Annual Report
2012

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Boathaven Holiday Park, NSW

Year in Review - at a glance

- **FY12 Statutory Loss of $147.1m**
- **Operating profit after tax down 20.9% to $28.0m**
- **Operating EPS of 4.66 cps down 25.1% on prior year**
- **Distributions per security of 3.15 cents**
- **Announced commencement of comprehensive strategic review**
- **Net Property Portfolio Income of $26.5m up 9.6% on like for like basis from FY11**
- **Aspen Parks gross equity inflows of $44.8m up 82% on prior year**

Financial Summary (Table)

Key Financial Results					
	2008	2009	2010	2011	2012
Operating Revenue*	$77.3 m	$70.2 m	$71.9 m	$93.5 m	$69.6 m
Operating Profit After Tax*	$43.8 m	$33.2 m	$33.6 m	$35.2 m	$28.0 m
Total Assets	$652.7 m	$620.8 m	$646.9 m	$597.8 m	$587.4 m
Net Borrowings	$211.2 m	$186.9 m	$220.8 m	$164.3 m	$196.8 m
Securityholder Equity	$379.9 m	$400.9 m	$388.6 m	$390.3 m	$248.6 m
Gearing	33%	30%	34%	28%	46%

Key Investor Data					
	2008	2009	2010	2011	2012
Operating Earnings per Security*	18.06	11.91	6.04	6.24	4.66
Distributions Per Security	15.50	8.995	4.20	4.20	3.15
Net Tangible Assets Per Security (NTA)**	$1.53	$0.71	$0.69	$0.67	$0.41

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

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Chairman's Letter

Dear Investors

The 2012 financial year has been one of the most challenging periods in the Aspen Group's history.

As the incoming Chairman to the Group, it is extremely disappointing to report to securityholders that a substantial statutory loss after tax of $147 million was recorded for the financial year. This reflected the difficulties and challenges during the year and arose primarily as a result of recognising a significant level of impairments to assets, principally across the residential and development sectors of our business.

Subdued lot sales revenue, significant cost pressures and a deteriorating outlook for residential and development style assets necessitated the commencement of an urgent and comprehensive strategic review of the business.

There remains a substantial amount of work to be done as part of the strategic review and in restoring securityholder value. However, I am delighted that we have a committed Board of directors and an energetic senior management team, who have diligently and with integrity, taken on the task of strengthening the business for the benefit of securityholders.

Strategic Review

In undertaking the strategic review it was critical to address a number of legacy issues, most notably a substantial commitment to fund a put option to an investor in the Aspen Development Fund. It was equally critical to improve the Group's liquidity position and its balance sheet.

The strategic review commenced by the Board has identified to date, a number of conclusions, including the requirement to de-risk the balance sheet through reduction of debt, to improve the capital position to fund future commitments and to de-risk earnings to focus on recurring income streams from core operating earnings.

The core strengths of the business have been identified as being the investment property portfolio and Aspen Parks Property Fund. We have also clearly identified Aspen's non-core businesses, which are the residential and commercial development divisions, which the Group plans to exit.

Distributions

In June this year the directors confirmed that no distribution would be payable for the final quarter of the 2012 financial year, resulting in a full year distribution of 3.15 cents per security. This difficult decision was taken to preserve capital in view of the tight liquidity position of the Group.

The directors intend to re-commence distributions for FY13, having amended the Group's policy to pay half yearly distributions consistent with many of our peers, With a forecast earnings payout ratio of 80% of cash core operating earnings, the next distribution is forecast for February 2013.

Balance Sheet

The maintenance of a strong balance sheet is an essential platform for Aspen Group in order to support its operations.

Net assets at 30 June 2012 were $249 million following significant impairments to those non-core businesses.

Subsequent to year end, and in line with the strategic review, we recently announced a fully underwritten accelerated non-renounceable entitlement offer which allows Aspen to de-risk its balance sheet and provide the financial flexibility for the Group to operate from an improved position and to undertake its strategic review with the aim of simplifying the business and ultimately improve securityholder returns.

At 30 June 2012, Group debt was $200 million and the gearing position was 46%. Reduction of the debt level is a key focus of the strategic review to reduce gearing and provide a stable funding platform.

