1.591 million of assets remaining unsold. This includes an unconditional contract of sale of ADF's interest in the residual stages of the Adelaide City Central development for $12.000 million, which is due for settlement by April 2015.

Aspen Living Residential Syndicates

Aspen Group continues to manage and have an equity interest in Enclave at St Leonards Ltd ("EASL"), a residential development in the West Swan district of Perth. During the year, EASL completed the development and settlement of all remaining lots. Upon return of performance bonds currently held with the City of Swan, expected in late calendar 2014, EASL will commence a process to wind up.

During the year, Aspen Dunsborough Lakes Ltd ("ADLL") and Fern Bay Seaside Village Pty Ltd ("FBSV") secured contracts of sale on all of their remaining property assets, with $44.107 million settled during the year. At 30 June 2014, $2.798 million of property assets were sold, but awaiting settlement. These remaining property assets are due to settle in Q1 FY15, after which both ADLL and FBSV will commence processes to wind up.

Aspen Whitsunday Shores Pty Ltd's ("AWSS") property assets of $2.413 million remain unsold and available for sale. Upon the sale and settlement of these assets, AWSS will commence a process to wind up.

Aspen Diversified Property Fund

In July 2013, ADPF settled all remaining properties in the ADPF portfolio, for total proceeds of $76.500 million. Net proceeds of sale were primarily used towards repayment of ADPF's debt facilities.

In May 2014 ADPF sold its remaining assets, being a $1.478 million investment in an unlisted property fund. Subsequent to this, ADPF made a final capital return of $3.053 million and this entity was wound up prior to 30 June 2014.

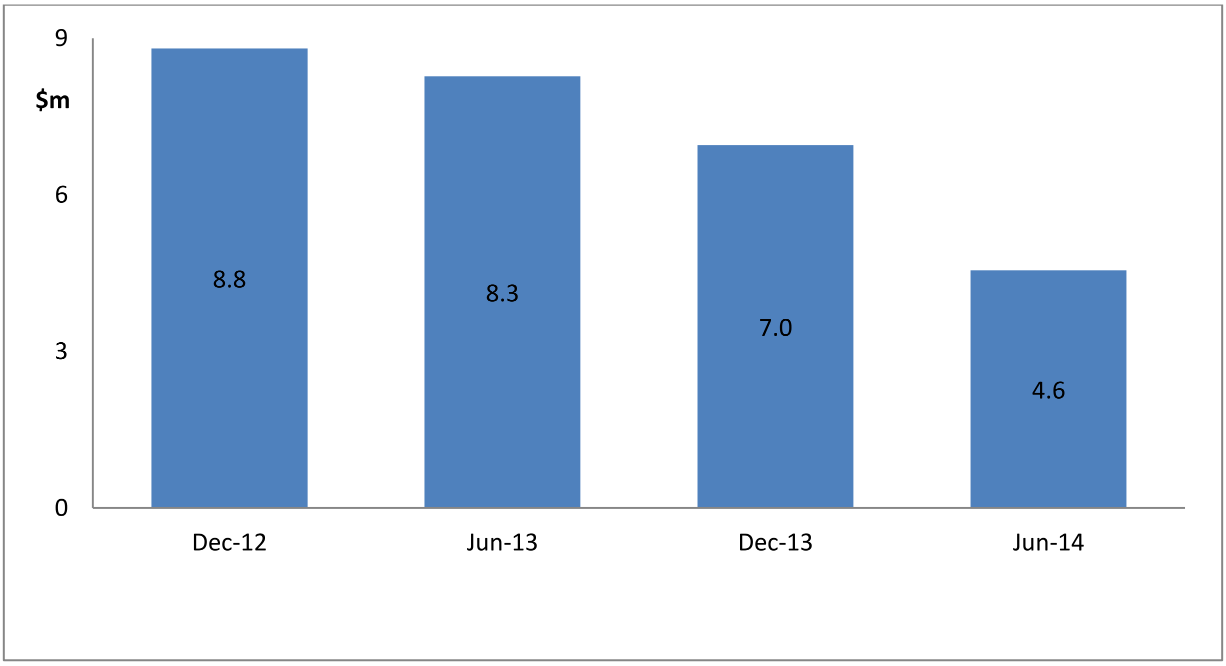
Directors' Report

On balance sheet development assets

During the year Aspen Group settled directly held development balance sheet assets to the value of $21.469 million. At 30 June 2014, Aspen Group has $2.792 million in development balance sheet assets unsold and available for sale.

Overheads

The following chart details the reduction in overhead costs at Aspen from 1 June 2012 to 30 June 2014:



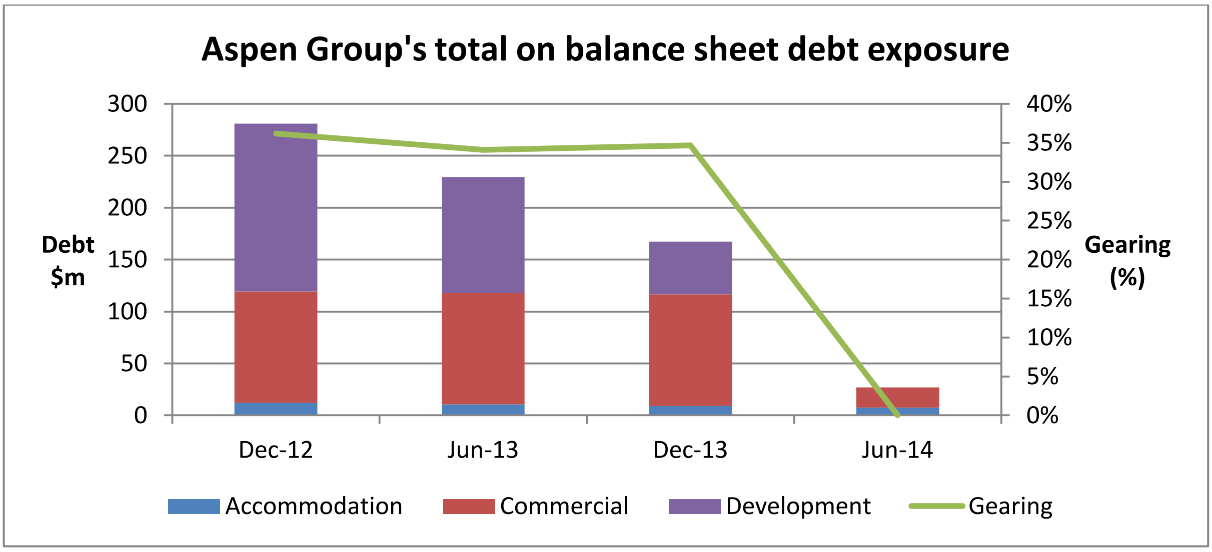
Overheads have reduced by $5.572 million to $11.506 million as compared between FY13 and FY14. Employee numbers have reduced by 54% since July 2013.

A number of overhead reduction initiatives were commenced in 2H FY14, and as such, the full year impact of these cost savings will not appear until FY15.

Capital Management

At 30 June 2014, Aspen Group's core senior debt facility was drawn to $26.806 million, down from $117.875 million at 30 June 2013. All debt facilities held by consolidated subsidiaries were repaid during the year ($106.172 million at 30 June 2013).

Aspen Group's on balance sheet debt exposure movement is detailed in the following chart:



Directors' Report

As at 30 June 2014 and at the date of signing this report, Aspen Group is compliant with its banking covenants.

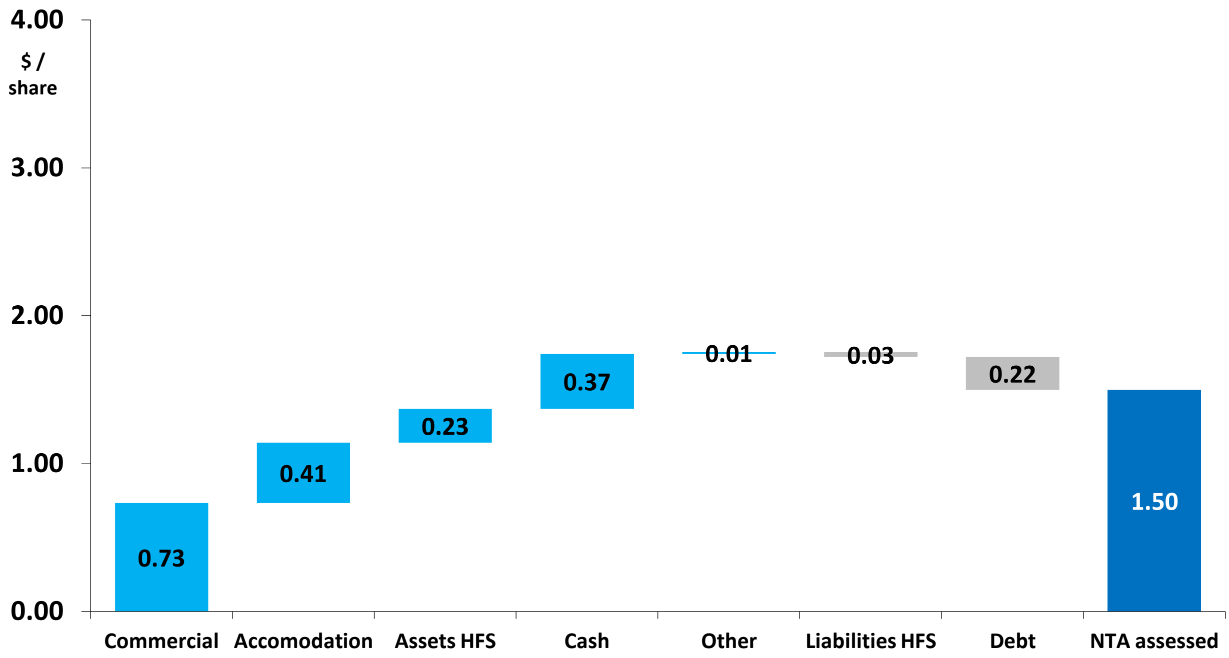
Aspen Group's gearing is nil at 30 June 2014 which has decreased from 33.5% at 30 June 2013. Look through gearing has decreased from 42.7% to nil.

The average cost of debt fell to 6.9% during the year, down from 8.1% at June 2013.

Financial Position

The Net Asset Value ('NAV') of Aspen Group at 30 June 2014 is $1.50 per security ($2.38 per security at 30 June 2013) in accordance with the statutory financial statements.

The following diagram outlines the key components of the NTA assessed as at 30 June 2014:



Assets

Total assets have reduced by $347.632 million to $221.720 million during the 2014 year, and cash balances have increased by $7.076 million. Both of these are a result of asset sales.

Liabilities

Total liabilities decreased by $240.635 million to $42.021 million during the 2014 year, and interest bearing loans and borrowings have reduced by $202.649 million to $26.806 million. Both of these are a result of asset sales.

Equity

Equity decreased by $106.997 million during the year, as a result of a total comprehensive loss of $83.224 million and distributions of $13.810 million during the year.

Directors' Report

Distributions

Income distributions for the year were as follows:

	Record date	Amount per stapled security 30 June 2014	Amount per stapled security 30 June 2013
December	31 December 2013	7.50 cents	7.50 cents
June	30 June 2014	4.00 cents	7.50 cents
Total		**11.50 cents**	**15.00 cents**

No income distributions were paid by Aspen Diversified Property Fund ("ADPF") to non-controlling interests during the year.

Capital distributions paid by ADPF for the year were as follows:

	Record date	Amount per stapled security 30 June 2014	Amount per stapled security 30 June 2013
Capital distribution to preference unitholders	30 August 2013	4.190 cents	-
Capital distribution to preference unitholders	3 June 2014	0.674 cents	-
Total		**4.864 cents**	**-**

Likely Developments

Aspen Group will continue to progress the sale of its remaining industrial properties (gross carrying value of $87.809 million), and development assets (gross carrying value of $23.985 million).

On 22 August 2014, Aspen Group has fully underwritten a recapitalisation of APPF. APPF represents an important aspect of Aspen Group's investment in the accommodation sector, with Aspen Group's support of this capital raising seen as integral to stabilising this fund, and in line with Aspen Group's strategy to focus on the accommodation sector.

Aspen Group will look to pursue other growth opportunities in the accommodation sector, whilst continuing to pursue overhead cost reductions.

Business Risks

Aspen Group has policies and processes in place for the oversight and management of business risks. Further details of the risk management framework and process are detailed in section 7 of the Corporate Governance Statement, while discussion of risks, including credit risk, liquidity risk, market risk and operation risk factors are detailed in note 25 of the financial statements. Listed below are relevant key risks for the business identified in the risk management matrix:

- Leasing risk – in particular the risk of securing a lease extension for a major lease expiry at Spearwood beyond December 2014. This lease to a major contractor represents 68% of the existing net income of the property;
- Exposure to the resources industry – more specifically the risk that the demand for accommodation services for resource providers remains subdued after experiencing significant downturn in demand over the past two years. Aspen Group has a significant exposure to the sector through ownership of AKV and interest in and management of APPF, which derives substantial revenue from properties located in key resource regions in Western Australia and South Australia.

Directors' Report

Safety and environment

No significant accidents or injuries were recorded during the year of Aspen Group employees. During the year Aspen Group identified, and has commenced management of, remediation of historical land use at the Spearwood property in Bibra Lake.

Other than this, there were no significant environmental issues during, or subsequent to, the year.

Significant Changes in the state of affairs

As a result of the first time application of AASB 10, Aspen Group has been required to revise its accounting policy for determining whether it has control over, and consequently whether it is required to consolidate, its investees. As a consequence, Aspen Group has changed its control conclusion in respect of its investments in ADLL and FBSV. ADLL and FBSV have both previously been accounted for as associates using the equity method. Although Aspen Group owns less than half of the voting power of the respective investees, management has determined that Aspen Group has moved to de facto control over the respective investees since 1 July 2012. Refer to note 3(a).

As a result of the first time application of AASB 11, Aspen Group has also been required to revise its accounting policy for its interests in joint arrangements, specifically its investment in FSPT. As a consequence, Aspen Group reclassified its investment in FSPT from a jointly controlled entity to a joint venture. As a result of the reclassification, the FSPT investment has been accounted for using the equity method, not the proportionate consolidation method as accounted for previously. Refer to note 3(b).

Further details of the effects of these changes are set out in note 3 of this Financial Report.

As a result of Aspen Group commencing a sale process on the commercial and industrial property portfolio, these assets have been reclassified as Discontinued Operations within the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Details of this reclassification are set out in note 31 of this Financial Report.

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

Directors' Report

6. Remuneration report (audited)

The Remuneration Report for Aspen Group for the year ended 30 June 2014 forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

The Remuneration Report is presented in the five sections below:

Section	What it covers
1.Overview	
1.1 Key Points	A summary of the remuneration outcomes for FY14.
1.2 Changes in FY14	Details the key remuneration changes in FY14.
1.3 New changes for FY15	An overview of remuneration changes proposed for FY15
1.4 Key Management Personnel	The names and roles of the KMP whose remuneration details are disclosed in this report.
2. Executive Remuneration Framework	
2.1 Remuneration Policy, Strategy and Governance	Explains Aspen's remuneration policy and strategy, and how the Board and Remuneration Committee make decisions, including the use of external consultants.
2.2 Remuneration Components	Outlines executive remuneration components and explains the Short Term Incentive (STI) and the Long Term Incentive (LTI) grants.
3. Executive Remuneration Outcomes	
3.1 Financial Performance	Provides a breakdown of Aspen's performance, share price, and dividends over the past five years.
3.2 Short Term Incentive Outcomes	Details the STI outcomes for KMP, including payments as a percentage of maximum achievement by KPI and a comparison of payments to the previous year.
3.3 Long Term Incentive Outcomes	Details the LTI outcomes for plans tested at 30 June 2014
3.4 Senior Executive Contract Details	Key contract terms governing the employment of KMP (including termination entitlements where relevant)
4. Non-executive Director Remuneration	Details the basis for, and remuneration of, non-executive directors
5. Remuneration Tables	
5.1 to 5.9 Remuneration Tables	Remuneration disclosures required by the Corporations Act and the relevant Australian Accounting Standards

Directors' Report

1. Overview

The Board and its Remuneration Committee oversees the remuneration practices of Aspen Group.

The Remuneration Committee makes recommendations to the Board on the structure and composition of remuneration for the Group. Expert consultants are engaged where necessary to establish policies to reward, motivate and retain employees. The Board is committed to ensuring Key Management Personnel ("KMP") pay is fair and comparable to like companies, and importantly links financial rewards with the interests of securityholders.

1.1 Key Points

Aspen Group is a business undergoing significant transformation.

A combination of key commercial property sales, aggressive overhead reduction and measured exits from a number of diverse interests in residential, retirement and development assets now enables Aspen Group to pursue its strategy to be a focused provider of value for money accommodation.

The execution of the transformation strategy including the exit from legacy businesses contributed to a significant statutory loss for FY14, however has placed Aspen Group in a position to pursue its strategy.

The key points in respect of remuneration as it relates to the Aspen Group performance and strategy are outlined below:

Chief Executive Officer Remuneration	Mr Clem Salwin was appointed as CEO and Managing Director, commencing his employment on 1 July 2013. The remuneration package for Mr Salwin was designed and negotiated to ensure a strong alignment of his financial rewards with the creation of value for Aspen Group securityholders. The equity component of Mr Salwin's package was approval at Extraordinary General Meeting in September 2013, including 3 year options, an issue of performance rights and a placement of Aspen Group securities. With respect to the placement, Mr Salwin invested \$0.98m of his own funds in Aspen Group securities at \$1.70 (post 10:1 consolidation). The Aspen Group security price closed at \$1.21 on 30 June 2014.
Long Term Incentives (LTI)	The FY11 issue (tranche 2) of the performance rights issued to KMP and staff were cancelled because they did not meet the hurdles required to achieve vesting. In addition, a further tranche of the legacy employee share plan did not vest and were cancelled. The FY12 (tranche 3) and FY13 (tranche 4) of performance rights are currently below their performance benchmark as at 30 June 2014.
Short term incentives	The quantum of short term incentives paid to KMP was down 63.8% on the previous year. On average 40.9% of the maximum opportunity for STI available to KMP was paid. The payments made reflect the success of the simplification and de-leveraging strategy undertaken during the year
Non-executive directors	All directors' fees and board committee fees were unchanged from FY13.

1.2 Changes in FY14

The overall remuneration framework for Aspen Group remained unchanged during the FY14 year. There were however several changes to policy and structures:

- Securityholders approved a refresh of the performance rights plan at the 2013 Annual General Meeting.
- The Long Term Incentive (LTI) Policy was amended by the Remuneration Committee to remove Earnings per Share (EPS) growth as one of the two vesting conditions on the performance rights from July 2013, so that relative Total Shareholder Return (TSR) is the single vesting condition.

  The reason for this decision is that the Aspen business is currently in significant transition and as a consequence

Directors' Report

setting meaningful EPS growth targets is difficult and contrary to the Group's current strategy. The immediate strategic objective is to sell the commercial property portfolio, however this will have a materially negative impact on EPS.

The Committee decided to use relative TSR as the single vesting condition because:

  - Relative TSR is easily measured, verifiable by external data and therefore transparent for shareowners;
  - Current market evidence supports the proposition of relative TSR as a sole measure – it is the single most utilised measure by ASX Top 100 companies.

- Issued three year options to Mr Salwin exercisable in September 2016 at an exercise price of $2.00 per security.
- Issued performance rights to Mr Salwin in accordance with the LTI policy.
- Significantly restructured the finance and commercial teams and executive leadership positions during the year resulting in annualised savings in fixed remuneration at KMP level of $0.6m.

1.3 New changes for FY15

The Remuneration Committee and the Board have approved further changes for FY15:

- The deferral period for payments made under the STI Policy has been increased. All participants will be subject to revised deferral conditions for awards after 1 July 2014 with adoption of an increased 18 months deferral period (up from 12 months) for 25% of the STI awarded. This is undertaken via an award of equity equivalent to 25% of the STI (which was previously cash) and is subject to a holding lock period for 18 months;
- A reduced scope of incentive schemes, such that the STI and LTI is only available to executive level employees and those nominated by the CEO and approved by the Board; and
- For FY15, there will be no increase to base Board fees and Committee fees for non-executive directors.

1.4 Key Management Personnel

KMP consists of directors and those executives that have authority and responsibility for planning, directing and controlling the activities of Aspen Group.

The executives disclosed in this report are:

Name	Most Recent KMP Position Title
Clem Salwin	Chief Executive Officer
Adam Marrs Ekamper	Chief Financial Officer
Eric Lee	Company Secretary
Phil Barker	Head of Funds Management
Brendan Acott	Head of Asset Management
Jamie Smith	Formerly Head of Commercial Property (until May 2014)
Brett Fullarton	Formerly CFO (until September 2013)

Directors' Report

2 Executive Remuneration Framework

The objective of Aspen Group's Remuneration Framework is to remunerate its employees both competitively and appropriately such that Aspen Group attracts, retains and motivates a skilled and qualified KMP team. The remuneration framework seeks to align securityholder interests with KMP's own interests, and attract and retain suitable people, by considering:

Alignment to securityholders' interest:

- net operating income and total securityholder returns;
- key financial and non-financial drivers of securityholder value, including risk management;
- attracts and retains high calibre KMP.

Alignment to employees' interest:

- rewards capability and experience;
- provides recognition for individual contribution;
- provides a clear structure of earnings rewards.

The remuneration framework provides a mix of fixed and variable ("at risk") pay. As employees gain seniority within Aspen Group and have a greater role in driving business growth, the balance of this mix shifts to a higher proportion of the "at risk" components.

2.1 Remuneration Policy, Strategy & Governance

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

Compensation levels for KMP of Aspen 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 for Aspen Group given trends in comparative companies whilst taking into account the objectives of Aspen Group's compensation strategy.