Core Operations

The Group's core investment property portfolio performed strongly in FY12, with valuations increasing 23% for the 12 months, on a like for like basis, following disposal of two properties during the year for $36 million. The property portfolio will underpin the Group's operations into FY13 with net rental income expected to grow by 30% compared to FY12

The Aspen Parks Property Fund performed well during FY12, with mining accommodation revenue providing the largest contribution to profitability. The Fund continued to attract significant investment with gross inflows up 82% (net + 51%) on the previous year, enabling gearing to be reduced to 31% at June 2012.

Board and senior management

This year has seen significant transition in our Board and senior management team. Following the planned retirement in April 2012 of the founding Chairman, Mr Reg Gillard, the Board was enhanced with the appointment of Mr Hugh Martin and Mr Clive Appleton as non-executive directors, who bring to the Board significant property and funds management acumen and experience, while displaying outstanding leadership and integrity.

Shortly after the end of the financial year, Mr Gavin Hawkins resigned as Managing Director and was replaced by Hugh Martin as Interim Chief Executive Officer.

Remuneration Strategy

The Aspen Board is cognisant of its obligations to ensure that executive remuneration is fair and competitive for employees and critically, that financial rewards for executives are aligned with the interests of securityholders.

In presenting the 2012 financial results, the directors announced in August, important changes to the remuneration philosophy moving forward, which included a 5% reduction in directors fees, a 23% reduction in the CEO remuneration, no short term incentive bonus for the former Managing Director and an amended short term incentive policy that escrows 25% of any future incentive bonus awarded to key management personnel for a further 12 months.

Safety and Sustainability

Aspen Group, including it's managed funds, has activities across all mainland Australian states, including site development and construction activities. As the wellbeing of our employees is of paramount importance, Aspen Group is focussed on ensuring that safety is given a high priority. The Board is pleased to report there were no significant accidents, injuries or fatalities during the year.

The Group recorded no significant environmental issues.

Outlook

The Board's guidance for forecast FY13 Core Operating Earnings per security is 1.8 cents and the forecast FY13 distribution per security is 1.5 cents. As a result of undertaking the Entitlement Offer the Board has determined to suspend the Distribution Reinvestment Plan for FY13.

Concluding Comments

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

Frank Zipfinger
Chairman

Chief Executive's Overview

The 2012 financial year has been enormously challenging, with the Group recording a substantial statutory loss, having recognised impairments to the carrying values of a number of our residential and development assets.

The Group has also had to address a number of legacy issues, which have significantly impacted the capital position of the business.

The impairments taken overshadowed the operating result, which excluding the statutory adjustments, showed a net profit before tax of $30.7 million, compared to $33.4 million in FY11. The operating result reflects a satisfactory outcome generated from the core property portfolio and the funds management division.

Strategic Review

Market conditions for the residential and development sector have been difficult, with an uncertain macro environment and poor residential demand, particularly in regional areas where a number of Aspen's syndicates have significant exposure. Compounded by development cost pressures, exacerbated by planning approval delays, increased planning condition costs and statutory infrastructure charges resulted in a marked deterioration in the outlook.

As a result, Aspen instigated a strategic review, which considered, among other things, it's continued involvement in these sectors.

The strategic review aims to simplify the business, with one of the major findings being the need to focus on activities in which Aspen has core strengths – in essence to focus on Core Operating Earnings, which will be the net rental income from the investment portfolio together with recurring funds management income from the Aspen Parks Property Fund.

As a result of the initial findings of the strategic review, Aspen has announced plans to exit the non-core business units, including those in the residential and development sectors.

Core Operations

Investment Property

The investment property portfolio performed strongly in FY12, with total valuations increasing 23% for the 12 months, on a like for like basis, following disposal of the Alcoa building and Rocklea Industrial premises during the year for $35.6 million.

Total net property income for the year was down 22% on FY11, principally due to the sale of properties which occurred at the end of FY11 and during FY12. On a like for like basis, excluding those properties sold, net property income for the portfolio rose 9.6% for the 12 months.

Leasing activity was strong, particularly in the industrial sector, with two major tenants executing leases at the Spearwood Industrial Estate which was 98% leased by income at 30 June 2012.

Construction of the ATO Building in Adelaide, in which Aspen has a 50% interest, has progressed well and remains on track for practical completion in October 2012.