The compensation structure explained below is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, whilst managing risk, and achieve the broader outcome of creation of value for securityholders.

The Board has determined that within the context of providing market competitive levels of remuneration to Aspen Group KMP, it is appropriate that KMP have a significant portion of their total remuneration at risk as it is tied to the performance of the business and their own contributions to that performance.

The remuneration framework comprises the following components:

- fixed remuneration, including base remuneration, superannuation and other fixed employment benefits ;
- retention bonus scheme for certain senior executives;
- at risk remuneration, consisting of the following components:
  - Short-Term Incentive (STI)
  - Long-Term Incentive (LTI)

Directors' Report

2.1.1 Performance Appraisal System

Aspen Group has a formalised performance appraisal system in place which requires all employees to complete an electronic based performance review form and agree key result areas with their manager and set and report against key performance indicators. Reviewers are required to provide comments and feedback in written form which then forms the basis for assessment for the current year STI payment and the following year's base remuneration level.

2.1.2 Remuneration Committee

The Remuneration Committee is responsible for:

(i) the assessment of the performance of the CEO which is conducted on both an informal and continuous basis, as well as formally at the end of each financial year;

(ii) establishing an overarching remuneration framework for Aspen Group; and

(iii) approval of all elements of KMP compensation.

2.1.3 Remuneration Consultants

The Remuneration Committee has in prior years engaged remuneration consultants to advise on remuneration practices and to assess the quantum and structure of fees and incentives.

In FY14 there were no consultants engaged by the Committee and as a consequence no recommendations obtained and no disclosures required under the Corporations Act. To assess market competitiveness of remuneration, the Committee benchmarked the KMP remuneration against market data obtained from CRA Plan Managers Top 500 Director and Senior Executive Remuneration Report 2014.

2.1.4 Trading Restrictions

All KMP must comply with Aspen Group's Securities Trading Policy and can only trade securities during approved periods.

Performance Rights, options and employee securities cannot be used as security for borrowings.

Directors' Report

2.2 Remuneration Components

The Aspen Group KMP had the following remuneration mix for FY14:

<table>
<tr><th>FIXED</th><th colspan="3">AT RISK</th></tr>
<tr><td>Fixed Remuneration</td><td>Retention</td><td>Short Term Incentive</td><td>Long Term Incentive</td></tr>
<tr><td colspan="3">CASH</td><td>EQUITY</td></tr>
<tr><td>• Base Salary and superannuation
• Reviewed annually
• Determined by experience, qualifications and role.</td><td>• Introduced in FY13 as a 'one-off' retention measure
• Cash payments to selected KMP still employed by 31 December 2014</td><td>• 75% of STI awarded paid September of each year.
• 25% off the STI outcome is deferred for 12 months.
• STI dependent on individual performance to KPI's
• STI dependent on Group performance</td><td>• Performance Rights Plan subject to 3 year vesting
• 100% Relative Total Shareholder Return</td></tr>
<tr><td>Base level of reward competitive with the market</td><td colspan="3">Encourages sustainable performance in the medium to longer term and provides a retention element.</td></tr>
</table>

FY 15 Change (Short Term Incentive)

- Deferral period increased to 18 months
- Deferred amounts taken as equity

FY 15 Change (Long Term Incentive)

- Only available to executive level employees

Remuneration mix	CEO	Executives
Fixed Remuneration	50% - 100%	60% - 100%
STIs	0% - 50%	0% - 25%
LTIs	0% - 55%	0% - 25%
Retention Bonus (if applicable)	-	0% - 50%

STI, LTI and retention bonus components are "at risk" and are only realised if respective performance hurdles (as described later in the framework) are achieved.

The remuneration components are described in sections 2.2.1 to 2.2.5 below.

Directors' Report

2.2.1 Fixed Compensation

Fixed compensation consists of base compensation which is calculated on a total cost basis and includes any FBT as well as employer contributions to superannuation funds. No guaranteed base salary increases are included in any KMP contracts.

KMP remuneration levels are reviewed annually by the Remuneration Committee through a process that considers:

- the KMP's position and level of experience;
- individual, divisional and overall performance of Aspen Group;
- market forces, especially as they relate to companies of comparable size, revenue and in similar industries to Aspen Group; and
- advice from external consultants or other market sources.

2.2.2 Variable Compensation - Short Term Incentives

The STI is an "at risk" incentive awarded annually and is paid in cash, subject to retentions, the performance against agreed KPIs and the performance of Aspen Group as a whole.

All STIs are paid at the discretion of the Board. In addition the STI pool can be scaled up or down by the Board depending upon the actual financial performance of Aspen Group.

The STI plan links the performance of individual employees to the operational and financial objectives of Aspen Group. These individual KPIs are agreed with employees at the start of each financial year as part of the individual's performance review process.

The KPIs measured are linked to Aspen Group's overall business strategy and incorporate qualitative indictors of effectiveness, performance and behaviour including:

- business (e.g. Implement and evaluate change, appropriate business growth, business systems, management of risk);
- financial (e.g. Group / divisional profit targets);
- Aspen Group people and governance (e.g. leadership, culture enhancement, communication, risk management and ethics); and
- stakeholders (e.g. building strong relationships with investors, financiers, customers).

To be eligible for a STI a participant generally needs to be employed with Aspen Group for a minimum of 6 months.

2.2.3 Variable Compensation – Executive Retention Bonus Scheme

In the previous financial year, with considerable uncertainty on the future of the business, the Board determined that there was a serious risk that some KMP would depart. Owing to the complexity of Aspen Group and the urgency required to address the implementation of it's strategy to simplify and de-leverage the business, such departures may have created significant gaps in knowledge and capacity that would not have been in the best interests of securityholders. The Board resolved to introduce an Executive Retention Bonus Scheme for some KMP. A lump sum is payable to some KMP in the event that they are employed by Aspen on 31 December 2014.

The strategy was successful in retaining the required KMP to effect implementation of the Group's strategy.

There are no plans to replicate the Executive Retention Bonus Scheme or similar schemes beyond 31 December 2014.

2.2.4 Variable Compensation - Long Term Incentives ("LTI")

The objective of the LTI plan is to reward and retain employees. Awards are linked to Aspen Group's Total Securityholder Returns ("TSR"), therefore an employee's remuneration is aligned to the creation of securityholder wealth. Under this plan, the more Aspen Group's security price increases over the relevant vesting period, the greater the potential benefit to employees.

Directors' Report

Aspen Group's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010 and which was refreshed at the 2013 Annual General Meeting.

Performance Rights Plan

The PRP facilitates the grant of performance rights to employees of a member of Aspen Group (Eligible Employees) whom the Board determines to be eligible to participate in accordance with the PRP Rules.

A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

Vesting Conditions

A performance right holder will only be able to exercise their performance rights to the extent the vesting conditions are satisfied (if at all). The TSR vesting conditions determine 100% of the total award and are measured over a three year period from the start of the financial year in which they are offered.

The Board will consider introducing additional or different conditions for future grants of rights should prevailing market conditions support such a decision. Presently continued employment and minimum individual performance rating are the only two additional conditions. Earnings per Share (EPS) growth was removed as one of the two vesting conditions on the performance rights from July 2013.

TSR hurdle

TSR is a measure of the return to securityholders (over the vesting period) provided by security price appreciation, plus reinvested distributions expressed as a percentage of investment. TSR was selected because it measures Aspen Group's returns for securityholders.

The S&P ASX 300 Property Sector index is used as a comparator group as it represents the Aspen Group's listed property peers that Aspen Group competes with for equity and talent.

The TSR hurdle is tested at the end of the performance period (three years from grant) by calculating the TSR growth performance of each entity in the comparator group. The performance of each entity is then ranked, using percentiles. Aspen Group's performance will be calculated at the end of the performance period and compared to the percentile rankings. Vesting of performance rights under this hurdle will only occur if Aspen Group outperforms a majority of the entities making up the S&P ASX 300 Property Sector index over the three year period.

The following vesting schedule applies to the award of any performance rights to eligible participants (2014 PRP only TSR applies):

EPS target (2013 legacy issue PRP)
Less than or equal to EPS target
Greater than EPS target
Significantly greater than EPS target
EPS stretch target achieved

Relative TSR over three years	Proportion of TSR related rights vested (from 1 July 2013)
At or below the 50th percentile	0%
At the 51st percentile	50%
Between the 51st percentile and the 75th percentile	Straight-line between 50% and 100%
75th percentile or above	100%

2.2.5 Legacy Plans

Details of Aspen Group's previous LTI Plan is detailed below.

Employee Stapled Security Incentive Plan ("ESSIP")

At the 2004 AGM, securityholders approved the establishment of an ESSIP, 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 was offered to specified executives and employees at the discretion of the directors of Aspen Group.

Directors' Report

No further issues have been made under ESSIP in FY14, or are planned in future years.

3. Executive Remuneration outcomes

3.1 Consequences of performance on securityholder wealth

In considering Aspen Group's performance and benefits for securityholder wealth, the Remuneration Committee had regard to the following indices in respect of the current financial year and the previous four years.

	2014	2013	2012	2011	2010
Statutory profit /(loss) after tax	($81.8m)	($38.0m)	($147.1m)	$17.4m	$12.6m
Net profit before tax before significant items*	$14.7m	$11.1m	$28.0m	$35.2m	$33.6m
Distributions per security	11.5cps	15cps	31.5cps	42cps	42cps
Market Cap (30th June)	$145m	$209m	$238m	$255m	$261m
Share price (30th June)	$1.21	$0.175	$0.40	$0.44	$0.45
Return on capital employed	(31.8%)	3.9%	(40.4%)	4.8%	2.9%

* Net profit before tax before significant items, also referred to as underlying earnings, (as determined by the directors) is considered as one of the financial performance targets in setting the STI. Refer to note 6 for further details.

In FY14, the Board considered it appropriate to take into consideration net profit before tax and before significant items as one of the performance targets in setting the FY14 STI. Statutory profit amounts for 2010 to 2014 have been calculated in accordance with Australian Accounting Standards ("AASBs").

The Remuneration Committee also considered the relative performance of KMP against the execution of Aspen Group's strategy. A high level scoreboard of the Group performance for FY14 for the purpose of assessing eligibility for STI has been considered by reference to both positive factors and negative factors:

Positive performance indicators	Negative performance indicators
Significant business simplification completed including: o Adelaide City Central development sale o Divestment of 50% share of ATO Building o Wind up of non-performing managed investment schemes o Sold and settled interests in residential landholdings in line with book value o Closure of satellite offices o Substantially completed sale of all non-core assets	Significant reduction in NAV per security during FY14 from $2.21 (July 2013) to FY14 $1.50
o Settled the sale of the Septimus Roe office building in Perth, WA o De-risked the Aspen Karratha Village leasing profile	Spearwood and Noble Park properties not yet sold
o Met 1H14 EPS and DPS targets with 7.5 cent distribution and distribution of 4.0 cps for 2H14 o Exceeded debt reduction targets, reducing gearing to nil	
Progressed significant business cultural change in respect of safety, customer focus and accountability	

Directors' Report

3.2 Short Term incentive outcomes

For the year ended 30 June 2014, the CEO and four other KMP were awarded an STI, determined after performance reviews were completed and then approved by the Remuneration Committee.

The performance measures for the STI in FY14 were underlying earnings and the achievement of goals in relation to debt reduction, specific asset sales, business simplification and overhead reduction.

The achievement of these outcomes are detailed in section 3.1 above.

The Board determined that 60% was the appropriate scaling to be applied to the overall STI pool for FY14. As a result of the individual performance assessments the average percentage awarded of the maximum STI opportunity for the KMP was 40.9%.

The total STI awarded to the KMP for FY14 was $334,335, down 63.8% on FY13. All STI payments were subject to 25% deferral in accordance with the STI Policy, except the CEO, subject to 50% deferral for 18 months.

3.3 Long term incentive outcomes

The performance rights issued in tranche 2 for FY12 have failed to meet performance conditions and were cancelled with zero rights vesting. The table below summarises how Aspen Group has performed against vesting conditions for the performance rights at 30 June 2014:

			30/06/2012		30/06/2013		30/06/2014		
			TSR	**EPS**	**TSR**	**EPS**	**TSR**	**EPS**	
Tranche	**Issue Date**	**Vesting Date**							
1 (FY11)	**1 July 2010**	30/06/2013	X	X	X	X	X	X	Cancelled
2 (FY12)	**1 July 2011**	30/06/2014	X	X	X	X	X	X	Cancelled
3 (FY13)	**1 November 2012**	30/06/2015			X	✓	X	X	-
4 (FY14)	**1 July 2013**	30/06/2016			X	N/A	X	N/A	-

Key: X – not met ✓ – met

<u>TSR hurdle</u>

The relative TSR of Aspen Group was measured against the S&P ASX 300 A-REIT index.

The FY12 issue (Tranche 2) was subject to its three year testing period at 30 June 2014, which revealed the condition was not met as Aspen Group was below the 50th percentile for the period 1 July 2011 to 30 June 2014, with a compound annual growth rate of negative 26.3%.

The FY13 issue (tranche 3) is currently tracking below the TSR hurdle with a compound annual growth rate of negative 10.4%, while the FY14 issue (tranche 4) is currently tracking below the TSR hurdle, with a compound annual growth rate of negative 27.3%.

<u>EPS hurdle</u>

The EPS condition is relevant for the FY12 issue (tranche 2) which was subject to it's three year testing period from 1 July 2011 to 30 June 2014. The aggregate EPS growth for the 3 year period was negative and therefore the EPS hurdle was not met.

3.4 Senior Executive Contract details

It is Aspen Group's policy that service contracts for KMP, with the exception of the CEO, have no fixed term but are capable of termination on generally three months' notice and that Aspen Group retains the right to terminate the contract immediately, by making payment equal to three month's pay in lieu of notice.

Directors' Report

The contract of employment contract for the CEO, Mr Salwin, commenced 1 July 2014 and has no fixed term and specifies the duties and obligations of the role. The employment contract may be terminated by Aspen Group or Mr Salwin by giving 6 months notice of an intention to terminate his employment. Termination benefits to the extent permitted under the Corporations Act are included in his contract in the event of certain termination events.

Aspen Group has entered into service contracts with each KMP, including the CEO, 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 either party.

4. Non-executive Directors Remuneration

The total remuneration for non-executive directors for the 2014 financial year was $470,749 (2013: $425,637) representing an 11% increase from the previous year. The remuneration level is within the maximum remuneration level previously approved by securityholders at the 2010 AGM of $700,000. 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 has due regard to the current market conditions for the supply of these services and the duties and responsibilities of each member. Remuneration levels are compared to that of similar businesses 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 Aspen Group's LTI scheme.

The annual fees payable in FY14 are in accordance with the table below:

Position	FY14 remuneration (base fees excluding super)
Non-executive chairman	$149,625
Non-executive director	$76,950
Audit committee chairman	$8,550
Audit committee member	$4,275
Remuneration committee chairman	$8,550
Remuneration committee member	$4,275
Nominations committee chairman	$8,550
Nominations committee member	$4,275

The Remuneration Committee has determined that for the FY15, there will be no increase in fees.

Directors' Report

5. 1 Directors' and Executive Officers' Remuneration

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

		Short-term				Post-employment						
	Year	Salary & fees $	STI bonus $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Other long term $	Share-based payments LTI $ (1)	Total $	S300A (1)(e) (i) proportion of remuneration performance related %	S300A (1)(e) (vi) Value of LTI as proportion of remuneration%
Key Management Personnel												
Non-executive Directors												
Frank Zipfinger (Chairperson)	**2014**	**171,000**	**-**	**-**	**171,000**	**15,818**	**-**	**-**	**-**	**186,818**	**-**	**-**
	2013	172,558	-	-	172,558	15,530	-	-	-	188,088	-	-
Hugh Martin (note 2)	**2014**	**80,032**	**-**	**-**	**80,032**	**7,513**	**-**	**-**	**-**	**87,545**	**-**	**-**
	2013	15,533	-	-	15,533	-	-	-	-	15,533	-	-
Clive Appleton	**2014**	**85,500**	**-**	**-**	**85,500**	**8,094**	**-**	**-**	**-**	**93,594**	**-**	**-**
	2013	82,956	-	-	82,956	7,909	-	-	-	90,865	-	-
Guy Farrands	**2014**	**94,050**	**-**	**-**	**94,050**	**8,742**	**-**	**-**	**-**	**102,792**	**-**	**-**
(appointed 26 November 2012)	2013	51,629	-	-	51,629	4,647	-	-	-	56,276	-	-
Terry Budge (resigned 23 November 2012)	2013	44,290	-	-	44,290	3,986	-	-	-	48,276	-	-
Executive Directors												
Clem Salwin, Managing Director (appointed 1 July 2013)	**2014**	**515,638**	**165,375**	**6,280**	**687,293**	**17,775**	**-**	**-**	**289,803**	**994,871**	**45.8**	**29.1**
Hugh Martin, Interim CEO	**2014**	**14,516**	**-**	**-**	**14,516**	**1,360**	**-**	**-**	**-**	**15,876**	**-**	**-**
(23 August 2012 -30 June 2013)	2013	636,554	350,000	49,588	1,036,142	20,622	-	-	-	1,056,764	-	-
Gavin Hawkins, Managing Director (ceased 23 August 2012)	2013	186,632	-	4,480	191,112	4,000	1,087,275	158,890	-	1,441,277	-	-
Group Executives												
Brendan Acott, CEO of Living	**2014**	**324,092**	**144,302**	**6,280**	**474,675**	**29,785**	**-**	**1,333**	**33,437**	**539,229**	**32.1**	**5.0**
	2013	306,735	117,024	3,830	427,589	24,712	-	9,212	62,429	523,942	34.3	11.9
Philip Barker, GM – Funds	**2014**	**291,160**	**34,800**	**6,280**	**332,240**	**17,775**	**-**	**-**	**31,079**	**381,095**	**15.9**	**6.6**
Management	2013	289,845	87,000	3,593	380,438	16,470	-	-	58,027	454,935	31.9	12.8
Adam Marrs Ekamper, CFO (appointed 25 September 2013)	**2014**	**280,229**	**115,627**	**-**	**395,856**	**17,775**	**-**	**-**	**26,792**	**440,423**	**31.5**	**4.9**
Eric Lee, Company Secretary	**2014**	**280,040**	**110,690**	**9,166**	**399,895**	**17,775**	**-**	**4,741**	**29,472**	**451,882**	**30.1**	**5.2**
	2013	283,122	103,146	7,363	393,631	16,470	-	9,811	55,025	474,937	33.3	11.6
Jamie Smith, Head of Commercial	**2014**	**209,972**	**138,100**	**4,617**	**352,689**	**35,844**	**309,655**	**-**	**35,572**	**733,760**	**-**	**4.8**
(resigned 16 May 2014)	2013	325,410	121,900	4,460	451,770	25,763	-	5,622	65,030	548,185	34.1	11.9
Brett Fullarton, CFO	**2014**	**119,620**	**212,461**	**890**	**332,971**	**4,444**	**192,150**	**-**	**(42,440)**	**487,125**	**-**	**8.7**
(resigned 24 September 2013)	2013	493,855	251,289	4,966	750,110	16,470	-	-	200,093	966,673	46.7	20.7
Chris Lewis, Head of Residential (resigned 10 October 2012)	2013	158,432	-	2,023	160,455	1,688	107,885	-	-	270,028	-	-
Total Key Management Personnel	**2014**	**2,465,848**	**921,355**	**33,513**	**3,420,716**	**182,699**	**501,805**	**6,074**	**403,715**	**4,515,009**	**-**	**-**
	2013	3,047,551	1,030,359	80,303	4,158,213	158,267	1,195,160	183,535	440,604	6,135,779	-	-

5.2 Directors' and Executive Officers' Remuneration

Notes in relation to the table of key management personnel remuneration

1) The stapled securities issued under the various LTI plans are treated for accounting purposes as options and their fair value is 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.

2) Hugh Martin was appointed as Interim CEO between 23 August 2012 and 30 June 2013.

3) The following factors and assumptions were used in determining the fair value of LTI 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
19 December 2006	ESSIP	19 December 2008	$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%	3.00%	14.77%
1 July 2010	PRP#1	30 June 2013	$0.191	-	$0.450	26.9%	4.75%	9.33%
1 July 2011	PRP#2	30 June 2014	$0.322	-	$0.435	25.0%	5.32%	9.0%
1 November 2012	PRP#3	17 January 2016	$0.108	-	$0.17	23.7%	2.53%	8.8%
1 July 2013	PRP#4(a)	30 June 2016	$0.116	-	$0.18	48.4%	2.57%	8.62%
1 July 2013	PRP#4(b)	30 June 2016	$0.093	-	$0.18	48.4%	2.57%	8.62%
6 September 2013	Options	6 September 2013	$0.249	$2.000	$1.80	42.3%	3.34%	9.49%

Directors' Report

5.3 Directors' and Executive Officers' Remuneration

Details of the remuneration paid to Non-executive Directors for the 2014 and 2013 financial years are detailed in the table below:

Non-executive Directors	Year	Non Executive Director $	Audit Committee $	Remuneration Committee $	Nominations Committee $	Total $
Frank Zipfinger	**2014**	**149,625**	**4,275**	**8,550**	**8,550**	**171,000**
	2013	151,010	4,310	8,619	8,619	172,558
Hugh Martin (1)	**2014**	**75,757**	**4,275**	**-**	**-**	**80,032**
	2013	14,755	778	-	-	15,533
Clive Appleton	**2014**	**76,950**	**-**	**4,275**	**4,275**	**85,500**
	2013	76,950	-	4,275	1,731	82,956
Guy Farrands	**2014**	**76,950**	**8,550**	**4,275**	**4,275**	**94,050**
	2013	44,395	3,616	1,809	1,809	51,629
Terry Budge	**2014**	**-**	**-**	**-**	**-**	**-**
(resigned Nov 2012)	2013	37,211	3,539	1,770	1,770	44,290
Total Non-executive Directors	**2014**	**379,282**	**17,100**	**17,100**	**17,100**	**430,582**
	2013	324,321	12,243	16,473	13,929	366,966

(1) Mr Martin was Interim CEO for the period August 2012 to June 2013

5.4 Analysis of bonuses included in remuneration

In respect of the FY14 reporting period, short-term incentive bonuses totalling $334,335 were awarded (FY13: $924,350). Of this amount $209,408 may be taken in cash upon being awarded, with the balance deferred. Additionally, amounts have been accrued for under the Executive Retention Bonus Scheme.

In considering the award of the STI to the KMP, the Remuneration Committee took into consideration the factors set out in section 3.2 above.

	STI bonus			
	Included in remuneration $ (A)	**% of max STI opportunity vested in year**	**% of STI not yet vested**	**% of STI opportunity forfeited in year**
Executive director				
C Salwin	165,375	22%	22%	56%
Group executives				
B Acott	56,160	34%	11%	55%
P Barker	34,800	23%	7%	70%
A Marrs Ekamper	45,000	34%	11%	55%
E Lee	33,000	23%	7%	70%
Total STI bonus	**334,335**			

(A) All STI awards are subject to 25% retention for 12 months subject to there being no material misstatement in the financial outcome for which the KMP was responsible. The CEO is subject to 50% deferral for 18 months.

Directors' Report

The analysis of the STI Bonus presented in section 5.1 is as follows:

	Cash STI $	Deferred $	Retention accrual (non cash) $	STI per table 5.1 $
Executive director				
C Salwin	82,688	82,687	-	165,375
Group executives				
B Acott	42,120	14,040	88,142	144,302
P Barker	26,100	8,700	-	34,800
E Lee	24,750	8,250	77,690	110,690
A Marrs Ekamper	33,750	11,250	70,627	115,627
J Smith	-	-	138,100	138,100
B Fullarton	-	-	212,461	212,461
Total	**209,408**	**124,927**	**587,020**	**921,355**

5.5 Rights over equity instruments granted as compensation

Details on rights over ordinary securities in Aspen Group that were granted as compensation to each executive during the reporting period are as follows:

		Number of rights granted	Grant date	Fair value per right at grant date ($)	Exercise price per option ($)	Expiry date	Number of rights vested during 2014
Executive director							
C Salwin	ESSIP	-	-	-	-	-	-
	Options	1,729,412	1 July 2013	0.25	-	30 June 2016	-
	PRP	528,018	1 July 2013	1.16	-	30 June 2016	-
Group executives							
B Acott		53,793	1 July 2013	0.93	-	30 June 2016	-
P Barker		50,000	1 July 2013	0.93	-	30 June 2016	-
A Marrs Ekamper		43,103	1 July 2013	0.93	-	30 June 2016	-
E Lee		47,414	1 July 2013	0.93	-	30 June 2016	-
J Smith		-	-	-	-	-	30,120
B Fullarton		-	-	-	-	-	92,678

All rights expire on the earlier of their expiry date or termination of the individual's employment.

Note. The number of rights granted and fair value per right adjusted for 10:1 securities consolidation November 2013.

5.6 Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary securities in Aspen Group held by each executive is detailed below.

	Granted in year $ (A)	Value of options exercised in the year $ (B)	Lapsed in the year $ (C)
Executive director			
C Salwin	951,381	-	-
Group executives			
B Acott	50,027	-	-
P Barker	46,500	-	-
E Lee	44,095	-	-
A Marrs Ekamper	40,086	-	-
J Smith	-	41,386	13,119
B Fullarton	-	127,340	29,992

Directors' Report

(A) The value of options granted in the year is the fair value model of the options calculated at grant date using an appropriate option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2012 to 30 June 2015).

(B) The value of options exercised during the year is calculated as the market price of securities of Aspen Group as at the close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using an appropriate option-pricing model assuming the performance criteria had been achieved.

5.7 Analysis of LTI Instruments (LTII) granted as compensation – audited

Details of the vesting profile of the LTII granted as remuneration to each director of the company and each of the relevant executives are set out below:

	LTII granted		% vested in year/ prior years	% Forfeited in year (A)	Financial year in which grant vests	Note
	Number (B)	Date				
Executive director						
Clem Salwin	1,729,412	6 September 2013	0%	0%	FY 2017	(C)
	528,018	1 July 2013	0%	0%	FY 2016	
Group executives						
B Acott	27,964	1 July 2011	0%	100%	FY 2014	
	57,832	1 November 2012	0%	0%	FY 2015	
	53,793	1 July 2013	0%	0%	FY 2016	
P Barker	10,890	11 June 2009	100%	0%	FY 2011	(D)
	25,185	1 July 2011	0%	100%	FY 2014	
	53,754	1 November 2012	0%	0%	FY 2015	
	50,000	1 July 2013	0%	0%	FY 2016	
A Marrs Ekamper	358	11 June 2009	100%	0%	FY 2011	(D)
	9,323	1 July 2011	0%	100%	FY 2014	
	46,340	1 November 2012	0%	0%	FY 2015	
	43,103	1 July 2013	0%	0%	FY 2016	
E Lee	21,711	1 July 2011	0%	100%	FY 2014	
	50,938	1 November 2012	0%	0%	FY 2015	
	47,414	1 July 2013	0%	0%	FY 2016	
J Smith	7,000	11 June 2009	100%	100%	FY 2011	
	5,000	9 December 2006	100%	100%	FY 2009	
	28,224	1 July 2011	0%	100%	FY 2014	
	60,241	1 November 2012	50%	50%	FY 2015	(E)
B Fullarton	29,614	1 July 2011	0%	100%	FY 2014	
	185,357	1 November 2012	50%	50%	FY 2015	(E)

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

(B) Number of LTI adjusted for 10:1 securities consolidation in November 2013.

(C) Options granted to Mr Salwin at exercise price of $2.00 per share.

(D) Securities issued under ESSIP plan.

(E) Partially vested.

Directors' Report

Loans issued under the ESSIP

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

5.8 Options and rights over equity instruments - unlisted options

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

		Balance at 01 July 2013 (1)	Granted as remuneration	Exercised (2)	Expired / forfeited (3)	Balance at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors								
F Zipfinger		-	-	-	-	-	-	-
H Martin		-	-	-	-	-	-	-
C Appleton		-	-	-	-	-	-	-
G Farrands		-	-	-	-	-	-	-
C Salwin	*PRP*	-	528,018	-	-	528,018	-	-
	Options	-	1,729,412	-	-	1,729,412	-	-
Senior Executives								
B Acott	*PRP*	85,796	53,793	-	(27,964)	111,625	-	-
P Barker	*ESSIP*	10,890	-	-	-	10,890	-	10,890
	PRP	78,939	50,000	-	(25,185)	103,754	-	-
A Marrs Ekamper	*ESSIP*	358	-	-	-	358	-	358
	PRP	55,663	43,103	-	(9,323)	89,443	-	-
E Lee	*PRP*	72,685	47,414	-	(21,711)	98,388	-	-
J Smith	*ESSIP*	12,000	-	-	(12,000)	-	-	-
	PRP	88,466	-	(30,120)	(58,346)	-	30,120	-
B Fullarton	*PRP*	214,970	-	(92,678)	(122,292)	-	92,678	-
Total		**619,767**	**2,451,740**	**(122,798)**	**(276,821)**	**2,671,888**	**122,798**	**11,248**

Notes

(1) Number of LTI adjusted for 10:1 securities consolidation in November 2013.

(2) Partial vesting of tranche 3 (FY13) performance rights.

(3) Includes cancellation of tranche 2 (FY12) performance rights that failed testing conditions at 30 June 2014.

Directors' Report

Options and rights over equity instruments - Unlisted options

	Note	Balance at 01 July 2012	Granted as remuneration	Exercised	Expired / forfeited	Balance at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors								
F Zipfinger		-	-	-	-	-	-	-
H Martin		-	-	-	-	-	-	-
C Appleton		-	-	-	-	-	-	-
G Farrands	*1*	-	-	-	-	-	-	-
T Budge	*2*	-	-	-	-	-	-	-
G Hawkins	*3, 4*	1,750,000	-	-	(1,750,000)	-	-	-
	3, 5	3,590,277	-	-	(3,590,277)	-	-	-
Senior Executive								
J Smith	*4*	120,006	-	-	-	120,006	-	120,006
	5	557,110	602,410	-	(274,869)	884,651	-	-
C Lewis	*4, 7*	108,899	-	-	(108,899)	-	-	-
	5, 7	1,276,527	-	-	(1,276,527)	-	-	-
B Acott	*4*	100,000	-	-	(100,000)	-	-	-
	5	572,829	578,313	-	(293,194)	857,948	-	-
P Barker	*4*	108,899	-	-	-	108,899	-	108,899
	5	513,625	537,535	-	(261,780)	789,380	-	-
B Fullarton	*5*	296,135	1,853,568	-	-	2,149,703	-	-
E Lee	6	348,876	509,731	-	(131,768)	726,839	-	-
Total		**9,343,183**	**4,081,557**	**-**	**(7,787,314)**	**5,637,426**	**-**	**228,905**

Notes

(1) Director appointed on 26 November 2012.

(2) Director resigned 23 November 2012.

(3) Director ceased on 23 August 2012.

(4) Relates to options granted as part of the ESSIP

(5) Relates to rights granted under the PRP.

(6) Executive became a KMP during the financial year.

(7) Executive is no longer a KMP as at 30 June 2013.

(8) For the purpose of clarification, the strike price of all options is zero.

Listed options

No listed options were granted during the financial year ended 30 June 2014 (2013: nil). No listed options were held by KMP related parties.

Directors' Report

5.9 Movements in securities

The movement during the reporting year in the number of ordinary securities in Aspen Group held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

	Note	Balance at 1 July 2013 (1)	Issued from DRP	Other	Net purchases / (sales)	Balance at 30 June 2014
Directors						
F Zipfinger		60,000	-	-	40,000	100,000
H Martin		-	-	-	-	-
C Appleton		-	-	-	11,000	11,000
G Farrands		-	-	-	50,000	50,000
C Salwin	*2*	-	-	-	576,472	576,472
Senior Executives						
B Acott		9,528	-	-	12,000	21,528
P Barker		-	-	-	-	-
A Marrs Ekamper	*3*	-	-	-	29,352	29,352
E Lee		-	-	-	5,000	5,000
J Smith	*4*	2,727	-	(2,727)	-	-
B Fullarton	*4*	-	-	-	-	-
Total		72,255	-	(2,727)	723,824	793,352

Notes

(1) Number of LTI adjusted for 10:1 securities consolidation in November 2013.

(2) Director appointed 1 July 2013.

(3) Executive became a member of KMP during the financial year.

(4) Executive is no longer a KMP as at 30 June 2014.

	Note	Balance at 1 July 2012	Issued from DRP	Other	Net purchases / (sales)	Balance at 30 June 2013
Directors						
F Zipfinger		211,012	-	-	388,988	600,000
T Budge	*1*	534,809	-	(534,809)	-	-
G Hawkins	*2*	14,622,466	-	(14,622,466)	-	-
Senior Executives						
J Smith		13,637	-	-	13,637	27,274
C Lewis	*3*	-	-	-	-	-
B Acott		47,639	-	-	47,639	95,278
P Barker		-	-	-	-	-
B Fullarton		-	-	-	-	-
E Lee	*4*	-	-	-	-	-
Total		15,429,563	-	(15,157,275)	450,264	722,552

Directors' Report

Notes

(1) Director resigned 23 November 2012.

(2) Director ceased on 23 August 2012.

(3) Executive is no longer a KMP as at 30 June 2013.

(4) Executive became a member of KMP during the financial year.

(5) Mr H Martin, Mr C Appleton and Mr G Farrands are not eligible to receive options and have not been included in the above table.

No stapled securities were granted to KMP during the reporting year. No shares were held by KMP related parties.

7. Principal activities

The principal activities of Aspen Group during the year were to focus on the accommodation sector and divesting previous developments and funds management activities in the property sector. Other than as disclosed within the Operating and Financial Review, there was no significant change in the nature of the activities of Aspen Group during the year.

8. Events subsequent to reporting date

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

- Aspen Group has received amended debt facility terms from its primary financier, which will increase the available facility limit to $50.000 million (from $26.556 million), and extend the debt maturity to August 2016 (from August 2015). A letter of offer has been executed by both parties in respect to this amended facility, with detailed documentation of this facility to be executed by September 2014.

- Aspen Parks Property Fund, which Aspen Group owns 12.56% of at the date of this report, committed to issuing an Offer Document in respect to raising a minimum of $39.872 million equity raising on 22 August 2014. This equity raising has been fully underwritten by Aspen Group.

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.

9. Directors' interests

The relevant interest of each director in the stapled securities and LTII issued by Aspen Group as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Fully Paid Stapled Securities	LTII
F Zipfinger	100,000	-
C Salwin (appointed 1 July 2013)	576,472	528,018 (i)
	-	1,729,412 (ii)
H Martin	-	-
C Appleton	11,000	-
G Farrands	50,000	-

(i) Relates to LTII issued under the PRP.

(ii) Relates to 3 year options granted to Mr Salwin in accordance with his employment contract.

Directors' Report

10. Indemnification and insurance of officers and auditors

During the financial year Aspen Group paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2014 and since year end, Aspen Group has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2015. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of the Company.

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

The Company has agreed to indemnify the following current officers of the Company, Mr Zipfinger, Mr Salwin, Mr Martin, Mr Appleton and Mr Farrands, against all liabilities to another person (other than the Company) that may arise from their positions as officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The Company has agreed to indemnify Mr Marrs Ekamper and Mr Acott in their roles as directors of development syndicates controlled by Aspen Group.

Other than this, the Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify any officer, auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

11. Non-audit services

During the year KPMG, Aspen Group'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 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.

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

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

	2014 $	2013 $
Audit services:		
Auditors of Aspen Group – KPMG:		
Audit and review of financial reports	295,000	409,825
Other regulatory audit services	43,000	41,000
	338,000	450,825
Other auditors – non-KPMG firms:		
Audit and review of financial reports	15,000	40,000
	353,000	490,825
Services other than statutory audit - KPMG:		
Tax advisory services	292,344	173,116
Capital raising and due diligence	-	194,455
Other	30,954	57,500
	323,298	425,071

Directors' Report

	2014	2013
Other auditors – non-KPMG firms:	**$**	$
Meeting attendance fees	8,082	23,552
	331,380	448,623

12. Corporate governance statement

The Board is responsible for establishment of a corporate governance framework that provides a level of accountability, process and systems which support the day to day operations of Aspen Group. Aspen Group's governance framework has been prepared with regard to the ASX Corporate Governance Council's published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles & Recommendations with 2010 Amendments – 2nd Edition (ASX Principles).

Key elements of Aspen Group's governance framework are contained within the Aspen Group Corporate Governance Charter ("Charter"), a summary of the major policies and practices adopted by Aspen Group. This Charter, last reviewed in April 2013, is available on Aspen Group's website (www.aspengroup.com.au).

The Corporate Governance Statement discloses the extent to which Aspen Group has followed the best practice recommendations of the ASX Corporate Governance Council as well as any departures from the recommendations and the reason for doing so. Aspen Group has provided below a reconciliation of the ASX principles against its own corporate governance framework to outline how it satisfies the ASX principles.

Principle / Recommendation		**Does Aspen Comply Yes/No?**	**Annual Report Ref/ explanation**
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 42
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Rem. Report Section 2
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1: - an explanation of any departures from any Principle 1 recommendation; - whether a performance evaluation for senior executives has taken place during the reporting period under the process disclosed; and - the Board Charter should be made publicly available.	Yes	
Principle 2: Structure the Board to add value			
2.1	A majority of the board should be independent directors.	Yes	Page 43
2.2	The chair should be an independent director.	Yes	Page 43
2.3	The roles of chair and CEO should not be exercised by the same individual.	Yes	Page 43
2.4	The Board should establish a nomination committee.	Yes	Page 44
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 45
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2: - the skills, experience and expertise relevant to the position of director held by each director in office to the date of the annual report; - the names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds; - the existence of any relationships listed in the ASX's commentary and an explanation of why the Board considers a director to be independent, notwithstanding the existence of that relationship; - a statement as to whether there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the company;	Yes	

Directors' Report

Principle / Recommendation		Does Aspen Comply Yes/No?	Annual Report Ref/ explanation
	- a statement as to the mix of skills and diversity for which the Board of directors is looking to achieve in membership of the Board; - the period of office held by each director in office at the date of the annual report; - the names of members of the nomination committee and their attendance at meetings of the committee; - whether a performance evaluation for the Board, Board committees and directors has taken place in the reporting period under the process disclosed; and - an explanation of any departures from any Principle 2 recommendation. The following material should be made publicly available: - a description of the procedure for the selection and appointment of new directors to the Board and the re-election of incumbent directors; - the charter of the nomination committee; and - the nomination committee's policy for the nomination and the appointment of directors.		
Principle 3: Promote ethical and responsible decision-making			
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 stakeholders; and - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 46 & website
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 46 & website
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 46,47
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 46,47
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3. - an explanation of any departures from any Principle 3 recommendation. The following material should be made publicly available: - any applicable code of conduct or a summary; and - the diversity policy or a summary of its main provisions.	Yes	
Principal 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Page 44
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.	Yes	Page 44
4.3	The audit committee should have a formal charter.	Yes	Page 47 & website
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4 as follows: - details of the names and qualifications of those appointed to the audit committee and their attendance at committee meetings; - The number of meetings of the audit committee; and - An explanation of any departures from any Principle 4 recommendation.	Yes	

Directors' Report

Principle / Recommendation		Does Aspen Comply Yes/No?	Annual Report Ref/ explanation
	The following material should be made publicly available: - the audit committee charter; and - information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners		
Principle 5 – Make timely and balanced disclosure			
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.	Yes	Page 48 & website
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5 as follows: - an explanation of any departures from any Principle 5 recommendation. The following material should be made publicly available: - a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Yes	
Principle 6 – Respect the rights of securityholders			
6.1	Companies should design a communications policy for promoting effective communication with securityholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 48
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6 as follows: - an explanation of any departures from any Principle 6 recommendations; - the company should describe how ti will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 49
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.	Yes	Page 49
7.3	The Board should disclose whether it has received assurance from the CEO (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 the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 50
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7 as follows: - explanation of any departures from any Principle 7 recommendations; - whether the Board has received the report from management under Recommendation 7.2; and - whether the Board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3. The following material should be made publicly available: - a summary of the company's policies on risk oversight and management of material business risks.	Yes	
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	Yes	Page 45 and Rem. report Section 2.1

Directors' Report

Principle / Recommendation		Does Aspen Comply Yes/No?	Annual Report Ref/ explanation
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors; - is chaired by an independent chair; and - has at least three members;	Yes	Page 45 and Rem. report Section 2.1
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Rem. report Section 4
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8 as follows: - the names of the members of the remuneration committee and their attendance at meetings of the committee; - the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors; and - an explanation of any departures from any Principle 8 recommendation. The following material should be made publicly available: - the charter of the remuneration committee; and - a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	Yes	

Role and responsibilities of the Board and management

Board mandate

The Board has overall responsibility for the governance of Aspen Group. Its primary role is to ensure securityholders' interests are protected. To fulfil this role, the Board carries out its responsibilities according to the following mandate:

- The Board should comprise at least three directors with a maximum of ten 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 regular basis and at least six times per annum; 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.

Key responsibilities

The responsibilities of the Board include:

- To act in the best interests of securityholders at all times;
- Establish and set the strategic direction for Aspen Group;
- Establish a framework for the proper governance of Aspen Group;
- Provide input into and final approval to the business plan that is then implemented by KMP to achieve Aspen Group's strategy;
- Appointment and removal of the executive directors;
- Confirmation of the appointment and removal of KMP;
- Review and ratification of the internal control systems, risk management measures and codes of conduct;
- Review and approval of the annual budget and forecasts;
- Monitoring of the performance of KMP in implementing Aspen Group's strategy;

Directors' Report

- Approving and monitoring of financial and other reporting;
- Approval of acquisitions and disposals 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.

Role of the CEO and executive management team

Day to day management of the Group is the responsibility of the Chief Executive Officer (CEO) supported by the executive management team.

The CEO is responsible for running the affairs of the Group under delegated authority from the Board and implementing the policies and strategy set by the Board. In particular the CEO's responsibilities include:

- providing leadership to the Group, being the primary link between the Board and employees;
- being the conduit through which the Board is provided timely, accurate and relevant information;
- translating the strategic plans and decisions of the Board into action;
- ensuring the entity's organisational functions are effective;
- assessment of new initiatives / business opportunities of potential benefit to the Group;
- undertaking the role of key company spokesperson;
- appointing the executive management team with Board endorsement;
- keeping the Board informed, at an appropriate level, of all the activities of the Group; and
- ensuring the Group's policies are complied with.

Structure of the Board

Structure and Composition of the Board

The Aspen Group Board will have a minimum of three directors and a maximum of ten directors in accordance with it's constitution. One third of the directors must retire from office at the AGM each year however will be eligible for re-election. Directors appointed during the year to fill casual vacancies are required to submit to election at the next AGM.

At the 2013 Annual General Meeting, Mr Farrands was re-elected.

The Board currently consists of four non-executive directors and an executive director. During the 2014 financial year, the composition of the Board changed, with the appointment of Mr Clem Salwin as an executive director on 1 July 2013. The appointment of Mr Salwin was the result of an extensive search in the first half of calendar 2013 by an international executive recruitment firm.

The composition and length of service of the Board members are set out below. Details of the relevant skills and experience of the Aspen Group directors are set out in the directors' report.