Funds Management - Aspen Parks Property Fund

Aspen Parks remains the Group's flagship fund, contributing $7.7 million of income in FY12, through a combination of equity profits and management fees.

A record level of third party investment into the Parks Fund occurred during the year with $44.8 million in new equity raised, an increase of 82% over the previous year. Net inflows for the year, after withdrawals, were $34.8 million.

Operationally, APPF continues to perform well, with mining accommodation providing the strongest contribution to profitability. The tourism assets in the portfolio also performed in line with expectations.

Gearing in the Fund was reduced to 31% at June 2012 (44% at June 2011). This positions the Fund for new acquisitions and/or investment into the existing portfolio. The Fund has current capacity of circa $50 million through a combination of debt and cash reserves.

Non Core Business

Consistent with the initial findings of the strategic review, a number of non-core business units have been identified, which were in operation during the 2012 financial year.

Residential and Development Funds

Aspen Living's five residential estates operated in challenging market conditions during 2012, consequently the net management fee revenue derived was effectively nil following an assessment of the long term outlook for several of the regional assets.

The residential development sector has been subdued across Australia with a lack of consumer confidence amid economic uncertainty and housing affordability issues. Monthly sales activity for Aspen Living has been variable and together with planning approval delays, resulted in 177 settlements being recorded for the year, down on the 269 settlements recorded in FY11.

Activity in Aspen Development Fund No. 1 has been substantially confined to completing the ATO Building in the Adelaide City Central precinct. Development activity in the Fund has been limited, principally due to significant funding constraints. As a result the Fund focussed on realising existing inventory of medical suites and a limited number of residential lots in Byford.

Aspen Diversified Property Fund (ADPF)

ADPF reached the end of its initial investment term of seven years on 30 June 2012. In July 2012, ADPF unitholders approved the orderly sale of the Fund's property assets, followed by a wind up of the Fund.

The ADPF portfolio has performed in line with expectations in FY12, with occupancy levels improving to 94% from 91% at 30 June 2011.

Subsequent to the end of June 2012, the Fund sold an industrial property in Nunawading for $18.4m, slightly above book value.

Capital Management

The impairments recorded for FY12 and the consolidation of ADPF, have resulted in the Group's gearing position increasing to 46% at 30 June 2012, up from 35% at 31 December 2011.

Critically for the Group, as a result of asset sales during the year, the Weighted Lease Duration of 1.92 years at 30 June 2012 is below the bank covenant of 2 years. Subsequent to the end of the year, the Group obtained a waiver from it's bankers in this matter and addressed a significant finding of the strategic review through the reduction in debt via the non-renounceable entitlement offer to securityholders.

During the year Aspen secured up to $35 million of new funding from Telstra Super via the redemption of Aspen Group's units in the Franklin Street Property Trust (FSPT), the asset holding vehicle for the Australian Tax Office (ATO) Building in Adelaide. The Group drew $15 million to fund its working capital requirements.

Overheads

During the year, total overheads of the Group have been reduced by 4%, and will be further assessed as part of the strategic review.

People and Safety

Our employees have worked tremendously hard during the year and with great diligence, skill and integrity. I wish to thank them for their tireless efforts.

As part of the transition that the business is undergoing, the opportunity to refresh the branding and logo was undertaken during the year. This was a cost effective exercise and was largely internally driven, demonstrating the skill and commitment of the staff involved.

It is pleasing to record that across our business there were no serious injuries or accidents during the year, for the safety and well-being of our employees is paramount.

Outlook

The Aspen business is undergoing a significant transition into FY13, as it repositions into a simpler and more transparent business, featuring stable earnings streams. There is significant work still to do - to execute the divestment of non-core businesses, reduce debt levels and overhead costs, increase operational efficiency and to ensure the performance of the core business is maximised.

The fundamentals for the Group's property portfolio remain sound, with the net rental income for FY13 expected to grow by 30% compared to FY12. The challenge remains to extend the current weighted average lease expiry in the portfolio.

Funds management income for FY13 will be derived principally from the Aspen Parks Fund, which is well placed to grow through a combination of selected investment in the existing portfolio and through new acquisitions. The existing retail distribution network is well positioned and investment inflows into the Parks Fund for FY13 to date remain strong.

The Group expects the ATO building to be complete in late October 2012 and has already secured the option of a long term investment facility for the asset with it's joint venture partner, Telstra Super.