Non-executive director	Period in office at 30 June 2014
Frank Zipfinger	3 years and 5 months
Hugh Martin	2 years and 2 months
Clive Appleton	2 years and 2 months
Guy Farrands	1 year and 7 months
Executive director	**Period in office at 30 June 2014**
Clem Salwin	1 year

Directors' Report

Independence of Directors

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

Aspen Group will regularly review whether each non-executive director is independent and each non-executive director must 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 independent directors of the Board are:

- Mr Frank Zipfinger (Chairman)
- Mr Guy Farrands
- Mr Clive Appleton

Mr Hugh Martin was not considered an independent director by virtue of him having held an executive role in the prior year at Aspen Group, as Interim CEO within the preceeding three year period.

Independence of Chairman

As set out in the Charter, the Chairman is elected by the Board and should be an independent director. The roles of Chair and CEO should not be exercised by the same individual.

The Chairman's other positions should not be such that they are likely to hinder the effective performance of their role as Chairman of the Group.

The Chairman will be selected on the basis of relevant experience, skill and leadership abilities that the Board recognises from time to time. The Chairman will:

- be responsible for leadership of the Board, and for the efficient organisation and conduct of the Board;
- chair Board Meetings including setting the agenda, style and format to promote effective decision-making and constructive debate;
- ensure effective implementation of Board decisions;
- promote effective relationships and open communication between the non-executive and executive teams;
- chair meetings of Securityholders, including the Annual General Meeting;
- ensure effective communication with Securityholders and promoting Board awareness of the views of major Securityholders;
- chair the Remuneration and Nomination Committee and any other committees decided by the Board; and
- establish a close working relationship with the CEO, providing support and advice while jointly developing the Group's strategy and overseeing its implementation subject to the approval and oversight of the Board as a whole.

Committees of the Board

The Board has established an Audit Committee, Remuneration Committee and a Nomination Committee. Each of the Committees are governed by a formal charter, details of which are available on the Group website.

Directors' Report

Details of the membership of the Committees are set out below:

	Members	Key responsibilities	Structure
Audit Committee	Guy Farrands (Chair) Hugh Martin Frank Zipfinger	Review, assess and monitor the financial reporting of Aspen Group including: • Published financial statements and reports; • Accounting policies and disclosures including notes to the financial statements; • The response to any issues raised as a result of an external audit; • Compliance with accounting and financial reporting standards, stock exchange and legal requirements; • Recommend the appointment and removal of external auditors; • Review and assess the external audit scope, reports, audit performance, including time of audit, fees, partner rotation and value added services; • Review the requirements for an internal audit function and the scope; • Review the performance of an internal audit and auditor, if any; and • Oversee the compliance of Aspen Group with the requirements of the Australian Taxation Office ("ATO") and state taxation bodies.	The Committee is 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.
Nomination Committee	Frank Zipfinger (Chair) Clive Appleton Guy Farrands	• 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; 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.	Non-executive directors

Directors' Report

	Members	Key responsibilities	Structure
Remuneration Committee	Frank Zipfinger (Chair) Clive Appleton Guy Farrands	• Ensure the remuneration policies and practices are consistent with Aspen'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; • Review recruitment, retention and termination policies and procedures as required; • Determining the remuneration of directors; and • Reviewing and approving all equity based remuneration plans.	Non-executive directors

Evaluating the performance of the Board, its committees and individual directors.

Performance evaluations of the Board, its Committees and individual directors took place in the reporting year.

The following evaluation process took place:

- The Board and its committees adopted a formal review process, overseen by the Chairman.
- A written peer evaluation assessing the Board's performance, the directors' contribution to the Board and feedback on enhancing performance was provided by each director.
- 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.

Induction and access to information

The Board provides an induction program to enable any new directors to gain an understanding of:

- Aspen Group's financial, strategic, operational and risk management position;
- The rights, duties and responsibilities of the directors;
- The roles and responsibilities of senior executives; and
- The role of any Board committees in operation.

An induction for directors includes inspections of Aspen Group's assets and the opportunity to meet with management to gain a better understanding of the business operations.

All directors have access to the Company Secretary who is responsible for supporting the Board through the effective communication of the Board material. Executives are required, on request from the Board, to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively.

Directors are entitled to request (and to receive) any additional information where they consider such information necessary to make informed decisions.

Directors have reasonable access to continuing education to update and enhance their skills and knowledge.

Directors' Report

Appointment of new directors

The Nomination Committee is responsible for Board succession planning and identification of suitable candidates when vacancies occur on the Board or when new skills and experiences are required to complement the existing Board.

In identifying persons suitable for consideration as a member of the Board, the considerations of the Nomination Committee include:

- 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; and
- The extent of the candidate's other commitments in both executive and non-executive roles.

Mr Clem Salwin was appointed to the Board as an executive director on 1 July 2013. There were no other appointments during the year.

Ethical and responsible decision-making

Code of conduct

The Board has adopted a Code of Conduct ("Code") 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 Aspen 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 as at the commencement of employment.

The Code is an important reference document that outlines the behavioural expectations that Aspen has of its directors and employees. The Code is not intended to be exhaustive and cannot anticipate every situation which may morally or ethically compromise the employee or Aspen Group, however is intended to provide a framework for common sense and sound judgement. Compliance with the Code is an obligation owed by all employees to each other and to Aspen Group, breach of which will result in disciplinary action or dismissal.

The Code is available on Aspen Group's website within the Charter.

Dealing in Securities

In accordance with the Charter and the Code of Conduct is a requirement for all directors, executives and employees to abide by the Group's Securities Trading Policy. The policy outlines the circumstances and requirements for trading in Aspen Group's securities by directors, executives and employees.

Directors, KMP, and other employees who have access to price sensitive information will not be able to deal in Aspen Group securities without the prior approval of the Company Secretary. The authorisation and dealing restrictions will apply to Aspen Group securities and any derivative product related to Aspen Group securities.

The Securities Trading Policy is available on Aspen Group's website.

Diversity Policy

Aspen has policy concerning diversity and has disclosed the policy on Aspen Group's website within the Charter.

Aspen Group values a diverse and inclusive workforce which reflects the broader community. Aspen Group recognises the advantage of having a mix of relevant business, executive and professional experience, together with the importance of cultural and ethical values, and the benefits of diversity including gender diversity. Aspen Group has a gender policy appropriate for an organisation of its size that will ensure that there is ongoing recognition of the need for diversity.

This Diversity Policy identified broad objectives which were:

- To increase gender diversity at non-executive director level, executive level and across Aspen Group, so as to meet target levels by 30 June 2014; and

Directors' Report

- To provide an annual assessment of performance against the target levels.

Aspen Group's performance against the policy objectives are as follows:

	Original target for 30 June 2014		30 June 2014		30 June 2013	
Gender	Female %	Male %	Female %	Male %	Female %	Male %
Non-executive directors	20%	80%	-	100%	-	100%
Executive / Managerial	30%	70%	26%	74%	18%	82%
Total employees	45%	55%	41%	59%	34%	66%

Aspen Group continues to foster an environment which provides an inclusive culture and strategies to meet its gender diversity targets, including:

- Recruitment policy to seek gender balance in the candidates assessed; and
- Development of leadership and managerial skills to enhance opportunities for female employees.

During the year, the overall participation rate of female employees and those in executive / manager positions increased from FY13 levels, from 18% to 26%.

As part of the search process for the CEO / Executive Director role, the Board sought candidates which may complement the existing executive team and also fulfill its stated diversity agenda including gender diversity. At this time the Board will continue to seek opportunities to increase female participation in the workforce generally.

Aspen Group employs less than 100 employees and has no reporting obligation in respect of the Workplace Gender Equality Act 2012.

Integrity in financial reporting

Role of the audit committee.

The Audit Committee has responsibility for maintenance of the integrity in the financial reporting of Aspen Group.

The members, key responsibilities and structure of the Audit Committee are outlined on page 44 of this report. Due consideration will be given by the Board 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 quarterly 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 ("CFO"), or the external auditors. Any director, if they wish, may attend any meeting. The CFO 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.

Independence Declaration

KPMG have provided the required independence declaration to the Board for the financial year ended 30 June 2014.

The declaration forms part of the director's report and is provided on page 52 of this annual report.

Attendance at Annual General Meetings

A representative of KPMG attends the Aspen Group Annual General Meeting and is available to respond to any Securityholder queries about the audit conduct and the content and preparation of the auditor's report.

Directors' Report

Timely and balanced disclosure

Continuous disclosure and communication policy

Aspen Group has written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for compliance.

The Board has adopted a Continuous Disclosure and Communication Policy to ensure that:

- All investors have equal and timely access to material information concerning Aspen Group including its financial position, performance, ownership and governance;
- Aspen Group announcements are factual, presented in a clear and balanced way, are made in a timely manner and do not omit material information; and
- Aspen Group provides securityholders with information in accordance with this Policy which includes identifying matters that may have a material effect on the price of Aspen Group's securities, notifying them to the ASX, posting them on Aspen Group's website and issuing media releases.

The Continuous Disclosure and Communication Policy was last reviewed and approved by the Board in October 2013.

In summary the Policy operates as follows:

- In line with its disclosure obligations under Chapter 3 of the ASX Listing Rules and under Regulatory Guides 198 and 46 issued by Australian Securities and Investments Commission ("ASIC"), Aspen Group's policy is to immediately lodge with the ASX or ASIC any information concerning Aspen Group that a reasonable person would expect to have a material effect on the price or value of its securities. Aspen Group 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. Where necessary, and to assist with Aspen Group meeting its continuous disclosure obligations, a trading halt may be required for the securities. This process is managed by the Company Secretary in consultation with the Board;
- All communication and announcements are subject to approval by the Board or CEO in accordance with a delegation of authority and are provided to the Company Secretary. The Company Secretary is responsible for electronic lodgement of communications with the ASX and will also be responsible for the security of the announcement prior to its release to the market;
- In instances where briefings are provided to the market a copy of the presentation material will be made available on Aspen Group's website; and
- All directors and employees are educated on the importance of sensitive information and confidentially, in accordance with the Policy and the Code of Conduct.

Annual General Meeting

Securityholders are encouraged to attend and participate in Aspen Group's annual general meeting and are provided with an explanatory memorandum on the resolutions proposed in the Notice of Meeting.

Registry

Aspen Group uses Link Market Services Limited ("Link") to administer the securityholder register. Securityholders can contact Link on 1300 554 474 or via their website www.linkmarketservices.com.au.

Complaints handling

Aspen Group has a formal complaints handling process which is managed by the Compliance Manager.

Contact details for complaints is via email: complaints@aspengroup.com.au

Aspen Group is a member of the Financial Ombudsman Service (FOS) and agrees to be bound about it's determinations in the event of a dispute.

Directors' Report

Risk management and internal controls.

Risk Management

Aspen Group has established policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board as a whole is ultimately responsible for establishing and reviewing Aspen 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; and
- Identify material changes to Aspen 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 KMP working with Aspen Group's Compliance Manager, to liaise with working parties from each Aspen Group 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. Risk management performance is considered when awarding incentives to employees.

Aspen Group's Risk Management Policy is available on Aspen Group's website within the Charter.

Management and Board responsibility

The Board constantly monitors the operational and financial aspects of Aspen 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 Aspen 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 Aspen Group has an appropriate internal control environment in place to manage the key risks identified. In addition, executives investigate 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 Aspen 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 Aspen Group's management of its material business risks.

Compliance Committee

AFM, as part of its role as Responsible Entity of the 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 ("AFSL").

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 (until 1 November 2013); and
- Mr Eric Lee – Executive member (from 1 November 2013).

Directors' Report

The role of the Compliance Committee includes responsibility for the evaluation of the effectiveness of AFM's compliance systems which are designed to protect the interest of securityholders. 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.

Environmental regulation

Aspen Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However the Board believes that Aspen Group has adequate systems in place for management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to Aspen Group, other than the item described below.

During the financial year, Aspen Group identified, and has commenced management of the remediation of historical land use at the Spearwood property in Bibra Lake.

Verification of financial reports

The Board has received assurance from the CEO and the CFO 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 CEO and CFO are required by Aspen 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 Aspen Group's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of Aspen Group and comply with relevant accounting standards; and
- That the declaration provided in accordance with section 295(A) 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.

Remuneration and evaluation of senior executives

Details of directors' and executives' remuneration, including those with respect to retirement benefits, are set out in the Remuneration Report section of this Annual Report.

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

Evaluating the performance of senior executives

All employees including 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 contribute to the process of determining appropriate remuneration packages and the most efficient organisational structure.

13. Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is included on page 52 and forms part of the Directors' Report for the financial year ended 30 June 2014.

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 consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' Report

Signed in accordance with a resolution of the directors.

Clem Salwin
Managing Director
PERTH, 22 August 2014

KPMG

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

To: the directors of Aspen Group Limited and Aspen Funds Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

22 August 2014

KPMG

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

Report on the financial report

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

We have audited the accompanying financial report of Aspen Group, which comprises the consolidated statements of financial position as at 30 June 2014, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the Company and the Trust and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Aspen Group Limited and Aspen Funds Management Limited, the Responsible Entity of Aspen Property Trust (collectively referred to as "the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of Aspen Group's financial position and performance.

KPMG

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Aspen Group 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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2014. 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 for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth

22 August 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $ '000	Restated* 2013 $ '000
Continuing operations			
Revenue and other income			
Income from investment properties	7	16,215	19,407
Funds management revenue	7	4,941	6,949
Finance income	9	3,069	3,008
Other income		1,124	175
Total revenue and other income		25,349	29,539
Change in fair value of investment properties	15	(11,500)	(7,600)
Property expenses		(5,995)	(6,219)
Termination payments and restructuring costs		-	(3,691)
Occupancy costs		(907)	(994)
Administration expenses	8	(9,536)	(13,561)
Finance expenses	9	(1,510)	(2,036)
Other expenses		(1,356)	(1,982)
Change in fair value of assets held for sale	14	(1,893)	(19,563)
Impairment adjustments of equity accounted investees	16	-	(461)
Share of loss from equity accounted investees	16	(5,982)	(1,162)
Loss before income tax		(13,330)	(27,730)
Income tax expense	10	(12,141)	-
Loss from continuing operations		(25,471)	(27,730)
Discontinued operations			
Loss from discontinued operations – subsidiary assets held for sale, net of tax	30	(35,837)	(37,185)
(Loss) / profit from discontinued operations – commercial / industrial properties held for sale, net of tax	31	(20,502)	26,895
Loss for the year		(81,810)	(38,020)
Other comprehensive expense			
Items that are or may be reclassified to profit or loss			
Equity accounted investees - share of other comprehensive expense		(1,414)	-
Other comprehensive expense, net of tax		(1,414)	-
Total comprehensive expense for the year		(83,224)	(38,020)
Loss attributable to:			
Securityholders of Aspen Group		(70,716)	(27,752)
Non-controlling interests	30	(11,094)	(10,268)
Loss for the year		(81,810)	(38,020)
Total comprehensive expense attributable to:			
Securityholders of Aspen Group		(72,130)	(27,752)
Non-controlling interests	30	(11,094)	(10,268)
Total comprehensive expense for the year		(83,224)	(38,020)
Basic earnings per stapled security	23	(59.052)	(27.335)
Diluted earnings per stapled security	23	(59.052)	(27.335)
Basic earnings per stapled security – continuing operations	23	(21.270)	(27.313)
Diluted earnings per stapled security – continuing operations	23	(21.270)	(27.313)

* See note 3.

(The Consolidated Statement of Profit or Loss and Other 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 2014

	Note	2014	Restated* 2013	Restated* 1 July 2012
		$ '000	$ '000	$ '000
Assets				
Cash and cash equivalents	11	13,546	15,305	2,141
Cash in term deposits	11	31,135	22,300	-
Trade and other receivables	12	3,173	4,051	9,263
Other financial assets	13	7,153	2,831	450
Assets classified as held for sale	14	2,792	26,119	23,275
Subsidiary assets classified as held for sale	30	24,554	178,818	285,501
Commercial / industrial property assets classified as held for sale	31	87,809	-	-
Investments in equity accounted investees	16	25	961	5,038
Prepayments and other current assets		616	1,129	1,478
Total current assets		170,803	251,514	327,146
Trade and other receivables		-	-	2,675
Other financial assets	13	-	3,000	3,000
Property, plant and equipment		1,436	2,427	1,521
Investment property	15	38,500	261,000	296,442
Investments in equity accounted investees	16	10,729	38,958	52,307
Intangible assets		-	-	3,829
Deferred tax assets	17	-	12,141	12,141
Other		252	312	2,338
Total non-current assets		50,917	317,838	374,253
Total assets		221,720	569,352	701,399
Liabilities				
Trade and other payables	18	2,875	10,104	13,180
Liabilities classified as held for sale	18	-	11,903	9,637
Subsidiary liabilities classified as held for sale	30	3,913	124,546	242,641
Commercial / industrial property liabilities classified as held for sale	31	19,306	-	-
Interest-bearing loans and borrowings	19	2,931	3,034	136,329
Provisions	20	7,215	11,506	2,270
Employee benefits	21	598	766	1,064
Other financial liabilities		683	905	32,738
Total current liabilities		37,521	162,764	437,859
Interest-bearing loans and borrowings	19	4,500	119,892	16,563
Total non-current liabilities		4,500	119,892	16,563
Total liabilities		42,021	282,656	454,422
Net assets		179,699	286,696	246,977
Equity				
Issued capital	22	523,031	522,051	424,894
Other equity	22	(1,465)	(1,465)	(1,465)
Reserves	22	(1,423)	(9)	(9)
Retained losses		(320,777)	(236,755)	(191,133)
Total equity attributable to securityholders of Aspen Group		199,366	283,822	232,287
Non-controlling interest	30	(19,667)	2,874	14,690
Total equity		179,699	286,696	246,977

* See note 3.

(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 2014

		Attributable to securityholders of Aspen Group						
	Note	Issued capital $'000	Other equity $'000	Reserves $'000	Retained losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Restated balance at 1 July 2013		522,051	(1,465)	(9)	(236,755)	283,822	2,874	286,696
Total comprehensive expense for the year								
Loss for the year		-	-	-	(70,716)	(70,716)	(11,094)	(81,810)
Equity accounted investees - share of other comprehensive expense		-	-	(1,414)	-	(1,414)	-	(1,414)
Total comprehensive expense for the year		-	-	(1,414)	(70,716)	(72,130)	(11,094)	(83,224)
Transactions with securityholders of Aspen Group, recognised directly in equity								
Contributions by and distributions to securityholders of Aspen Group								
Issue of securities	22	980	-	-	-	980	-	980
Distributions to securityholders	22,30	-	-	-	(13,810)	(13,810)	(9,807)	(23,617)
Share based payment transactions	21	-	-	-	504	504	-	504
Total contributions by and distributions to securityholders of Aspen Group		980	-	-	(13,306)	(12,326)	(9,807)	(22,133)
Acquisition of non-controlling interest	30	-	-	-	-	-	(1,640)	(1,640)
Total transactions with securityholders of Aspen Group		980	-	-	(13,306)	(12,326)	(11,447)	(23,773)
Balance at 30 June 2014		523,031	(1,465)	(1,423)	(320,777)	199,366	(19,667)	179,699

(The Consolidated Statement of Changes in Equity 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 2013

	Note	Attributable to securityholders of Aspen Group						
		Issued capital $'000	Other equity $'000	Reserves $'000	Retained losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2012 as previously reported		424,894	(1,465)	(9)	(190,403)	233,017	15,549	248,566
Impact of changes in accounting policies*		-	-	-	(730)	(730)	(859)	(1,589)
Restated balance as at 1 July 2012		424,894	(1,465)	(9)	(191,133)	232,287	14,690	246,977
Total comprehensive expense for the year (restated)								
Loss for the year		-	-	-	(27,752)	(27,752)	(10,268)	(38,020)
Total comprehensive expense for the year (restated)		-	-	-	(27,752)	(27,752)	(10,268)	(38,020)
Transactions with securityholders of Aspen Group, recognised directly in equity								
Contributions by and distributions to securityholders of Aspen Group								
Issue of securities pursuant to equity raising	22	101,436	-	-	-	101,436	-	101,436
Payment of equity securities issue costs	22	(4,280)	-	-	-	(4,280)	-	(4,280)
Issue of securities from sales of ESSIP shares	22	1	-	-	-	1	-	1
Distributions to securityholders	22, 30	-	-	-	(17,015)	(17,015)	(791)	(17,806)
Share based payment transactions	21	-	-	-	(855)	(855)	-	(855)
Total contributions by and distributions to securityholders of Aspen Group		97,157	-	-	(17,870)	79,287	(791)	78,496
Disposal of non-controlling interest	30	-	-	-	-	-	(757)	(757)
Total transactions with securityholders of Aspen Group (restated)		97,157	-	-	(17,870)	79,287	(1,548)	77,739
Restated balance at 30 June 2013		522,051	(1,465)	(9)	(236,755)	283,822	2,874	286,696

* See note 3.