The Boards guidance for forecast FY13 Core Operating Earnings is for 1.8 cents per security and for forecast distributions of 1.5 cents per security.

Hugh Martin
Interim Chief Executive Officer

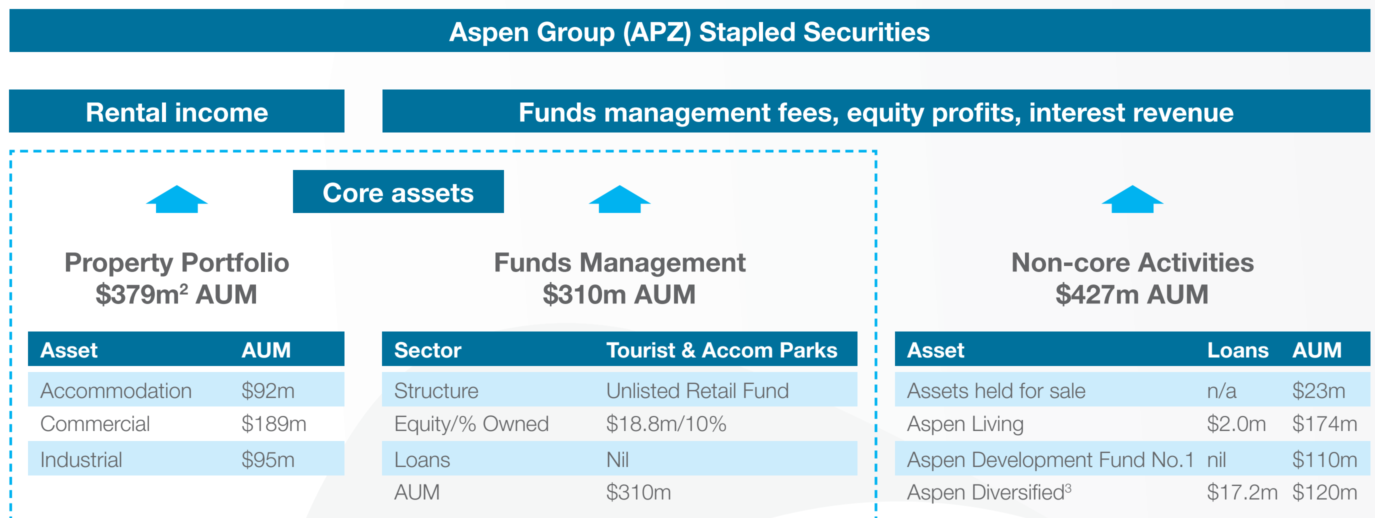
Ningaloo Reef Resort, WA

Corporate Structure

Overview of Aspen[1]

> Aspen is an Australian property investment and funds management group with core assets under management of approximately $700 million

Corporate structure



Aspen Group (APZ) Stapled Securities

Rental income | **Funds management fees, equity profits, interest revenue**

Core assets

Property Portfolio $379m[2] AUM

Asset	AUM
Accommodation	$92m
Commercial	$189m
Industrial	$95m

Funds Management $310m AUM

Sector	Tourist & Accom Parks
Structure	Unlisted Retail Fund
Equity/% Owned	$18.8m/10%
Loans	Nil
AUM	$310m

Non-core Activities $427m AUM

Asset	Loans	AUM
Assets held for sale	n/a	$23m
Aspen Living	$2.0m	$174m
Aspen Development Fund No.1	nil	$110m
Aspen Diversified[3]	$17.2m	$120m

1. All figures as at 30 June 2012.
2. Includes other investment property of $2.9m.
3. Aspen Diversified Property Fund has been consolidated effective 31 October 2011. Subsequent to year end, the Investor put for Aspen Development Fund No. 1 Limited was exercised which will result in the Fund being consolidated.

ATO Building, SA (50% owned)

Investment Property Portfolio

The underlying strength and reliability of its investment portfolio provides Aspen with consistent income and long term growth in asset values. The portfolio remains an integral part of the core operations of the Group.