(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 2014

	Note	2014 $ '000	Restated* 2013 $ '000
Cash flows from / (used in) operating activities			
Cash receipts from customers		107,624	141,658
Cash payments to suppliers and employees		(58,327)	(131,181)
Cash generated from operating activities		49,297	10,477
Dividends received		3,572	6,609
Interest received		1,752	11,833
Interest and other costs of finance paid		(14,114)	(36,694)
Net cash from / (used in) operating activities	24	40,507	(7,775)
Cash flows from / (used in) investing activities			
Cash invested in term deposits and restricted funds	11	(8,835)	(22,300)
Acquisition of property, plant and equipment		3	(2,001)
Improvements to assets held for sale		-	(283)
Improvements to investment properties		(217)	(1,944)
Development of investment properties		(503)	(1,744)
Acquisition of equity accounted investees		(9,997)	(230)
Proceeds from disposal of equity accounted investees		30,546	24,667
Acquisition of subsidiary, net of cash acquired		(479)	(25,315)
Proceeds from sale of investments		-	(757)
Proceeds from sale of assets held for sale		10,908	20,755
Proceeds from sale of investment properties		163,659	36,800
Net cash from / (used in) investing activities		185,085	27,648
Cash flows from / (used in) financing activities			
Proceeds from issue of equity securities	22	980	101,436
Payment of equity securities issue costs	22	-	(4,279)
Repayments of borrowings		(202,258)	(93,903)
Proceeds from borrowings		-	1,747
Loans to associates		-	(3)
Repayments from associates		877	445
Distributions paid to non-controlling interest	30	(11,447)	(109)
Distributions paid	22	(17,936)	(8,903)
Net cash from used in financing activities		(229,784)	(3,569)
Net increase / (decrease) in cash and cash equivalents		(4,192)	16,304
Cash and cash equivalents at beginning of year		18,863	2,559
Total cash and cash equivalents at end of year		14,671	18,863
Less: cash included in subsidiary assets held for sale		(1,125)	(3,558)
Cash and cash equivalents at end of year	11	13,546	15,305

* See note 3.

(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

Index to notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Aspen Group was established for the purpose of facilitating a joint quotation of the Trust and the Company and their controlled entities on the ASX. Both the Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen Group's registered office is Level 3, Newspaper House, 129 St Georges Terrace, Perth, Western Australia. The Constitution of the Trust and the Articles of Association of the Company 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 Company shall be equal and that unitholders and shareholders be identical.

The consolidated financial statements of Aspen Group as at and for the year ended 30 June 2014 comprise the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. Aspen Group is a for-profit entity and is primarily involved in investment in property and funds management activities in the property sector.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorised for issue by the Board of Directors ("the Board") on 22 August 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are stated at their fair value:

- Derivative financial instruments;
- Available for sale financial instruments;
- Investment property;
- Assets held for sale
- Subsidiary assets held for sale
- Commercial / industrial property assets held for sale; and
- Share-based payments.

The methods used to measure fair value are discussed further in note 2 (d).

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional currency of Aspen 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 statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

2. Basis of Preparation *(continued)*

(d) Use of estimates and judgements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made by the Board and management that have a significant effect on the consolidated financial statements is included in the following notes:

- Note 3 – classification of a joint arrangement
- Note 26 – lease classification;
- Note 3 – consolidation: whether Aspen Group has de facto control over an investee

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties made by the Board and management that have a significant effect on the consolidated financial statements is included in the following notes:

- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

Measurement of fair values

A number of Aspen Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Aspen Group has an established control framework with respect to the measurement of fair values. This includes dedicated finance staff that have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The dedicated finance staff regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or external valuations is used to measure fair values, then the dedicated finance staff assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation matters are reported to the Aspen Group Audit Committee.

When measuring the fair value of an asset or a liability, Aspen Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Aspen Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the Consolidated Financial Statements

2. Basis of Preparation *(continued)*

(d) Use of estimates and judgements *(continued)*

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – Assets classified as held for sale;
- Note 15 – Investment property;
- Note 25 – Financial instruments;
- Note 30 – Subsidiary assets classified as held for sale and discontinued operations; and
- Note 31 – Commercial property assets classified as held for sale.

(e) Financial position

During the year ended 30 June 2014 Aspen Group recorded a loss after tax of $81.810 million (2013 restated: $38.020 million). At 30 June 2014 Aspen Group had net assets of $179.699 million (2013 restated: $286.696 million), cash reserves of $44.681 million (2013 restated: $37.605 million) and current assets exceeded current liabilities by $133.282 million (2013 restated: $88.750 million). The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Board believe that Aspen Group will continue as a going concern, and Aspen Group's cash flow forecast supports the Board's opinion that Aspen Group's working capital position will remain positive for at least the next twelve months from the date of these financial statements.

3. Changes in accounting policies

The following changes in accounting policies are reflected in Aspen Group's consolidated financial statements as at and for the year ending 30 June 2014.

Aspen Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 *Consolidated Financial Statements* (2011) ("AASB 10") (see (a));
- AASB 11 *Joint Arrangements* ("AASB 11") (see (b))
- AASB 12 *Disclosure of Interests in Other Entities* ("AASB 12") (see (c)); and
- AASB 13 *Fair Value Measurement* ("AASB 13") (see (d)).

The nature and the effect of the changes are further explained below.

(a) Subsidiaries

As a result of AASB 10, Aspen Group has revised its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that focuses on whether Aspen Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the provisions of AASB 10, Aspen Group reassessed the control conclusion for its investees at 1 July 2013. As a consequence, Aspen Group has changed its control conclusion in respect of its investments in ADLL and FBSV, which were both previously accounted for as associates using the equity method. Although Aspen Group owns less than half of the voting power of the respective investees, management has determined that Aspen Group has moved to de facto control over the respective investees since 1 July 2012. Aspen Group holds significantly more voting rights of the respective investees than any other vote holders or organised group of vote holders, and the other shareholdings of the respective investees are widely dispersed. Accordingly, Aspen Group applied acquisition accounting to the respective investments at 1 July 2012, as if the respective

Notes to the Consolidated Financial Statements

3. Changes in accounting policies *(continued)*

(a) Subsidiaries *(continued)*

investees had been consolidated from that date. Further details of the effect of the change are set out in note (e) below.

(b) Joint arrangements

As a result of AASB 11, Aspen Group has revised its accounting policy for its interests in joint arrangements. Under AASB 11, Aspen Group classifies its interests in joint arrangements as either joint operations (if Aspen Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if Aspen Group has rights only to the net assets of an arrangement). When making this assessment, Aspen Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other relevant facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

Aspen Group has re-evaluated its involvement in its only joint arrangement, being FSPT, and has reclassified the investment from a jointly controlled entity to a joint venture. As a result of the reclassification, the FSPT investment has been accounted for using the equity method, not the proportionate consolidation method as accounted for previously. Further details of the effect of the change are set out in note (e) below.

(c) Disclosure of Interests in other entities

As a result of AASB 12, Aspen Group has expanded its disclosures about its interests in its subsidiaries (see notes 29 and 30).

(d) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, Aspen Group has included additional disclosures in this regard (see notes 14, 15, 30, 31).

In accordance with the transitional provisions of AASB 13, Aspen Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of Aspen Group's assets and liabilities.

(e) Summary of quantitative impact

The following tables summarise the material impacts resulting from the above changes in accounting policies on Aspen Group's financial position, comprehensive income and cash flows. The impacts relate to the consolidation of two additional subsidiaries (see (a)) and the change in accounting treatment of the joint venture to the equity method (see (b)).

Notes to the Consolidated Financial Statements

3. Changes in accounting policies *(continued)*

(e) Summary of quantitative impact *(continued)*

(i) Condensed consolidated statement of financial position as at 1 July 2012

		Effect of changes in accounting policies		
	As previously reported	Subsidiaries (refer note (a))	Joint ventures (refer note (b))	As restated
1 July 2012	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Cash and cash equivalents	3,057	-	(916)	2,141
Other financial assets	1,975	(1,525)	-	450
Subsidiary assets classified as held for sale	119,893	165,608	-	285,501
Total current assets	163,979	164,083	(916)	327,146
Investment property	379,125	-	(82,683)	296,442
Investments in equity accounted investees	18,816	-	33,491	52,307
Total non-current assets	423,445	-	(49,192)	374,253
Total assets	587,424	164,083	(50,108)	701,399
Trade and other payables	25,901	-	(3,084)	22,817
Subsidiary liabilities classified as held for sale	76,969	165,672	-	242,641
Total current liabilities	275,271	165,672	(3,084)	437,859
Interest-bearing loans and borrowings	63,587	-	(47,024)	16,563
Total non-current liabilities	63,587	-	(47,024)	16,563
Total liabilities	338,858	165,672	(50,108)	454,422
Net assets	248,566	(1,589)	-	246,977
Retained losses	(190,403)	(730)	-	(191,133)
Non-controlling interest	15,549	(859)	-	14,690
Total equity	248,566	(1,589)	-	246,977

Note – the table above only reflects line items which have been affected by AASB 10 and AASB 11, therefore the total in certain columns will not be arithmetically correct.

Notes to the Consolidated Financial Statements

3. Changes in accounting policies *(continued)*

(e) Summary of quantitative impact *(continued)*

(ii) Condensed consolidated statement of financial position as at 30 June 2013

		Effect of changes in accounting policies		
	As previously reported	Subsidiaries (refer note (a))	Joint ventures (refer note (b))	As restated
30 June 2013	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Cash and cash equivalents	15,794	-	(489)	15,305
Trade and other receivables	4,080	(27)	(2)	4,051
Other financial assets	11,817	(8,986)	-	2,831
Subsidiary assets classified as held for sale	136,263	42,555	-	178,818
Prepayments and other current assets	1,523	-	(394)	1,129
Total current assets	218,857	33,542	(885)	251,514
Investment property	360,500	-	(99,500)	261,000
Investments in equity accounted investees	13,695	-	25,263	38,958
Total non-current assets	392,075	-	(74,237)	317,838
Total assets	610,932	33,542	(75,122)	569,352
Trade and other payables	11,460	-	(1,356)	10,104
Subsidiary liabilities classified as held for sale	91,667	32,879	-	124,546
Interest-bearing loans and borrowings	3,050	-	(16)	3,034
Other financial liabilities	855	-	50	905
Total current liabilities	131,207	32,879	(1,322)	162,764
Interest-bearing loans and borrowings	193,692	-	(73,800)	119,892
Total non-current liabilities	193,692	-	(73,800)	119,892
Total liabilities	324,899	32,879	(75,122)	282,656
Net assets	286,033	663	-	286,696
Retained losses	(237,071)	316	-	(236,755)
Non-controlling interest	2,527	347	-	2,874
Total equity	286,033	663	-	286,696

Note – the table above only reflects line items which have been affected by AASB 10 and AASB 11, therefore the total in certain columns will not be arithmetically correct.

Notes to the Consolidated Financial Statements

3. Changes in accounting policies *(continued)*

(e) Summary of quantitative impact *(continued)*

(iii) Condensed consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Effect of changes in accounting policies			
	As previously reported	Subsidiaries (refer note (a))	Joint ventures (refer note (b))	As restated
For the year ended 30 June 2013	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Income from investment properties	51,752	-	(6,115)	45,637
Funds management revenue	6,887	151	89	7,127
Financial income	5,462	-	(2,454)	3,008
Total revenue and other income	64,276	151	(8,480)	55,947
Change in fair value of investment properties	7,672	-	(5,777)	1,895
Property expenses	(12,956)	-	303	(12,653)
Administrative expenses	(16,130)	-	46	(16,084)
Financial expenses	(16,619)	-	3,370	(13,249)
Impairment of financial assets	(1,142)	1,142	-	-
Share of profit/(loss) of equity accounted investees	(1,162)	-	11,162	10,000
Profit before income tax	(2,752)	1,293	624	(835)
Discontinued operations				
Loss from discontinued operations – subsidiary assets held for sale, net of tax	(31,561)	(5,000)	(624)	(37,185)
Loss for the year	(34,313)	(3,707)	-	(38,020)
Loss attributable to:				
Securityholders of Aspen Group	(28,798)	1,046	-	(27,752)
Non-controlling interests	(5,515)	(4,753)	-	(10,268)
Loss for the year	(34,313)	(3,707)	-	(38,020)
Earnings per stapled security				
Basic earnings per stapled security	(28.366)			(27.355)
Diluted earnings per stapled security	(28.366)			(27.355)
Earnings per stapled security – continuing operations				
Basic earnings per stapled security	(2.711)			(0.822)
Diluted earnings per stapled security	(2.711)			(0.822)

Note – the table above only reflects line items which have been affected by AASB 10 and AASB 11, therefore the total in certain columns will not be arithmetically correct.

Notes to the Consolidated Financial Statements

3. Changes in accounting policies *(continued)*

(e) Summary of quantitative impact *(continued)*

(iv) Condensed consolidated statement of cash flows for the year ended 30 June 2013

		Effect of changes in accounting policies		
	As previously reported	**Subsidiaries (refer note (a))**	**Joint ventures (refer note (b))**	**As restated**
For the year ended 30 June 2013	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Cash receipts from customers	104,099	43,405	(5,846)	141,658
Cash payments to suppliers and employees	(78,505)	(54,544)	1,868	(131,181)
Cash generated from operating activities	25,594	(11,139)	(3,978)	10,477
Dividends received	2,219	-	4,390	6,609
Interest received	3,914	9,027	(1,108)	11,833
Interest paid	(30,303)	(8,896)	2,505	(36,694)
Net cash from operating activities	1,424	(11,008)	1,809	(7,775)
Development of investment properties	(9,700)	-	7,956	(1,744)
Disposal of equity accounted investees	9,667	-	15,000	24,667
Acquisition of subsidiary, net of cash acquired	(23,930)	(1,385)		(25,315)
Net cash from investing activities	6,077	(1,385)	22,956	27,648
Repayment of borrowings	(72,017)	(21,886)		(93,903)
Proceeds from borrowings	25,282		(23,535)	1,747
Loans to associates and jointly controlled entities	(34,469)	34,466		(3)
Net cash generated from financing activities	7,386	12,580	(23,535)	(3,569)
Net increase/(decrease) in cash and cash equivalents	14,887	187	1,230	16,304
Cash and cash equivalents at beginning of year	3,474			2,559
Cash and cash equivalents at end of year	18,361			18,863
Less: cash included in subsidiary assets held for sale	(2,567)			(3,558)
Cash and cash equivalents at end of year	15,794			15,305

Note – the table above only reflects line items which have been affected by AASB 10 and AASB 11, therefore the total in certain columns will not be arithmetically correct.

Notes to the Consolidated Financial Statements

4. Significant accounting policies

Except for the changes explained in note 3, Aspen Group and its consolidated entities has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been reclassified as a result of an operation discontinued during the current year (see note 31).

(a) Basis of consolidation

(i) Stapling

These consolidated financial statements have been prepared upon a business combination of the Company, and 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, Aspen Group reflects the consolidated entity being the Company and its controlled entities including the Trust and its controlled entities.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Aspen Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Transactions costs, other than those associated with the issue of debt or equity securities, that Aspen Group incurs in connection with a business combination are expenses as incurred. Any contingent consideration payable is measured at fair value at the acquisition date.

(iii) Acquisitions of non-controlling interests

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. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on the proportionate amount of the net assets of the subsidiary.

(iv) Subsidiaries

Subsidiaries are entities controlled by either the Company or the Trust. The Company or the Trust controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 Aspen Group.

(v) Loss of control of subsidiaries

Upon the loss of control, Aspen Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Aspen Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(vi) Interests in equity accounted investees

Aspen Group's interests in equity accounted investees comprise interests in associates and a joint venture. Associates are those entities in which Aspen Group has significant influence, but not control or joint control, over the financial and operating policies. For those entities where ownership is less than 20 percent, significant influence is assumed through Aspen Group's role as manager or responsible entity as applicable.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

A joint venture is an arrangement in which Aspen Group has joint control, whereby Aspen Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method and initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include Aspen Group's share of the profit or loss and other comprehensive income of the equity accounted investees, after adjustments to align the accounting policies with those of Aspen Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When Aspen 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 Aspen Group has an obligation or has made payments on behalf of investees.

(vii) 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 Aspen 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.

(b) Financial instruments

(i) Derivative financial instruments

Aspen Group uses derivative financial instruments such as interest rate swaps 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, Aspen Group 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 profit or loss and other 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 Statement of Profit or Loss and Other Comprehensive Income. The fair value of interest rate swaps is the estimated amount that Aspen Group would receive or pay to terminate the swap at the date of the statement of financial position, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

(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 Aspen Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if Aspen Group's contractual rights to the cash flows from the financial assets expire or if Aspen 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 Aspen Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if Aspen 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 form an integral part of Aspen 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 Statement of Profit or Loss and Other Comprehensive Income 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.

(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 the Statement of Profit or Loss and Other Comprehensive Income.

(iv) Other

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

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(c) Financial guarantee contracts

Aspen Group recognises and measures financial guarantee contracts in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Aspen Group initially recognises and measures a financial guarantee contract at its fair value. At each subsequent reporting date, Aspen 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.

(d) 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

Aspen 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 Aspen Group and the cost of the item can be measured reliably. All other costs, including the cost of day-to-day servicing of property, plant and equipment are recognised in profit or loss as an expense as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss 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 for the current and comparative years are as follows:

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

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

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(e) Investment property

Investment properties are properties which are held either to earn rental income or capital appreciation or both, but not for the sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes. 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. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing 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.

(f) 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.

(g) 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 Aspen 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(g) Impairment *(continued)*

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.

Impairment losses previously recognised to an Aspen Group's investment in equity accounted investments are subsequently reversed if the associate subsequently recognises an impairment charge on its assets, and results in Aspen Group recognising an increased share of equity accounted losses.

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.

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.

(h) 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 Aspen 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 financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with Aspen 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(i) 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 Aspen 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 Aspen 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 Aspen 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

Aspen 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 date of the statement of financial position which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iv) Security-based payments

Securities may be issued to employees of Aspen Group under the ESSIP or the PRP. The securities issued are accounted for as options in Aspen Group. The fair value of the options granted is recognised as an employee expense by Aspen 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 security 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 an appropriate 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.

(j) Provisions

A provision is recognised if, as a result of a past event, Aspen 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(k) Revenue and other income

(i) Rental income

Rental income from investment property is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the statement of financial position 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 Aspen 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.

(ii) Property development services

Revenue from services rendered, including fees arising from the provision of development project management services, is recognised in the Statement of Profit or Loss and Other Comprehensive income 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) Management and establishment fee income

Management fee income is recognised monthly in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis based on a percentage of the gross asset value of the fund, in accordance with accounts disclosed in the relevant Product Disclosure Statement or Offer Document. Establishment fees are recognised when earned.

(l) 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.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that Aspen 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, 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(n) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of Aspen Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aspen Group's other components. All operating segments' operating results are reviewed regularly by Aspen Group's executive management team to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the executive management team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily Aspen Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Information regarding these segments is presented in note 6.

(o) Income taxes

(i) The Company

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,
- 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, and
- 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(o) Income taxes *(continued)*

(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 the Company.

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

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 Company only.

(iii) The 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 unit holders each year. Tax allowances for building and plant and equipment depreciation are distributed to unit holders in the form of tax deferred components of distributions.

(p) 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 statement of financial position.

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.

(q) Earnings per stapled security

Aspen Group presents basic and diluted EPS data for its stapled securities. Basic EPS is calculated by dividing the profit or loss attributable to stapled securityholders of Aspen 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 securityholders 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.

(r) Discontinued operations

A discontinued operation is a component of Aspen Group's business, the operations and cash flows of which can be clearly distinguished from the rest of Aspen Group and which:

- represents a major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

Notes to the Consolidated Financial Statements

4. Significant accounting policies *(continued)*

(r) Discontinued operations *(continued)*

- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative Statement of Profit or Loss and Other Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

5. New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are effective for future financial reporting periods, and are available for early adoption. Aspen Group has not early adopted any of these standards at 30 June 2014:

Standard(s)	**Application date – reporting periods commencing on or after**	**Key requirements**	**Expected impact on future period financial reports**
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	Entities which meet the "Investment Entity" definition are provided an exemption from consolidation of subsidiaries under AASB 10. Instead the investment shall be measured at fair value through profit or loss.	Aspen Group does not anticipate any significant impact from this standard.
AASB 2013-3 Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets.	1 January 2015	Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	Aspen Group does not anticipate any significant impact from this standard.
Interpretation 21 Levies	1 January 2015	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should recognised in full at a specific date or progressively over a period of time.	Aspen Group does not anticipate any significant impact from this standard.
AASB 9 Financial Instruments (December 2010) (includes financial asset and financial liability requirements); AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2017	Comprises the rewrite of AASB 139 *Financial Instruments: Recognition and Measurement* in 6 phases. It supersedes AASB 9 (December 2009).	Aspen Group has not yet quantified the impact of this standard.

Notes to the Consolidated Financial Statements

6. Operating segments

Since 30 June 2013, Aspen Group has revised its segments to reflect the outcome of Aspen Group's strategic review, current debt reduction arrangements and divestment programmes. Aspen Group has three reportable segments, as described below, which are Aspen Group's strategic business units. The strategic business units hold different asset classes and offer different products and services, and are based on the Aspen Group's management and internal reporting structure.

For each of the strategic business units, the CEO and KMP 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 Aspen Group's reportable segments:

- Accommodation – This segment includes income and associated interest expense and other expenditure from Aspen Group's investments in the accommodation sector. This includes Aspen Group's cornerstone investment in, and funds management of, APPF, along with all income and expenditure associated with the Aspen Karratha Village investment property.
- Commercial / Industrial – This segment includes all rental income and associated interest expense and other expenditure from Aspen Group's commercial and industrial property portfolio. This includes Septimus Roe, Spearwood, 215 Browns Rd Noble Park, and Aspen Group's equity investment in FSPT. This segment has been classified as a discontinued operation.
- Development – This segment includes all development assets that Aspen Group has deemed as held for sale and has commenced divestment strategies on. This includes all Aspen Group on-balance sheet assets held for sale, ADPF, AWSS, ADF, ADLL, EASL & FBSV. Development also includes interest from related parties and dividends from investments which cannot be allocated to the accommodation or commercial / industrial segments noted above. This segment is classified as a discontinued operation.

Prior year figures have been restated as required under AASB 8 *Operating Segments*.