Portfolio Highlights

> FY12 rental growth of 9.6% (like-for-like)

> 14.6% increase in rental growth at Septimus Roe

> Market review at Aspen Karratha Village (AKV) delivered 20% increase in room day rates

> Secured tenant commitments from 30 June 2012 at Spearwood Industrial Estate for 190,000sqm

> ATO Building 96% complete and on target for scheduled completion in Oct 12

> Independent valuations up $30.1m on December 2011

Aspen continues to see the benefit of our overweight exposure to the robust Western Australian economy through the property portfolio. During the year the Group was successful in leasing its Spearwood Industrial Estate, with two major tenants executing leases resulting in the complex being 98% leased by income. The net rental income secured on the Spearwood property for FY13 is expected to be in excess of $9 million, representing a 96% increase on the current passing rent for the property. The challenge remains to extend the current weighted average lease expiry of the portfolio.

Outlook

> FY13 net rental growth under executed leases (30%) (excluding ATO Building)

> Active asset management to extend WALE

Included in the investment portfolio is Aspen's 50% interest in the ATO Building in Adelaide. Construction of the building remains on track for practical completion in October 2012, with tenant fit out works well advanced. The 17 level office tower, provides over 30,000 sqm of lettable area which will accommodate the Adelaide operations of the Australian Taxation Office.

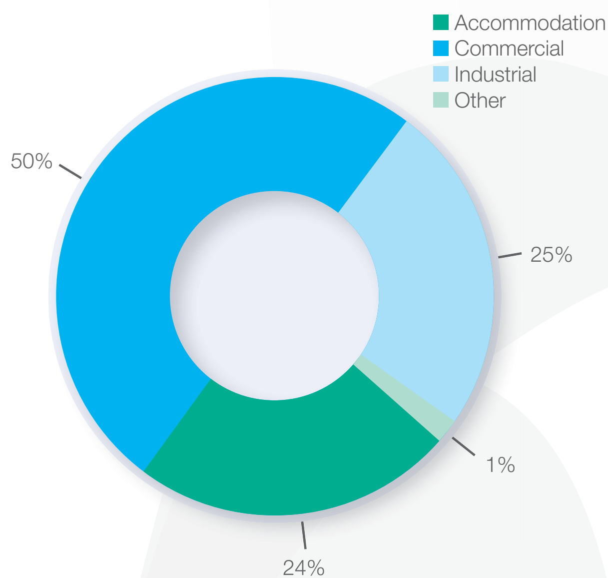
Key Metrics	June 2012	June 2011
Porfolio Total ($m)	379	327
Wtd. Ave Cap Rate (%)	9.34%	9.47%
Occupancy (%)	97%	92%
WALE (years)[1]	1.98	2.33
WALE - post ATO completion (years)[1]	4.23	5.03

1. The Weighted Average Lease Expiry ("WALE") is based on the total property portfolio of Aspen. The Weighted Lease Duration ("WLD") is defined under Aspen's NAB facility agreement and only includes Aspen's property assets in the NAB security pool. Specifically the WLD excludes the ATO Building. The WLD at 30 June 2012 was 1.92 years.