Notes to the Consolidated Financial Statements

6. Operating segments *(continued)*

Information about reportable segments	Accommodation		Commercial / Industrial		Development		Total	
	2014 $ '000	Restated 2013 $ '000	2014 $ '000	Restated 2013 $ '000	2014 $ '000	Restated 2013 $ '000	2014 $ '000	Restated 2013 $ '000
External revenues	21,256	25,683	27,837	32,522	61,540	27,369	110,633	85,574
Interest income	1,495	2,072	-	-	199	196	1,694	2,268
Total segment revenue	**22,751**	**27,755**	**27,837**	**32,522**	**61,739**	**27,565**	**112,327**	**87,842**
Interest expense	**(1,116)**	**(1,224)**	**(8,090)**	**(11,214)**	**(4,806)**	**(16,554)**	**(14,012)**	**(28,992)**
Reportable segment profit before income tax and share of profits from investments accounted for using the equity method (and other significant items below)	6,437	9,318	12,798	11,597	(8,382)	(13,632)	10,852	7,283
Share of profits from investments accounted for using the equity method (before significant items below)	1,262	1,560	2,353	2,387	243	(105)	3,858	3,843
Segment profit / (loss) before significant items below	**7,699**	**10,878**	**15,151**	**13,984**	**(8,140)**	**(13,736)**	**14,710**	**11,126**
Financial income	1,376	-	-	-	-	697	1,376	697
Other Income	-	-	-	-	(173)	-	(173)	-
Change in fair value of investment properties	(11,500)	(7,600)	-	-	-	-	(11,500)	(7,600)
Property expenses	(502)	226	-	-	-	-	(502)	226
Termination payments and restructuring costs	-	(3,571)	-	-	-	(120)	-	(3,691)
Administrative expenses	297	(46)	-	-	(443)	-	(146)	(46)
Financial expenses	(257)	(246)	-	-	-	-	(257)	(246)
Other expenses	(480)	(1,187)	-	-	(533)	(400)	(1,013)	(1,587)
Change in fair value of assets held for sale	-	-	-	-	(1,893)	-	(1,893)	-
Impairment adjustments of equity accounted investees	-	(461)	-	-	-	-	-	(461)
Share of profit / (loss) of equity accounted investees	(7,487)	(2,853)	-	-	-	234	(7,487)	(2,620)
Profit/loss from discontinued operations – subsidiary assets held for sale	-	-	-	-	(27,130)	(46,728)	(27,130)	(46,728)
Profit/loss from discontinued operations – commercial / industrial properties held for sale	-	-	(35,654)	12,910	-	-	(35,654)	12,910
Segment profit / (loss) after significant items before tax	**(10,854)**	**(4,860)**	**(20,503)**	**26,894**	**(38,312)**	**(60,054)**	**(69,669)**	**(38,020)**
Reportable segment assets	**96,168**	**107,528**	**95,988**	**254,422**	**29,564**	**207,402**	**221,720**	**569,352**
Investments in equity accounted investees	**10,729**	**13,695**	**-**	**25,263**	**25**	**961**	**10,754**	**39,919**
Reportable segment liabilities	**16,118**	**28,756**	**21,871**	**110,574**	**4,032**	**143,326**	**42,021**	**282,656**

Notes to the Consolidated Financial Statements

6. Operating Segments *(continued)*

Reconciliations of reportable segment revenues, profit or loss and assets

	2014 $ '000	Restated 2013 $ '000
Revenues		
Total revenues for reportable segments	112,327	87,842
Elimination of discontinued operations – subsidiary assets held for sale	(59,141)	(25,781)
Elimination of discontinued operations – commercial properties held for sale	(27,837)	(32,522)
Consolidated revenue	25,349	29,539
Profit or loss		
Total loss for reportable segments after significant items	(69,669)	38,020
Consolidated loss before income tax	(69,669)	38,020
Assets		
Consolidated assets	221,720	569,352
Total assets	221,720	569,352
Liabilities		
Consolidated liabilities	42,021	282,656
Total liabilities	42,021	282,656

Geographical segments

Aspen Group is an Australian based company, and as such has its current operating activities spread throughout Australia. There are no other geographical segments.

Major Customers

Revenues from one customer of Aspen Group's property portfolio represent approximately $16.086 million of Aspen Group's total revenues (2013: $19.049 million), while revenue from another major customer represents approximately $7.621 million (2013: $6.886 million) of Aspen Group's total revenues.

7. Revenue

	2014 $ '000	Restated 2013 $ '000
Income from investment properties	16,215	19,407
Funds management: asset management fees	4,941	6,949
	4,941	6,949

Refer to note 28 for further details.

8. Administration expenses

	Note	2014 $ '000	Restated 2013 $ '000
Wages and salaries including on-costs		5,488	8.798
Depreciation and amortisation		461	595
Contributions to defined contribution superannuation funds		461	640
Equity-settled share based payment transactions	22	504	(855)
Other administration costs		2,622	4,383
		9,536	13,561

Notes to the Consolidated Financial Statements

9. Net finance income / (expenses)

		2014 $'000	Restated 2013 $ '000
Finance income			
Interest income	– bank deposits	1,494	1,571
	– on loans to related and other parties	199	481
		1,693	2,052
Dividend income		-	582
Change in fair value of interest rate swaps		-	374
Gain on disposal of held for sale financial asset		1,376	-
		3,069	3,008
Finance expenses			
Change in fair value of interest rate swaps		(613)	-
Interest expense on financial liabilities measured at amortised cost		(897)	(3,200)
Less amounts capitalised to qualifying assets		-	1,164
		(1,510)	(2,036)
Net finance income		1,559	972

10. Income tax expense

	2014 $ '000	Restated 2013 $ '000
Recognised in comprehensive income – continuing operations		
Current tax expense		
Current year	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	(21,068)
Deferred tax assets derecognised	12,141	21,068
	12,141	-
Total income tax expense	12,141	-
Numerical reconciliation between tax expense and pre-tax net profit – continuing operations		
Loss before income tax including discontinued operations	(69,669)	(28,798)
Prima facie income tax calculated at 30%	(20,901)	(8,639)
Less prima facie income tax on profit from Trusts	(2,709)	(16,160)
Increase in income tax expense due to:		
Non-deductible expenses	(151)	3,134
Taxable income not recognised in profit or loss	-	597
Unrecognised temporary differences	23,761	21,068
Income tax expense on pre-tax net profit	-	-

Notes to the Consolidated Financial Statements

11. Cash and cash equivalents

	2014 $'000	Restated 2013 $'000
Cash at bank and in hand	11,367	15,305
Cash held in restricted funds (AFSL requirements)	2,179	-
	13,546	15,305
Cash in term deposits:		
Cash in term deposits	31,135	19,946
Cash held in restricted funds (AFSL requirements)	-	2,354
Total cash in term deposits	31,135	22,300
Total cash and cash equivalents	44,681	37,605

Aspen Group's exposure to interest rate risk and a sensitivity analysis is disclosed in note 25.

12. Trade and other receivables

	2014 $'000	Restated 2013 $'000
Current		
Trade receivables	3,046	3,085
Other receivables	127	966
	3,173	4,051

Aspen Group's exposure to credit and liquidity risk is disclosed in note 25.

13. Other financial assets

	2014 $'000	Restated 2013 $'000
Current:		
Amount due from associates (refer to note 28)	3	4
Amount due from former director (refer note 28)	2,150	2,827
Loan to TRGP No1 Pty Limited	3,000	-
Commercial property disposal amount held in trust	2,000	-
	7,153	2,831
Non-current:		
Loan to TRGP No1 Pty Limited	-	3,000
	-	3,000

During the year, Aspen Group has recognised an impairment expense of nil (2013: $1.142 million) in relation to financial assets. Refer to note 25 for further details.

The loan to TRGP No1 Pty Limited has a repayment due date of 7 November 2014.

The loan arising from a former director was fully repaid in August 2014.

Aspen Group's exposure to credit and liquidity risk is disclosed in note 25.

Notes to the Consolidated Financial Statements

14. Assets classified as held for sale

	2014 $'000	2013 $'000
At 1 July	26,119	23,275
Additions to assets classified as held for sale	-	283
Disposals	(21,434)	(20,755)
Transfer in from other non-current assets	-	2,079
Transfer in from investment properties	-	40,800
Fair value adjustments	(1,893)	(19,563)
At 30 June	2,792	26,119
Previously classified as:		
Investment property	2,000	23,118
Other non-current assets	792	3,001
	2,792	26,119

As part of a review of Aspen Group's development property portfolio a number of non-strategic assets were identified to be offered for sale. Some of these assets are pledged as security as part of loans and borrowings (refer note 19).

$21.434 million of assets held for sale were disposed of during the year ended 30 June 2014, primarily being settlement of the Ballina retirement village.

Cumulative income or expense included in Other Comprehensive Income ("OCI")

There is no cumulative income or expenses included in OCI relating to the assets classified as held for sale.

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the assets classified as held for sale has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the assets classified as held for sale as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Sales comparison and hypothetical subdivision approach: Aspen Group considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The sales comparison approach compares each asset to similar assets that have been recently sold in the market, giving consideration to factors such as the size, location, and recent trading performance (if applicable). The hypothetical subdivision approach assesses the value of the asset (where applicable) on the basis of the potential gross realisation of the proposed development, taking into consideration costs involved in undertaking the development. The resultant residual amount represents the notional price at which a developer could afford to acquire the land whilst achieving an acceptable market return on investment. This value also represents the highest price at which Aspen Group could reasonably currently realise for the asset.	1. Land value per square metre ($148 - $206/$m^2$) 2. Sales price per square metre ($250 - $275/$m^2$) 3. Development cost per square metre ($40/$m^2$)

Notes to the Consolidated Financial Statements

15. Investment property

	2014 $'000	Restated 2013 $'000
At 1 July	261,000	279,625
Acquisitions and additions	-	13,833
Recognition of rent review and other assets	-	670
Reclassifications (1)	(211,000)	(25,528)
Fair value adjustments – continuing operations (2)	(11,500)	(7,600)
Fair value adjustments – discontinued operations	-	9,495
At 30 June	38,500	261,000

Notes:

1) During the year ended 30 June 2014, three of Aspen Group's investment properties were reclassified to the commercial / industrial property discontinued operations held for sale balance as a result of the decision in August 2013 to dispose of the following assets: Septimus Roe, Spearwood and 215 Browns Road, Noble Park, Victoria. Refer to note 31 for more details.

2) During the year ended 30 June 2014, the Aspen Karratha Village investment property was revalued by an independent valuer, which resulted in an impairment of $11.500 million to the asset.

The following table presents individual properties owned by Aspen Group:

Property	Original acquisition date	Original acquisition cost $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 30 June 2014 $ '000	Restated Book value at 30 June 2013 $ '000
Commercial and Industrial						
256 Adelaide Terrace, (Septimus Roe) – WA (1), (2)	Oct 2002	29,648	N/A	N/A	-	105,500
Phoenix Rd, Bibra Lake (Spearwood) – WA (1), (2)	Aug 2003	37,483	N/A	N/A	-	82,000
215 Browns Rd, Noble Park – Vic (1), (2)	Oct 2004	22,625	N/A	N/A	-	23,500
Accommodation park						
Aspen Karratha Village – WA (2)	Jun 2005	28,881	Jan 2014	38,500	38,500	50,000
					38,500	261,000

(1) These assets were transferred to the commercial / industrial property assets held for sale balance during the year ended 30 June 2014 (refer to note 31).

(2) At 30 June 2014 the investment property has been pledged as security against loan facilities with Aspen Group's financier. Refer to note 19 for further details.

Measurement of fair values

Fair value hierarchy

Investment properties are measured at fair value. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the date of the statement of financial position, or directors' valuation. Independent valuations of property investments are obtained at intervals of not more than three years. Independent valuations were performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

Notes to the Consolidated Financial Statements

15. Investment Property *(continued)*

The fair value measurement for investment property of $38.500 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Level 3 fair value

The following table shows reconciliation from the opening balance to the closing balance for Level 3 fair values:

	2014 $'000
Restated balance at 1 July 2013	261,000
Reclassifications to commercial / industrial property assets classified as held for sale	(211,000)
Loss included in 'change in fair value of investment properties'	
- Changes in fair value (unrealised)	(11,500)
Balance at 30 June 2014	38,500

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation method and discounted cashflow approach: Aspen Group considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of asset. The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	1. Capitalisation (or discount/risk) rate (13.5% - 16%) 2. Market income rates ($165 - $225 per room) 3. Terminal yield (12% - 16%) 4. Escalation rates (rent: 3%-7.5%, costs: 2.2%-3.3%)	The estimate fair value would increase (decrease) if: 1. Capitalisation (or discount/risk) rate is lower (higher) 2. Market income rates were higher (lower) 3. Terminal yield is higher (lower) 4. Rent escalation is higher (lower) 5. Cost escalation is lower (higher)

Notes to the Consolidated Financial Statements

16. Investments in equity accounted investees

The consolidated entity contains two investments in associates and an investment in a joint venture. The consolidated entity accounts for its investments in equity accounted investees using the equity method. Aspen Group has the following investments in equity accounted investees which are all incorporated in Australia:

	Principal activities	Investee type	Ownership 2014	Ownership Restated 2013	Share of investees net assets equity accounted 2014 $'000	Share of investees net assets equity accounted Restated 2013 $'000
Aspen Parks Property Fund	Accommodation park investment	Associate	12.5	8.5%	10,729	13,695
Enclave at St Leonards Limited	Residential property development	Associate	10.0	10.0%	25	961
12-26 Franklin Street Property Trust (1)	Commercial property	Joint Venture	-	50.0%	-	25,263
Total					10,754	39,919

1) This investment was added as at 1 July 2012 (restated) due to the change in accounting treatment of the FSPT joint venture as a result of AASB 11 *Joint Arrangements* to the equity method (refer to note 3). During the year ended 30 June 2014 this investment was sold to Telstra Super for $29.540 million per note 31.

APPF owns and manages a portfolio of over 20 accommodation park properties throughout Australia. APPF's income is derived from mixed use (short term and permanent), resource and resort uses. The key risks to Aspen Group from APPF are changes to property values and fluctuations in vacancy levels.

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

	2014 $'000	Restated 2013 $'000
Share of equity accounted profit / (loss) before income tax	(6,117)	(1,152)
Share of income tax (expense) / benefit	135	(10)
Share of equity accounted profit / (loss) after income tax	(5,982)	(1,162)
Impairment of equity accounted investments	-	(461)
Share of other comprehensive expense	(1,414)	-
Share of equity accounted net profit / (loss) accounted for using the equity method	(7,396)	(1,623)

The carrying value of investments in equity accounted investees was reviewed during the year ended 30 June 2014.

Each investment was treated as a separate cash generating unit and the fair value less costs to sell method was used to determine the appropriate impairments for the APPF and EASL investments.

The impairment provision of Aspen Group's equity accounted investment in APPF is due to the decline in net assets of APPF as a result of revaluations of APPF's property portfolio during the year.

	Revenue (100%) $'000	Profit / (loss) (100%) $'000	Other comprehensive expense $'000	Share of associates net profit / (loss) recognised (1) $'000	Share of associates other comprehensive expense (1) $'000	Total assets (100%) $'000	Total liabilities (100%) $'000	Net assets / (liabilities) as per associates (100%) $'000
2014								
APPF	67,815	(48,082)	(11,953)	(6,225)	(1,414)	200,779	122,361	78,418
EASL	18,539	2,416	-	243	-	1,224	977	247
FSPT (2)	-	-	-	-	-	-	-	-
	86,353	(45,666)	(11,953)	(5,982)	(1,414)	202,003	128,338	78,665

Notes to the Consolidated Financial Statements

16. Investments in equity accounted investees *(continued)*

Restated	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 / (liabilities) as per associates (100%)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013							
APPF	75,153	(11,683)	(1,185)	(461)	311,406	150,035	161,371
EASL	22,815	232	23	-	13,923	3,992	9,931
FSPT	6,115	(11,251)	11,162	-	100,385	75,122	25,263
	114,935	(22,114)	10,000	(461)	425,713	229,149	196,565

(1) Total share of profit / (loss) of equity accounted investees as reflected in the Statement of Profit or Loss and Other Comprehensive Income. The reversal of impairment charges previously recognised by Aspen Group on its investment in these associates arises from the associates' recognition of impairment on its assets within the associate.

(2) Revenue and expense for the period this entity remained an associate – refer to note 31.

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Trade and other receivables	-	-	-	203	-	203
Financial assets	(26,529)	(26,390)	44	368	(26,485)	(26,022)
Equity accounted investments	(33,040)	(35,049)	-	801	(33,040)	(34,248)
Inventories	-	-	-	-	-	-
Assets held for sale	(4,593)	(14,354)	-	2,676	(4,593)	(11,678)
Investment property	-	(111)	600	19,721	600	19,610
Trade and other payables	(1,354)	(12,231)	-	-	(1,354)	(12,231)
Provisions	(316)	(382)	-	-	(316)	(382)
Other	-		-		-	
Tax losses carried forward	(25,313)	(24,928)	408	408	(24,905)	(24,520)
	(91,145)	(113,445)	1,052	24,177	(90,093)	(89,268)
Unrecognised deferred tax	90,093	77,127	-	-	90,093	77,127
Net deferred tax assets / (liabilities)	(1,052)	(36,318)	1,052	24,177	-	(12,141)

At 30 June 2014 a deferred tax asset of $90.093 million (2013: $77.127 million) for deductable temporary differences has not been recognised based on Aspen Group's five year forecast and assessment that it is not probable that future taxable profits would be available against which they can be utilised.

Notes to the Consolidated Financial Statements

18. Trade and other payables and liabilities classified as held for sale

	2014 $'000	Restated 2013 $'000
Trade payables and accrued expenses	2,243	7,369
Unearned rental income	-	2,155
Other	632	580
Resident loans – retirement leases	-	11,903
	2,875	22,007

19. Interest-bearing loans and borrowings

	2014 $'000	Restated 2013 $'000
Current liabilities		
Secured debt facility	2,931	3,034
Secured debt facility – commercial / industrial property assets classified as held for sale (1)	19,306	-
	22,237	3,034
Non-current liabilities		
Secured debt facility	4,500	119,892
	4,500	119,892
	26,737	122,926

(1) The interest-bearing loans and borrowings are associated with the commercial / industrial property assets held for sale due to their provision as security and have therefore been reclassified as current as at 30 June 2014 in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Refer to note 31 for further details.

Aspen Group's exposure to interest rate risk and liquidity risk is disclosed in note 25.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Maturity	Face value at June 2014 $'000	Carrying amount at June 2014 $'000	Restated Face value at June 2013 $'000	Restated Carrying amount at June 2013 $'000
Secured debt facility (1)	AUD	Aug 2015	7,500	7,500	10,500	10,500
Secured debt facility	AUD	Aug 2015	19,306	19,237	107,375	107,018
Secured debt facility	AUD	Dec 2014	-	-	5,408	5,408
			26,806	26,737	123,283	122,926

(1) Amortised at $0.250 million per month.

Financing arrangements

Secured debt facility

At 30 June 2014, Aspen Group's total debt facility with its primary financier consisted of $26.806 million. The debt facility is split into two tranches, being:

- Tranche A – Facility limit of $19.306 million, currently drawn to $19.306 million
- Tranche C – Facility limit of $7.500 million, currently drawn to $7.500 million

Both tranches are secured over the properties in Aspen Group's accommodation and commercial / industrial portfolios.

Notes to the Consolidated Financial Statements

19. Interest-bearing loans and borrowings *(continued)*

Financing arrangements *(continued)*

Secured bank guarantee facility

At 30 June 2014, Aspen Group had a secured bank guarantee facility of $6.135m, secured against cash held in term deposit.

Refer to note 33 for details relating to guarantees of the consolidated entity.

During the year, Aspen Group fully repaid its debt facility of $5.408 million with another external financier as a result of the disposal of the Ballina retirement village.

The total cost of all drawn bank debt as at 30 June 2014 for Aspen Group inclusive of facility fees was 6.94% pa (30 June 2013: 8.10% pa).

	2014	Restated 2013
	$'000	$'000
Financing facilities		
Secured debt facilities	34,306	124,141
	34,306	124,121
Facilities utilised at reporting date		
Secured debt facilities	26,806	123,283
Bank guarantees	6,135	815
	32,941	124,098
Facilities not utilised at reporting date		
Secured bank loans	500	43
Bank guarantees	865	-
	1,365	43

20. Provisions

	2014	2013
	$'000	$'000
Provision - stamp duty	118	50
Provision - distribution	4,777	8,903
Provision - restructuring	-	2,387
Provision - other	2,320	166
	7,215	11,506
Movement in provisions during the financial year:		
Carrying amount at the beginning of the year	11,506	2,270
Additional provisions recognised	15,890	22,109
Provisions used during the year	(20,181)	(12,873)
Carrying amount at the end of the year	7,215	11,506

Further details of distributions declared and/or paid during the year are set out in note 22.

Notes to the Consolidated Financial Statements

21. Employee benefits

	2014 $'000	2013 $'000
Current		
Salaries and wages accrued	123	87
Liability for annual and long service leave	475	679
Total employee benefits	598	766

Share based payments

Description of share based payments arrangements

Employee stapled security incentive plan

Aspen Group established the ESSIP in 2004 as a security option programme that entitles KMP and other employees to purchase stapled securities in the entity. In accordance with this programme instruments are exercisable at the market price of the stapled securities at the date of the grant.

The ESSIP is a legacy plan and there were no issues under the ESSIP in 2014, nor is there expected to be issued in future years.

Grant date	Number of instruments issued	Vesting conditions	Expiry date of LTII	Type of LTII	Exercise Price
19 December 2006	3,108,042	2 years of service	18 December 2013	ESSIP	$1.767
	(3,108,042)	Cancelled as vesting conditions not met			
11 June 2009 (1)	2,707,404	2 years of service	10 June 2016	ESSIP	$0.321
	(2,685,112)	Forfeited as vesting conditions not met			
Total	22,292				

Performance rights plan

During 2011 Aspen Group established the PRP in accordance with a resolution passed by securityholders at the 2011 AGM. The PRP was refreshed at the 2013 Annual General Meeting. The PRP facilitates the grant of performance rights to Eligible Employees whom the Board determines to be eligible to participate in accordance with the PRP Rules. Aspen Group's current and future executive directors are eligible to participate in the PRP, although prior securityholder approval will be sought prior to each such participation.