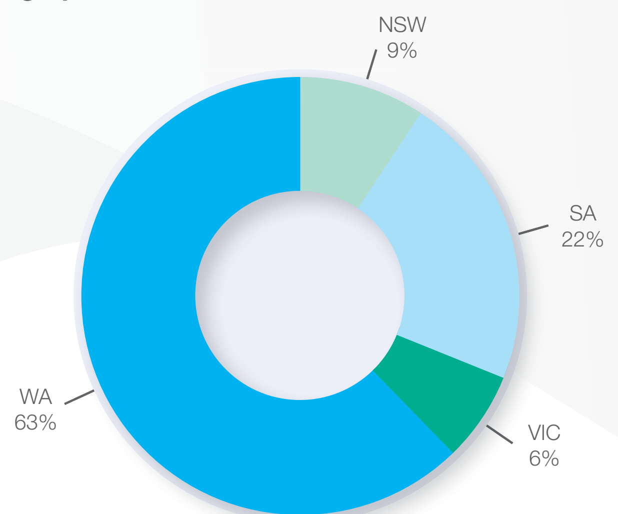
Summary of Investment Properties

Property	Sector	Independent Valuation Date	Book Value June-12 ($m)	Book Value June-11 ($m)	Cap Rate (%)	WALE (yrs)	Occup. (%)
Septimus Roe, WA	Office	Jun 12	105.5	87.0	8.75	2.54	91
Spearwood Industrial Estate, WA	Industrial	Jun 12	73.0	58.0	10.00	2.02	100
Karratha Village, WA	Accom.	Jun 12	57.6	44.0	22.00	1.51	100
Noble Park, VIC	Industrial	Dec 11	22.1	21.0	10.00	2.41	100
ATO Building, SA[1]	Office	n/a	83.0	49.6	n/a	n/a	n/a
Sovereign Gardens, Ballina, NSW	Retirement	n/a	35.0	30.2	n/a	n/a	n/a
Midland, WA	Vacant	Dec 10	2.9	-	n/a	n/a	n/a
Total/Averages			**379.1**	**289.8**	**9.34[2]**	**1.98[3]**	**97**

Sector diversification



Geographical diversification



1. ATO Building currently under construction. The carrying value represents Aspen's 50% interest in the book value of work completed.
2. Weighted Ave Cap Rate (ex Karratha).
3. WALE upon completion of ATO building in October 2012 is 4.2 years.

ATO Building, SA

Aspen Karratha Village, WA

Septimus Roe Square, WA

Septimus Roe Square, WA

Funds Management - Aspen Parks Property Fund

Aspen Parks was established in 2004 as a niche property fund to acquire and manage a portfolio of accommodation and tourist parks. Aspen Parks' portfolio now stands at 24 properties with gross assets of over $310 million. The Fund has built an enviable reputation in the unlisted property fund sector, with an impressive track record of strong securityholder returns since inception, averaging 12.3% per annum.

Highlights

> Strong trading performance driven by mining and tourist properties

> Gearing reduced from 44.4% (June 2011) to 30.7% (June 2012)

> Annualised distribution rate increased to 10.9c (yield on 1 July application price of 8.8%)

> Strong performance by funds management distribution network with gross inflows of $44.8m during FY12, up 82% on FY11

Strong earnings generated in the 2012 financial year have also led to an increase in distribution payment to investors from 10.7 cents per security in the 2011 financial year to 10.9 cents per security on an annualised basis from 1 July 2012. The resulting attractive 8.8% yield places the Fund as one of the leaders in income distribution in the unlisted property sector.

Overall net profit was again strong in 2012, with the Fund recording net profit of $14.5m. While down on the previous year's figure of $20.2m, earnings on the investment properties improved, and the fall in net profit was attributable to the stabilisation of valuation gains on the investment properties in FY12, following a high level of growth in FY11.

Mining properties continued to perform well, compensating for resort properties which suffered slightly as a result of the high Australian dollar and the availability of cheap overseas holidays. Tourism properties also delivered strong earnings to the Fund, with an abundance of both local and international tourists flocking to Aspen Parks over the holiday periods.

The Fund's capital position has continued to strengthen on the back of strong investor inflows, which on a net basis were 51% up on the 2011 financial year (up 82% gross). As at the 30 June 2012, gearing levels sit at 30.7% (net of cash), and provides a comfortable base for continuing the Fund's planned development expansions.

Outlook

> Significant capacity to grow through investment in existing properties and acquisitions

> Growth capacity of approximately $50 million available (based on existing cash reserves and facility limit)

Aspen Parks is currently investing capital into its investment property portfolio to ensure that the Fund maintains its high standards and continues to be a market leader in the accommodation and tourism industry. The current low gearing position also enables the Fund to progress some of its planned development and capital expenditure works over the course of the 2013 financial year, installing higher value accommodation and improving rates across a number of properties. In addition, capacity exists to acquire additional properties where potential acquisitions meet the Fund's minimum earnings hurdle and where the property adds further diversity to the portfolio, whilst still maintaining the gearing in the Fund's longer term target range.