The performance rights form a key component of Aspen Group's LTI remuneration strategy. The terms and conditions for the PRP are fully described in the Remuneration Report.

A performance right granted under the PRP is a conditional right to acquire a stapled security for nil consideration (although the terms of the PRP enable the Board to impose an exercise price if considered appropriate).

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

Notes to the Consolidated Financial Statements

21. Employee benefits *(continued)*

Share based payments *(continued)*

Grant date	Number of instruments issued	Vesting conditions	Expiry date of LTII	Type of LTII	Exercise Price
1 July 2010	7,453,256	3 years of service plus performance conditions as outlined in Remuneration Report	30 June 2013	PRP	$0.000
	(7,453,256)	Forfeited as vesting conditions not met			
1 July 2011	6,682,312	3 years of service plus performance conditions as outlined in Remuneration Report	30 June 2014	PRP	$0.000
	(6,682,312)	Forfeited as vesting conditions not met			
17 January 2013	662,409	3 years of service plus performance conditions as outlined in Remuneration Report	17 January 2016	PRP	$0.000
	(330,102)	Forfeited as vesting conditions not met			
1 July 2013	722,328	3 years of service plus performance conditions as outlined in Remuneration Report	30 June 2016	PRP	$0.000
		Forfeited as vesting conditions not met			
Total	1,054,635				

(1) During 2009 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*.

Measurement of fair values

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 Black Scholes pricing model for the portion linked to the EPS hurdle and a Monte Carlo simulation for the portion linked to the TSR hurdle. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the option-pricing model.

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.

The inputs used in the measurement of the fair values at grant date were as follows:

	PRP - 2010 issue	PRP - 2011 issue	PRP-2012 issue	PRP-2014 issue
	2012	2012	2013	2014
Fair value at grant date	$0.330	$0.322	$0.108	$0.116
Share price at grant date	$0.460	$0.435	$0.170	$0.180
Expected volatility (%)	26.82	25.03	23.7	48.4
Expected life (years)	2.5	3.0	3.0	3.0
Expected dividends (%)	9.0	9.0	8.8	8.6
Risk-free interest rate (%)	5.428	5.316	2.531	2.57%

Notes to the Consolidated Financial Statements

21. Employee benefits *(continued)*

Share based payments *(continued)*

Employee expenses

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 retained earnings. 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.

In accordance with AASB2, Aspen Group has 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.

Security based payments	Note	2014 $'000	2013 $'000
Employee expenses			
Stapled security options granted in 2011 – equity settled		-	(763)
Stapled security options granted in 2012 – equity settled		-	(315)
Stapled security options granted in 2013 – equity settled		174	223
Stapled security options granted in 2014 – equity settled		330	-
Total expense before adjustments		504	(855)
Total expense recognised as employee costs	8	504	(855)

Reconciliation of outstanding security options

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

	Weighted average exercise price 2014	Number of LTII 2014	Weighted average exercise price 2013	Number of LTII 2013
Outstanding at 1 July	0.043	13,790,507	0.243	16,474,663
Forfeited during the period	0.056	(10,445,145)	0.367	(9,771,641)
Share consolidation	0.021	(3,010,826)		
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the period	1.411	2,451,740	-	7,087,485
Outstanding at 30 June	1.244	2,786,276	0.043	13,790,507
Exercisable at 30 June	1.244	2,786,276	0.659	898,641

The options outstanding at 30 June 2014 have an exercise price in the range of $0 to $3.21 (2013: $0.000 to $1.767) and a weighted average contractual life of 3.0 years (2012: 3.3 years).

The weighted average security price at the date of exercise for security options exercised in 2014 was nil (2013: nil).

Notes to the Consolidated Financial Statements

22. Capital and reserves

Issued capital	Stapled securities 2014 No.	2013 No.
On issue at 1 July	1,192,665,422	598,500,884
Issued during the year – pre share consolidation	7,150,236	596,681,195
Cancellation of EDLTIP and ESSIP securities during the year – pre share consolidation	(361,890)	(2,516,657)
Effect of share consolidation*	(1,079,507,402)	-
Issued during the year – post share consolidation	33,217	-
Cancellation of EDLTIP and ESSIP securities during the year – post share consolidation	(30,809)	-
On issue at 30 June – fully paid	119,948,774	1,192,665,422

* On 8 November 2013 Aspen Group completed a securities consolidation of 10 fully paid ordinary securities into one fully paid ordinary security as approved by the securityholders at the 2013 Annual General Meeting. The numbers of securities on issue at 30 June 2014 as well as the earnings per stapled security disclosures for 30 June 2014 and 30 June 2013 have been updated accordingly.

Aspen Group does not have authorised capital or par value in respect of its issued stapled securities. 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 securityholder meetings. The liability of a member is limited to any remaining unpaid amount in relation to a member's subscription for securities.

Listed options

At 30 June 2014, nil listed options exist (2013: nil).

Aspen Group recorded the following amounts within securityholders' equity as a result of the issuance of ordinary stapled securities.

For the year ended 30 June 2014

Issued capital	2014 No. '000	2014 $'000
On issue at 1 July 2013	1,191,773	522,051
Stapled securities issued during the year – pre share consolidation (1)	7,150	980
Effect of share consolidation	(1,079,030)	-
Stapled securities issued during the year – post share consolidation (2)	33	-
On issue at 30 June 2014 – fully paid	119,926	523,031

Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options	2014 No. '000	2014 $'000
1 July 2013 – balance	892	-
Cancellation of ESSIP securities during the year – pre share consolidation	(362)	-
Effect of share consolidation	(477)	-
Cancellation of ESSIP securities during the year – post share consolidation	(31)	-
30 June 2014 – balance	22	-
Total securities listed on ASX	119,948	523,031

(1) Relates to the issue of stapled securities during the year, 80% of which were to the Managing Director at $0.17 each (pre share consolidation) and the balance due to vesting of performance rights of employees.

(2) Relates to the issue of stapled securities during the year due to vesting of performance rights of employees.

Notes to the Consolidated Financial Statements

22. Capital and reserves *(continued)*

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

For the year ended 30 June 2013

Issued capital	2013 No. '000	2013 $'000
On issue at 1 July 2012	595,089	424,894
Stapled securities issued at $0.17 net of equity raising costs (1)	596,681	97,156
Sale of ESSIP shares	3	1
On issue at 30 June 2013 – fully paid	1,191,773	522,051

Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options	2013 No. '000	2013 $'000
1 July 2012 – balance	3,412	-
Sale of ESSIP shares	(3)	-
Cancellation of ESSIP securities	(2,517)	-
30 June 2013 – balance	892	-
Total securities listed on ASX	1,192,665	522,051

(1) Relates to the issue of stapled securities pursuant to a non-renounceable pro-rata entitlement offer in October 2012.

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

Reserves	**2014 $'000**	2013 $'000
Available for sale reserve	(9)	(9)
Equity accounted investees - share of other comprehensive expense	(1,414)	-
	(1,423)	(9)

Other equity

The balance of other equity comprises the amounts paid to non-controlling interests in excess of the net asset values held by controlled entities in order to obtain 100% ownership of the Aspen Villages Property Fund and the gains on the sale of interests in ADPF to non-controlling interests during the year ended 30 June 2012.

Income distributions

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

2014	**Cents per security**	**Total amount $'000**	**Date of payment**	**Tax deferred %**
Aspen Group Limited				
Nil	-	-	-	-
Aspen Property Trust				
July 13 – December 13	7.50	9,035	23 February 2014	100.00%
January 14 – June 14	4.0	4,775	25 August 2014	93.63%
	11.50	13,810		

2013	**Cents per security**	**Total Amount $'000**	**Date of Payment**	**Tax Deferred %**
Aspen Group Limited				
Nil	-	-	-	-
Aspen Property Trust				
July 12 – December 12	7.50	8,903	25 February 2013	58.46
January 13 – June 13	7.50	8,903	23 August 2013	58.46
	1.50	17,806		-

Notes to the Consolidated Financial Statements

22. Capital and reserves *(continued)*

Dividends	**2014 $'000**	2013 $'000
Dividend franking account		
30 per cent franking credits available to securityholders of the Company 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 Company may be prevented from distributing in subsequent years.

23. Earnings per stapled security

	Note	**2014 cents per stapled security**	Restated 2013 cents per stapled security
Basic earnings per stapled security		(59.052)	(27.335)
Diluted earnings per stapled security		(59.052)	(27.335)
Continuing operations:			
Basic earnings per stapled security – continuing operations		(21.270)	(27.313)
Diluted earnings per stapled security – continuing operations		(21.270)	(27.313)
Discontinued operations:			
Basic earnings per stapled security – discontinued operation		(37.782)	(0.022)
Diluted earnings per stapled security – discontinued operation		(37.782)	(0.022)

Basic and diluted earnings per stapled security

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

Diluted earnings per security is calculated by dividing profit/(loss) attributable to securityholders 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/(loss) attributable to ordinary stapled securityholders

	2014			2013		
	Continuing operations $'000	**Discontinued operations $'000**	**Total $'000**	Restated Continuing operations $'000	Restated Discontinued operations $'000	Restated Total $'000
Profit / (loss) for the year	(25,471)	(56,339)	(81,810)	(27,730)	(10,290)	(38,020)
Non-controlling interest share of profit / (loss)	-	11,094	11,094	-	10,268	10,268
Profit / (loss) attributable to ordinary stapled securityholders	(25,471)	(45,245)	(70,716)	(27,730)	(22)	(27,752)

Weighted average number of securities (basic and diluted)	**2014 No. '000**	2013 No. '000
Issued stapled securities 1 July	119,177	59,509
Weighted average number of securities at 30 June (1)	119,753	101,526

(1) Excludes non-dilutive LTI instruments

Notes to the Consolidated Financial Statements

24. Reconciliation of cash flows from operating activities

Cash flows from operating activities	2014 $ '000	Restated 2013 $ '000
Loss for the year	(81,810)	(38,020)
Adjustments for:		
Income from investment properties	-	(670)
Financial income	(1,575)	(103)
Property expenses	503	-
Administrative expenses	965	1,995
Financial expenses	613	(376)
Change in fair value of investment property	11,500	(1,895)
Change in fair value of assets held for sale	1,893	-
Share of profit of equity accounted investees	5,982	(10,000)
Other expenses	527	632
Impairment adjustments of equity accounted investees	-	461
Impairment of available-for-sale investments	-	19,563
Income tax expense	12,141	-
(Profit)/loss from discontinued operation – subsidiary assets held for sale	26,697	47,310
(Profit)/loss from discontinued operation – commercial / industrial properties held for sale	33,169	-
Operating profit / (loss) before changes in working capital and provisions	10,605	18,897
Change in trade and other receivables	878	5,212
Change in subsidiary assets held for sale	49,361	19,435
Change in investments in equity accounted investees	3,572	-
Change in other assets	573	4,087
Change in trade and other payables	(7,861)	933
Change in subsidiary liabilities held for sale	(14,461)	(49,281)
Change in other liabilities	(2,160)	(7,058)
Net cash from operating activities	40,507	(7,775)

25. Financial instruments

Aspen 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 Aspen 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 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 Aspen 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 Aspen Group's activities.

The Board oversees how management monitors compliance with Aspen 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 Aspen Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Aspen Group's trade and other receivables, and loans to associates.

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

Credit risk *(continued)*

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

(i) Trade and other receivables

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

Aspen 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.

Aspen 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.

Liquidity Risk

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

Aspen 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 Aspen Group are reviewed monthly or more regularly if required. Aspen 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 Aspen 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

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

Aspen 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, Aspen 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.

Aspen 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. Aspen Group does not apply hedge accounting to derivative financial instruments.

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Aspen 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 Aspen Group's operations.

Aspen Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to Aspen 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 Aspen 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; and
- Periodical reporting to Aspen Group's Compliance Committee on compliance and regulatory matters.

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 Aspen Group. The Board monitors the level of distributions paid to securityholders.

Aspen 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.

The Board can alter the capital structure of Aspen Group by issuing new stapled securities, adjusting the amount of distributions paid to securityholders, returning capital to securityholders, selling assets to reduce debt, adjusting the timing of development and capital expenditure and through the operation of a DRP. Aspen Group also manages capital through its distribution policy.

Gearing is a measure used to monitor levels of debt capital used by Aspen 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 as at 30 June 2014 and 30 June 2013 were nil and 33.48%, respectively.

Other than this, there were no changes in Aspen Group's approach to capital management during the year.

Other than normal banking covenant requirements and AFSL requirements applicable to AFM, Aspen Group is not subject to externally imposed capital requirements.

At Aspen Group's 2013 AGM, the shareholders resolved for Aspen Group to perform an on-market share buy-back of a limited portion of its issued share capital.

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

Credit risk

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

	Carrying Amount	
	2014 **$ '000**	Restated 2013 $ '000
Cash and cash equivalents	11,367	15,305
Cash in term deposits	31,135	19,946
Cash held in restricted funds	2,179	2,354
Trade and other receivables	3,173	4,051
Other financial assets	7,153	5,831
Subsidiary assets held for sale – cash	1,125	3,558
Subsidiary assets held for sale – trade and other receivables	1,973	1,241
	58,105	52,286

Aspen Group's maximum exposure to credit risk for trade receivables and financial assets (excluding cash on deposit with banks) at the reporting date by type of customer was:

	Carrying Amount	
	2014 **$ '000**	Restated 2013 $ '000
Property management receivables (net of provisions)	3,046	3,085
Interest receivable on term deposits	18	674
Loan to TRGP No1 (refer note 13)	3,000	3,000
Amounts due from associates (refer note 13 and 28)	3	4
Amount due from former directors (refer note 28)	2,150	2,827
Commercial property disposal amount held in trust	2,000	-
Dividend receivable	67	231
GST and other receivables	42	61
Subsidiary held for sale – cash	1,125	3,558
Subsidiary asset held for sale – trade receivables	1,973	1,241
	13,424	14,681

The ageing of Aspen Group's trade receivables and financial assets at the reporting date was:

	Gross 2014 $ '000	**Impairment 2014 $ '000**	**Net 2014 $ '000**	Restated Gross 2013 $ '000	Restated Impairment 2013 $ '000	Restated Net 2013 $ '000
Not past due	13,424	-	13,424	14,681	-	14,681
Past due 0-30 days	-	-	-	-	-	-
Past due 31-120 days	-	-	-	-	-	-
Past due 121 days to one year	-	-	-	52	(52)	-
More than one year	-	-	-	198	(198)	-
	13,424	-	13,424	14,931	(250)	14,681

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014 $ '000	Restated 2013 $ '000
Balance at 1 July	250	117,757
Impairment loss recognised	-	1,142
Loans to entities now consolidated	-	(84,283)
Amounts written off	(250)	(34,366)
Balance at 30 June	-	250

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

Credit risk *(continued)*

Management has assessed the collectability of all debts and provided for specific provisions for any doubtful debts. Based on historical default rates, Aspen Group believes that no impairment allowance is necessary in respect of trade receivables not past due. Refer to note 28 for further details on the impairments recognised on Aspen Group's financial assets.

Aspen 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 2014, Aspen Group holds $6.206 million (2013: $2.379 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:

2014	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	(26,737)	(28,793)	(2,374)	(2,321)	(24,098)	-	-
Trade and other payables	(2,875)	(2,875)	(2,875)	-	-	-	-
Interest rate swaps	(683)	(683)	(683)	-	-	-	-
Subsidiaries held for sale	(1,349)	(1,349)	(1,349)	-	-	-	-
	(31,644)	(33,700)	(7,281)	(2,321)	(24,098)	-	-

Restated 2013	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	(122,926)	(140,034)	(5,565)	(5,446)	(16,135)	(112,888)	-
Trade and other payables	(22,007)	(22,007)	(22,007)	-	-	-	-
Put options	(479)	(479)	(479)				
Interest rate swaps	(426)	(617)	(617)	-	-	-	-
Subsidiaries held for sale	(109,575)	(109,575)	(109,575)	-	-	-	-
	(255,413)	(272,712)	(138,243)	(5,446)	(16,135)	(112,888)	-

Aspen Group has secured bank loans which contain debt covenants as set out in note 19. The future cashflows on derivative instruments may be different from the amount in the above tables as interest rates change. Except for these liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Refer to note 19 for further information regarding the secured bank loans.

Interest rate risk

Aspen Group 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 Aspen Group's policy.

Interest rate risk – hedging

Interest rate swap contracts have been recorded on the statement of financial position 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 statement of comprehensive income.

During the year Aspen Group restructured it's fixed swap contracts by increasing the maturity term, reducing the hedged amount and reducing the fixed interest rates. Contractually, the swaps have an average maturity of 3.51 years (2013: 3.08 years) and have fixed swap rates of 4.66% (2013: 4.28% to 4.66%). At 30 June 2014 Aspen Group had interest rate swaps with a notional contract amount of $40.000 million (2013: $102.000 million).

The net fair value of interest rate swaps at 30 June 2014 was a liability for $0.683 million (2013: liability of $0.426 million).

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

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

Carrying amounts	2014 $'000	Restated 2013 $'000
Fixed rate instruments		
Term deposits	31,135	19,946
Amounts in restricted funds	-	2,354
	31,135	22,300
Variable rate instruments		
Cash and cash equivalents	11,367	15,305
Cash held in restricted funds	2,179	-
Cash and cash equivalents - subsidiaries held for sale	1,125	3,558
Loan to TRGP No1	3,000	3,000
Amounts due from associates	3	4
Amount due from directors	2,150	2,827
Commercial property disposal amount held in trust	2,000	-
Interest rate derivatives	(683)	(426)
Interest-bearing loans - subsidiaries held for sale	-	(106,171)
Interest-bearing loans	(26,737)	(122,926)
	(5,596)	(204,829)

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 2013.

	Profit or loss 100bp increase	100bp decrease
30 June 2014	**$'000**	**$'000**
Variable rate instruments	(49)	49
Interest rate swap	400	(400)
Cash flow sensitivity (net)	351	351
30 June 2013	**Restated $'000**	**Restated $'000**
Variable rate instruments	(2,044)	2,044
Interest rate swap	1,020	(1,020)
Cash flow sensitivity (net)	(1,024)	1,024

Equity price risk

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

Fair Values

Estimation of fair value

The methods used in determining the fair values of financial instruments are discussed in *note 2 (d).*

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

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

	2014 %	Restated 2013 %
Derivatives	4.7%	4.3% - 4.7%

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities (excluding cash and cash equivalents, short term trade receivables and payables as these are deemed to approximate fair vaue), together with the carrying amounts in the condensed consolidated statement of financial position, are as follows:

	Carrying amount 2014 $ '000	**Fair value 2014 $ '000**
Non-current financial assets		
Investments in available for sale securities	792	792
	792	792
Current financial assets		
Other financial assets	7,153	7,153
	7,153	7,153
Non-current financial liabilities not measured at fair value		
Interest-bearing loans and borrowings (secured bank loans)	4,500	4,500
	4,500	4,500
Current financial liabilities not measured at fair value		
Interest-bearing loans and borrowings	2,931	2,931
Interest-bearing loans and borrowings – subsidiaries held for sale	-	-
Interest-bearing loans and borrowings – commercial / industrial properties held for sale	19,306	19,306
Other financial liabilities	683	683
	22,920	22,920

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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets	-	-	807	807
Derivative financial liabilities	-	(683)	-	(683)
	-	(683)	807	124
30 June 2013				
Available-for-sale financial assets	-	-	1,747	1,747
Derivative financial liabilities	-	(426)	-	(426)
	-	(426)	1,747	1,321

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2014 (2013: nil transfers).

Notes to the Consolidated Financial Statements

25. Financial instruments *(continued)*

The following table shows a reconciliation of movements in Aspen Group's financial instruments classified as Level 3 within the fair value hierarchy for the years ended 30 June 2014 and 30 June 2013:

	Available for Sale Assets	
	2014	2013
	$'000	$'000
Opening balance at 1 July	1,747	2,093
Total gains or losses:		
In profit or loss	(885)	(314)
Disposals	(55)	(32)
Closing balance at 30 June	807	1,747

The fair value of financial assets including those available for sale 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.

26. Operating leases

Leases as lessor

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

	2014	2013
	$'000	$'000
Less than one year	18,059	41,195
Between one and five years	23,791	74,413
More than five years	4,418	112,920
	46,268	228,528

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	$'000	$'000
Less than one year	1,088	1,043
Between one and five years	4,833	4,636
More than five years	4,444	5,729
	10,365	11,408

Aspen Group entered into a lease agreement for its head office commencing August 2012. The lease runs for a 10 year period with an option to renew the lease for a further 5 years after that date. Lease payments are increased yearly at 4.25% per annum.

27. Capital and other commitments

		Restated
	2014	2013
Contracted but not provided for and payable:	**$'000**	$'000
Investment property	-	100
Funding to subsidiary entities held for sale (1)	2,354	14,800
	2,354	14,900

The commitments in the table above for the year ended 30 June 2014 relate to:

(1) Aspen Group is a cornerstone investor in its various managed funds, which are classified as subsidiary entities in these financial statements. In this regard Aspen Group has committed $2.354 million of loan funds.

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

Notes to the Consolidated Financial Statements

28. Related party transactions

Key management personnel disclosures

The following were KMP of Aspen Group at any time during or since the reporting year and unless otherwise indicated were key management personnel for the entire year.