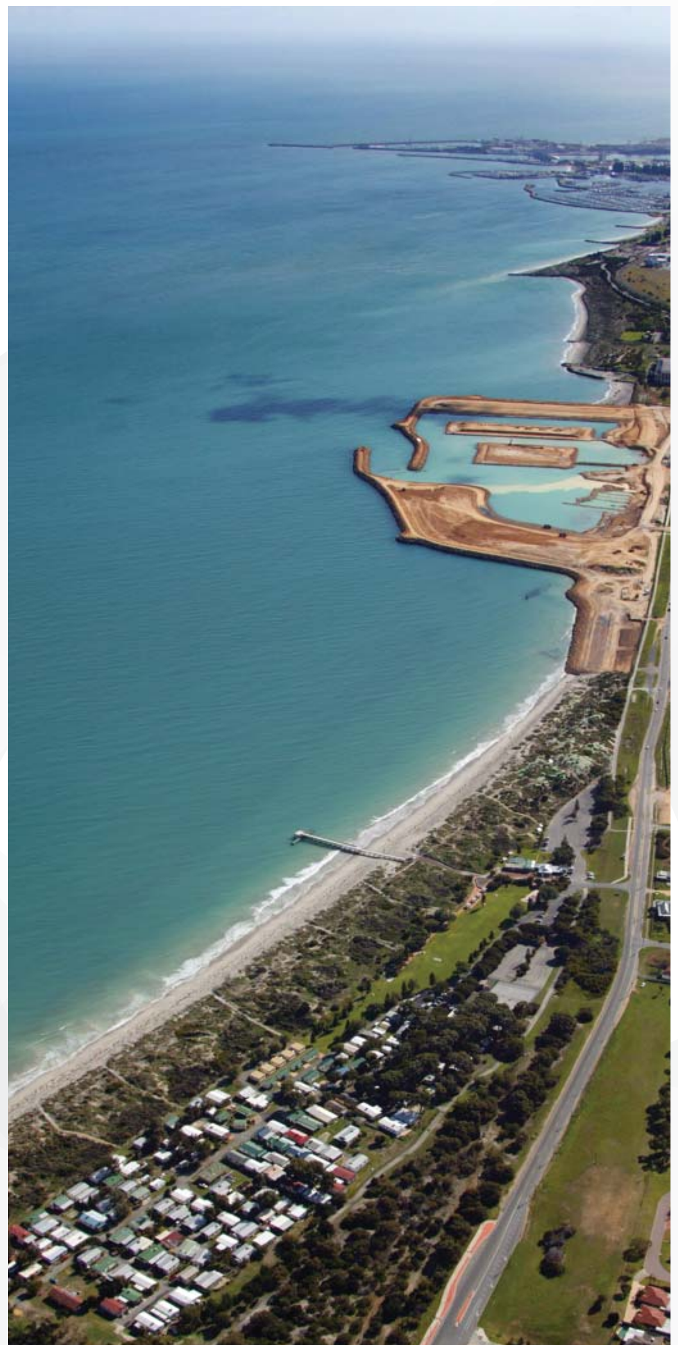
Boathaven Holiday Park, WA

Ningaloo Reef Resort, WA

The Group has in place a strong distribution network which will continue to actively attract new investment into the Fund, which has maintained a 'Recommended' rating with Zenith and a 'Highly Recommended' rating with Lonsec.

Aspen Parks income segment analysis

Key Metrics	FY2012	FY2011
Equity interest held by Aspen	10.3%	11.9%
Book value – equity	$18.8m	$18.0m
Fund management income	$6.0m	$6.0m
Share of assoc. profit/(loss)	$1.6m	$3.0m



Coogee Beach Holiday Park, WA

Board of Directors

Frank Zipfinger – Chairman

Mr Frank Zipfinger has over 30 years experience in the property industry.

He 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. Frank was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Frank completed over five years in various roles as a Managing Partner with the firm.

Mr Zipfinger is Chairman of the Investor Representative Committees of the AMP Capital Wholesale Office Fund and the AMP Capital Wholesale Shopping Centre Fund. Frank is a Member of the Australian Institute of Company Directors. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the board of Melbourne Business School and President of the School's Alumni Council, a director of the Australian Youth Orchestra and a director of the Australian Boards of the international not-for-profit organisations Room to Read and Grameen Foundation Australia.

Frank is a Director of Galileo Japan Trust and was appointed Non-Executive Director of Aspen Group Limited on 31 January 2011.

Terry Budge

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

Mr Budge is currently Chancellor of Murdoch University, a director of Westoz Investment Company and is a member of AON Risk Services Australia Limited Board of Advice. He is also Chairman of the Conference Committee for the AICD and WA Advisory Committee for The Big Issues.

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

Appointed Director on 6 May 2005, Chairman of the Audit Committee and a member of the Remuneration Committee on 9 June 2005, and a member of the Nomination Committee on 11 November 2006

Clive Appleton

Mr Appleton has had a successful career in property and funds management with over 30 years' experience in some of Australia's leading retail property investment, management and development groups.