Non-executive directors:	F Zipfinger
	H Martin
	C Appleton
	G Farrands
Executive directors:	C Salwin (appointed 1 July 2013)
Senior Executives:	B Acott
	P Barker
	E Lee
	A Marrs Ekamper (appointed 25 September 2013)
	J Smith (resigned 16 May 2014)
	B Fullarton (resigned 24 September 2013)

The KMP compensation included in 'personnel expenses' are as follows:

	2014	2013
	$	$
Short-term employee benefits	3,420,716	4,158,213
Long-term employee benefits	6,074	183,535
Post-employment benefits	182,699	158,267
Termination benefits	501,805	1,195,160
Equity compensation benefits	403,715	440,604
	4,515,009	6,135,779

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.

Individual directors' and executives' compensation disclosures

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

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 $3.600 million loan to the then managing director, Mr Gavin Hawkins, to enable him to fully participate in the Entitlement Offer. The loan was repaid in August 2014.

Notes to the Consolidated Financial Statements

28. Related party transactions *(continued)*

Loans to executive directors *(continued)*

The movement in the loan to the former managing director during the year is outlined below:

	2014 $	2013 $
Opening balance at 1 July	2,827,310	2,674,144
Interest accrued	199,076	237,711
Repayments	(707,025)	-
Distributions received	(169,089)	(84,545)
Closing balance at 30 June	2,150,272	2,827,310
Maximum balance during the year	2,845,320	2,827,310

Identity of related parties

Aspen Group has a related party relationship with its associates (refer below) and with its KMP.

Associates

Aspen Group manages the following associate entities: APPF and EASL.

In addition to the loans noted above, Aspen Group has receivables from equity accounted investees as set out below:

Receivables	2014 $	Restated 2013 $
APPF	572,682	310,257
	572,682	310,257

During the year Aspen Group received the following management fees:

Management fees	2014 $	Restated Net 2013 $
APPF	3,749,822	6,312,258
Aspen Living:		
STLE	-	(814,415)
EASL	1,190,970	1,451,345
FSPT	153,748	88,638
	5,094,540	7,037,826

Notes to the Consolidated Financial Statements

29. Consolidated entities

	Ownership interest 2014 %	Ownership interest Restated 2013 %
Parent entity		
Aspen Group Limited (stapled entity - Aspen Property Trust)		
Subsidiaries		
Aspen (Septimus Roe) Pty Limited	100	100
Aspen Property Developments Pty Limited	100	100
Aspen (Midland Cinemas) Pty Limited (1) (in liquidation)	100	100
Aspen Funds Management Limited	100	100
Aspen Monkey Mia Pty Limited	100	100
Aspen Living Villages No.1 Pty Limited	100	100
Aussie.com.au (2000) Pty Limited	100	100
Aspen Property Management Pty Limited (1) (in liquidation)	100	100
Aspen Cliftleigh Pty Limited (1) (in liquidation)	100	100
Aspen Search Pty Limited (1) (in liquidation)	100	100
Aspen Select Property Fund	100	100
Aspen Communities Property Fund (2)	100	100
Aspen Communities Pty Limited (1) (in liquidation)	100	100
Aspen Villages Property Fund (1) & (2)	100	100
Aspen Whitsundays Property Development Pty Limited (1)	100	100
Aspen Equity Investments Pty Limited	100	100
Midland Property Trust	100	100
Aspen Diversified Property Fund (1) & (2) (see note 30)	-	46.9
Aspen Whitsunday Shores Pty Limited (see note 30)	54.1	54.1
Aspen Development Fund No1 Pty Limited (2); (see note 30)	75.1	75.1
Aspen Dunsborough Lakes Limited (3)	43.2	43.2
Fern Bay Seaside Village Pty Limited (3)	45.4	45.4
Joint venture (Equity accounted)		
12-26 Franklin Street Property Trust (see note 31)	-	50

Notes

(1) Aspen Group anticipates deregistering these entities in the 2015 financial year.

(2) Including controlled entities as listed below:

Aspen Communities Property Fund comprising:

- Aspen Communities Property Trust (1) (in liquidation)
- Aspen Communities Holdings Pty Limited (1) (in liquidation)
- Aspen Communities Nominees Pty Limited (1) (in liquidation)
- Aspen Communities Management Pty Limited
- Aspen Communities Construction Pty Limited (1) (in liquidation)

Notes to the Consolidated Financial Statements

29. Related party transactions *(continued)*

Aspen Villages Property Fund comprising:

- Aspen Villages Property Trust (1) (in liquidation)
- Aspen Villages Holdings Pty Limited (1) (in liquidation)
- Aspen Villages Nominees Pty Limited (1) (in liquidation)
- Aspen Villages Management Pty Limited (1) (in liquidation)
- Aspen Villages Construction Pty Limited (1) (in liquidation)

Aspen Development Fund No. 1 Pty Limited comprising:

- Aspen Development Fund No. 1 Pty Limited
- Caversham Property Pty Limited
- Caversham Property Development Pty Limited
- Bradwell Pty Limited
- Electra Hotel Pty Limited (deregistered entity in August 2014)

Entity in the process of winding up at 30 June 2014:

- Aspen Diversified Property Fund

Entities deregistered during the year ended 30 June 2014:

- Aspen Development Fund No. 2 Pty Limited
- Aspen Living Developments No. 6 Pty Limited
- Aspen Villages Development Pty Limited
- Aspen Communities Development Pty Limited

All subsidiary entities were formed / incorporated in Australia.

(3) Although Aspen Group owns less than half of ADLL and FBSV and less than half of their voting power, management has determined that Aspen Group controls these two entities. Aspen Group controls ADLL and FBSV on a de-facto power basis, because Aspen Group holds significantly more voting rights of the respective investees than any other vote holders or organised group of vote holders, directs the operations of those entities and controls the critical funding requirements. Refer to note 3 for further details.

Notes to the Consolidated Financial Statements

30. Subsidiaries held for sale and discontinued operations

Aspen Group has a number of its subsidiaries classified as held for sale and discontinued operations. The following tables illustrate a summary of the financial position and performance the subsidiaries held for sale and discontinued operations for the year ended 30 June 2014.

Subsidiary assets and liabilities held for sale

For the year ended 30 June 2014

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Assets classified as held for sale						
Cash and cash equivalents	142	183	-	337	463	1,125
Trade and other receivables	468	392	18	1,022	73	1,973
Assets held for sale	2,413	15,982	-	2,798	-	21,193
Prepayments and other assets	2	-	-	1	260	263
	3,025	16,557	18	4,158	796	24,554
Liabilities classified as held for sale						
Trade and other payables	24	500	18	36	358	936
Provisions and other liabilities	311	1,098	-	1,015	140	2,564
Deferred consideration	413	-	-	-	-	413
	748	1,598	18	1,051	498	3,913

Profit / (loss) from discontinued operations for the year ended 30 June 2014

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue	-	12,882	260	27,382	18,617	59,141
Cost of goods sold	-	(16,311)	(46)	(25,714)	(18,952)	(61,023)
Write down of assets held for sale to recoverable amounts	(3,311)	(22,097)	(727)	(2,610)	2,048	(26,697)
Project management expenses	(1,167)	-	-	-	-	(1,167)
Management and administration expenses	(362)	-	(40)	-	(505)	(907)
Marketing and selling costs	(1)	-	-	-	(1)	(2)
Other income	-	76	-	-	-	76
Other expenses	-	(242)	-	(606)	-	(848)
Finance income	-	9	105	124	20	258
Finance expenses	(417)	(1,729)	(64)	(1,582)	(876)	(4,668)
Profit /(loss) from discontinued operations	(5,258)	(27,412)	(512)	(3,006)	351	(35,837)

Cash flows from / (used in) discontinued operations for the year ended 30 June 2014

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Net cash from / (used in) operating activities	(1,629)	(6,683)	(1,147)	18,780	16,439	25,760
Net cash from / (used in) investing activities	-	-	75,773	-	-	75,773
Net cash used in financing activities	(5,785)	(22,450)	(57,590)	(17,446)	(14,348)	(117,619)
Cash flows from / (used) in discontinued operations	(7,414)	(29,133)	17,036	1,334	2,091	(16,086)

Notes to the Consolidated Financial Statements

30. Subsidiaries held for sale and discontinued operations *(continued)*

Subsidiary assets and liabilities held for sale

For the year ended 30 June 2013

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Assets classified as held for sale						
Cash and cash equivalents	59	211	2,296	554	437	3,557
Trade and other receivables	64	711	275	186	5	1,241
Developer loan receivable	-	-	-	-	16,150	16,150
Assets held for sale	6,862	48,867	76,500	25,159	5	157,393
Prepayments and other assets	19	299	99	69	(10)	476
	7,004	50,088	79,171	25,968	16,587	178,818
Liabilities classified as held for sale						
Trade and other payables	45	1,363	643	250	-	2,301
Interest-bearing loans and borrowings	5,785	22,450	46,143	17,446	14,348	106,172
Provisions and other liabilities	34	13,009	1,093	608	227	14,971
Deferred consideration	1,102	-	-	-	-	1,102
	6,966	36,822	47,879	18,304	14,575	124,546

Profit / (loss) from discontinued operations for the year ended 30 June 2013 (restated)

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue	4,369	36,358	10,919	9,267	-	60,913
Cost of goods sold	(4,454)	(34,076)	(2,931)	(5,423)	-	(46,884)
Write down of assets held for sale to recoverable amounts	-	(38,895)	-	-	(3,534)	(42,429)
Gain on sale of investment property	-	-	195	-	-	195
Change in fair value of investment properties	-	-	(5,077)	-	-	(5,077)
Management and administration expenses	(370)	-	(214)	-	(362)	(946)
Marketing and selling costs	(281)	-	-	-	(659)	(940)
Other income	-	1,592	-	1	-	1,593
Other expenses	-	4,995	-	(2,370)	-	2,625
Finance income	-	1,471	458	16	7,563	(9,508)
Finance expenses	(306)	(6,348)	(5,103)	(2,337)	(1,649)	(15,743)
Profit /(loss) from discontinued operations	(1,042)	(34,903)	(1,753)	(846)	1,359	(37,185)

Cash flows from / (used in) discontinued operations for the year ended 30 June 2013

	AWSS	ADF	ADPF	ADLL	FBSV	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Net cash from / (used in) operating activities	142	(2,977)	-	(7,956)	(216)	(11,008)
Net cash from / (used in) investing activities	-	-	-	-	-	-
Net cash used in financing activities	-	(21,886)	-	-	-	(21,886)
Cash flows from / (used in) discontinued operations	142	(24,863)	-	(7,956)	(216)	(32,894)

Notes to the Consolidated Financial Statements

30. Subsidiaries held for sale and discontinued operations *(continued)*

Summary of non-controlling interests

The following tables illustrate the movement of the non-controlling interests in Aspen Group's subsidiaries held for sale and discontinued operations for the year ended 30 June 2014.

For the year ended 30 June 2014

	AWSS	ADF	ADPF	ADLL	FBSV	Total
NCI percentage	45.9%	24.9%	53.1%	56.8%	54.6%	
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2013	(479)	(8,657)	11,663	(395)	742	2,874
Share of Comprehensive Income / (Expense)	(2,415)	(6,835)	(228)	(1,801)	185	(11,094)
Distribution to non-controlling interest	-	-	(9,807)	-	-	(9,807)
Non-controlling interest portion of put option	-	-	(1,640)	-	-	(1,640)
Closing balance at 30 June 2014	(2,894)	(15,492)	(12)	(2,196)	927	(19,667)

For the year ended 30 June 2013 (restated)

	AWSS	ADF	ADPF	ADLL	FBSV	Total
NCI percentage	45.9%	24.9%	53.1%	56.8%	54.6%	
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Opening balance at 1 July 2012	-	(859)	15,549	-	-	14,690
Share of Comprehensive Income / (Expense)	(479)	(7,798)	(2,338)	(395)	742	(10,268)
Distribution to non-controlling interest	-	-	(791)	-	-	(791)
Disposal of non-controlling interest	-	-	(757)	-	-	(757)
Closing balance at 30 June 2013	(479)	(8,657)	11,663	(395)	742	2,874

As required under AASB 10 *Consolidated Financial Statements*, Aspen Group has recognised non-controlling interests for AWSS, ADF and ADLL even though these non-controlling interests are negative. AWSS, ADF and ADLL are limited companies, and there is no ability for Aspen Group to recoup the negative equity attributed to non-controlling interests, which has arisen as a result of loans provided by Aspen Group continuing to be recognised.

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the subsidiaries classified as held for sale and discontinued operations has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the subsidiaries classified as held for sale and discontinued operations, as well as the significant unobservable inputs used.

Notes to the Consolidated Financial Statements

30. Subsidiaries held for sale and discontinued operations *(continued)*

Valuation technique	Significant unobservable inputs
Sales comparison and hypothetical subdivision approach: Aspen Group considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The sales comparison approach compares each asset to similar assets that have been recently sold in the market, giving consideration to factors such as the size, location, and recent trading performance (if applicable). The hypothetical subdivision approach assesses the value of the asset (where applicable) on the basis of the potential gross realisation of the proposed development, taking into consideration costs involved in undertaking the development. The resultant residual amount represents the notional price at which a developer could afford to acquire the land whilst achieving an acceptable market return on investment. This value also represents the highest price at which Aspen Group could reasonably currently realise for the asset.	1. Land value ($1,500 – $427,000/ha) 2. GLA ($1,500 - $1,750/m^2) 3. Sales price per square metre ($88 - $ 1,750/m^2) 4. Development cost per square metre ($15 - $2,919/m^2) 5. Escalation rates (sales: 2% - 3.5%, costs: 0% - 2.5%) 6. Discount rate (9.2% - 22%) 7. Letting up periods (6 months)

31. Commercial / industrial properties held for sale and discontinued operations

During the year ended 30 June 2014 Aspen Group announced its decision to commence the disposal process of its commercial and industrial properties. In terms of AASB 5 Non-current Assets Held for Sale and Discontinued Operations, the commercial and industrial properties (including Aspen Group's equity accounted investment in FSPT) are classified as a 'discontinued operation' as they are a 'component of an entity' that is classified as held for sale and represent a major line of Aspen Group's business. Refer to note 4 for Aspen Group's accounting policies.

As a result, Aspen Group has reclassified the Septimus Roe, Spearwood and Noble Park assets from investment properties to commercial / industrial property assets held for sale as at 30 June 2014. In addition, FSPT has been transferred from investments in equity accounted investees to commercial / industrial property assets held for sale as at 30 June 2014.

In April 2014 Aspen Group disposed of its 50% interest in FSPT for $29.540 million in cash with carrying value approximating fair value.

The Septimus Roe investment property was contracted for sale in April 2014 for $91.000 million (gross). Settlement of the property occurred as per the contract in June 2014 whereby Aspen Group received $88.100 million in cash, $2.000 million held in escrow for 12 months and the balance as selling and other costs incurred with the sale. Aspen Group utilised all the cash received to repay its debt facility with its primary financier.

	2014 $ '000
Commercial / industrial property assets classified as held for sale –	
Septimus Roe (1)	-
Spearwood	67,492
Noble Park	20,317
FSPT (2)	-
	87,809
Commercial / industrial property liabilities classified as held for sale -	
Interest bearing loans and borrowings (3)	19,306
	19,306

(1) In June 2014 settlement of the Septimus Roe property occurred for $91.000 million (gross).
(2) In April 2014 Aspen Group disposed of its 50% interest in FSPT for $29.540 million in cash.
(3) Refer to note 19 for details in relation to the interest bearing loans and borrowings associated with the commercial properties classified as held for sale.

Notes to the Consolidated Financial Statements

31. Commercial / industrial properties held for sale and discontinued operations *(continued)*

Reconciliation of commercial / industrial property assets classified as held for sale

For the year ended 30 June 2014	2014 $ '000
At 1 July	-
Additions to commercial / industrial property assets classified as held for sale	240,540
IFRS movements	
Fair value adjustments	(29,989)
Disposals	(120,906)
Reclassification to other financial assets (4)	(2,000)
At 30 June	87,809

(4) Amount held in trust as a result of settlement of Septimus Roe property. Refer to note 13.

Profit / (loss) from commercial / industrial property discontinued operations for the year ended	2014 $ '000	2013 $ '000
Income from investment properties	27,683	26,230
Funds management revenue	154	178
Total revenue and other income	27,837	26,408
Change in fair value of investment properties	(29,989)	9,495
Property expenses	(14,517)	(6,434)
Termination payments and restructuring costs	-	(1,087)
Administration expenses	(1,063)	(1,435)
Net finance expenses	(8,090)	(11,214)
Share of profit of equity accounted investees	2,353	11,162
Profit on disposal of commercial property	2,967	-
Income tax	-	-
Profit / (loss) from discontinued operations	(20,502)	26,895

Cash flows from / (used in) commercial / industrial property discontinued operations for the year ended	2014 $ '000	2013 $ '000
Net cash from operating activities	14,487	5,694
Net cash from investing activities	112,962	3,485
Net cash from financing activities	(88,087)	15,000
Cash flows from discontinued operations	39,362	24,179

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the commercial / industrial properties classified as held for sale and discontinued operations has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the commercial / industrial properties classified as held for sale and discontinued operations, as well as the significant unobservable inputs used.

Notes to the Consolidated Financial Statements

31. Commercial / industrial properties held for sale and discontinued operations *(continued)*

Measurement of fair values *(continued)*

Valuation technique	Significant unobservable inputs
Capitalisation method and sales comparison: Aspen Group considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of asset. The sales comparison approach compares each asset to similar assets that have been recently sold in the market, giving consideration to factors such as the size, location, and recent trading performance (if applicable).	1. Capitalisation (or discount/risk) rate (10.25%) 2. Market income rates ($14 - $120/m^2) 3. Tenancy incentives (10 - 15%) 4. Letting up periods (3 -10 months) 5. Value per square metre GLA ($210 - $480/m^2) 6. Terminal yield (10.75%) 7. Escalation rates (rent: 2% - 3.2%, costs: 2.5% - 2.8%)

32. Subsequent events

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

- Aspen Group has received amended debt facility terms from its primary financier, which will increase the available facility limit to $50.000 million (from $26.556 million), and extend the debt maturity to August 2016 (from August 2015). A letter of offer has been executed by both parties in respect to this amended facility, with detailed documentation of this facility to be executed by September 2014.

- Aspen Parks Property Fund, which Aspen Group owns 12.56% of at the date of this report, committed to issuing an Offer Document in respect to raising a minimum of $39.872 million equity raising on 22 August 2014. This equity raising has been fully underwritten by Aspen Group.

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 Aspen Group, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

33. Consolidated entity guarantees

At the end of the financial year, Aspen Group was exposed to the following guarantees:

	2014 $'000	Restated 2013 $'000
External Parties		
Bank Guarantees issued to third parties (1)	6,135	815
Insurance bond guarantees	6,002	1,523

(1) These guarantees primarily related to the provision of guarantees provided for Aspen Group's subsidiaries and associates. However, Aspen Group has also issued bank guarantees to third parties which primarily secure fit out obligations on its office premises.

Notes to the Consolidated Financial Statements

34. Auditors' remuneration

	2014 $	2013 $
Audit services:		
Auditors of Aspen Group – KPMG:		
Audit and review of financial reports	295,000	409,825
Other regulatory audit services	43,000	41,000
	338,000	450,825
Other auditors – non-KPMG firms:		
Audit and review of financial reports	15,000	40,000
	353,000	490,825

	2014 $	2013 $
Services other than statutory audit - KPMG:		
Tax advisory services	292,344	173,116
Capital raising and due diligence	-	194,455
Other	30,954	57,500
	323,298	425,071
Other auditors – non-KPMG firms:		
Meeting attendance fees	8,082	23,552
	331,380	448,623

35. Parent entity disclosures

As at, and throughout the financial year ending 30 June 2014 the parent company of Aspen Group was the Company.

	2014 $ '000	2013 $ '000
Result of the parent entity		
Loss for the year	(29,804)	(66,271)
Total comprehensive expense for the year	(29,804)	(66,271)
Financial position of parent entity at year end		
Current assets	96,863	136,513
Total assets	147,029	241,912
Current liabilities	99,989	37,281
Total liabilities	194,070	256,400
Total equity of the parent entity comprising of:		
Share capital	124,938	124,131
Other equity	-	300,363
Retained losses	(171,978)	(438,982)
Total equity	(47,040)	(14,488)

As at 30 June 2014 the Company had a loan payable to the Trust of $59.842 million (2013: $166.576 million). During the year ended 30 June 2014, $22.500 million of the loan was forgiven by the Trust (2013: $250.000 million). The Trust has agreed not to call upon the loan until the Company is in a financial position to repay this loan.

Parent entity contingencies

During the year, the Company had extinguished $1.640 million of the remaining contingent liability through the exercise of put options on units within ADPF on 31 July 2013.

Notes to the Consolidated Financial Statements

35. Parent entity disclosures *(continued)*

Parent entity guarantees to related parties

The Company has provided performance guarantees to third parties in respect of certain obligations of its subsidiaries.

The Company and its subsidiaries as per note 29 provide an unlimited guarantee and indemnity in favour of the Trust's banking facilities. The Company and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen Group's subsidiaries. Under the terms of the agreements, the Company and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due. Details of the guarantees are as follows:

	2014	Restated 2013
	$'000	$'000
External Parties		
Guarantees issued to third parties (1)	6,135	815
Insurance bond guarantees	1,002	1,523
Subsidiaries		
AWSS	-	2,100
ADF	5,000	52,527
ADLL	-	2,700
FBSV	-	4,923
	5,000	62,250

(1) These guarantees primarily related to the provision of guarantees provided for Aspen Group's subsidiaries and associates. However, Aspen Group has also issued bank guarantees to third parties which primarily secure fit out obligations on its office premises.

Directors' Declaration

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

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

      (i) giving a true and fair view of Aspen Group's financial position as at 30 June 2014 and of its performance 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) there are reasonable grounds to believe that Aspen 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 CEO and CFO for the financial year ended 30 June 2014.

3. The directors draw attention to note 2 (a) to the consolidated financial statements, which includes statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

Clem Salwin
Managing Director
PERTH, 22 August 2014