Mr Appleton holds a Bachelor of Economics and a Post Graduate Diploma of Marketing. He has a Master of Business Administration from Monash University and has completed the Advanced Management Program at Harvard University.

In 2005 Mr Appleton joined APN Property Group as Managing Director and he is currently the Executive Director responsible for managing APN's Private Funds division.

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 where he was involved in the development of $1 billion worth of property.

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 of Centro where he was involved in the acquisition and redevelopment of the Myer Brisbane Centre.

Mr Appleton is currently Chairman of AG Coombs Pty Limited and is a non-executive director of Centro Retail Australia, the Gandel Group and Arrow International Group Limited.

Appointed a director on 30 April 2012 and a member of the Remuneration Committee on 10 May 2012.

Mr Appleton resides in Melbourne.

Hugh Martin

Mr Hugh Martin joined the Board of the Company as a non-executive Director in April 2012 and from 24 August 2012 he has held the position of Interim Chief Executive Officer.

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.

He started his career as an Accountant in South Africa before relocating to Australia. He holds a Bachelor of Business with a Double Major in Accounting and Finance, is a member of CPA Australia and a member of the Australian Institute of Company Directors.

Mr Martin was formerly an Executive Director of Vivas Lend Lease and until recently was a Non-Executive Director of non-profit organisation Habitat for Humanity Australia (HFHA).

From 1997 to 2001, Mr Martin was Chief Executive Officer 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.

In an extensive career, senior executive roles held by Mr Martin included 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, Head of Apartments for the Lend Lease Group; and National General Manager for the Apartments Development Division at Stockland Corporation.

Mr Martin resides in Sydney.

Appointed a director on 30 April 2012 and a member of the Audit Committee on 10 May 2012.

Former Directors

Reg Gillard

Mr Reg Gillard brings over 30 years experience in accounting and corporate finance to the Board. He has extensive experience and significant expertise in the evaluation and acquisition of businesses requiring development capital, initial public offerings, rights issues and placements, together with ongoing funding, corporate governance and compliance issues of listed public companies.

Mr Gillard was formerly Chairman of Aspen Group and holds several other non-executive directorships of ASX listed public companies. He has developed close working arrangements with a number of substantial Australian and international investment funds and has been responsible for, and involved with, the funding of several listed public companies.

Mr Gillard is a Registered Company Auditor, Justice of the Peace, a Fellow of the Certified Practicing Accountants of Australia, a Fellow of the Australian Institute of Company Directors and a Licensed Real Estate Agent.

Mr Gillard resigned as director of Aspen Group on 30 April 2012.

Gavin Hawkins

Mr Gavin Hawkins was a founding director of Aspen Group, and served as the Group's Finance Director until his appointment to the position of Managing Director in June 2010.

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

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

Mr Hawkins ceased to be an employee and director of Aspen Group on 23 August 2012.

Remuneration

The Aspen Group Board has responsibility for the conduct of the remuneration strategy and policies of the Group, which it undertakes on the recommendations of the Remuneration Committee. This is one of the most significant responsibilities of the Board as it seeks to fairly and responsibly compensate executives and employees.

Aspen Group's remuneration framework has been developed to support the business strategy and drive increased value for shareholders. It aims to provide transparency, clarity and promote fairness in the process of attracting and retaining the best people to Aspen Group. The Board believe that there is a strong link between remuneration and company performance and as such aligns incentive payment to outcomes such as total shareholder returns (TSR) and earnings per security (EPS).

The Board have provided a brief summary of Aspen's remuneration strategy and recent amendments below. Further details of the remuneration policies, the approach adopted for Aspen Group and the financial tables are contained within the Remuneration Report as part of the Financial Statements.

Managing Director position – fixed remuneration

The fixed remuneration of the Managing Director position during FY12 remained unchanged from the previous year and has remained unchanged since 2010. The incumbent resigned as an employee and director in August 2012, with the remuneration for the position reviewed as part of the remuneration strategy review outlined below.

Short Term incentives

In view of the poor FY12 performance, the level of Short Term Incentives (STI) paid to KMP during the year was significantly reduced compared to FY11. The table below demonstrates the reduction of STI from FY11 together with the level of STI forfeited through the KMP not meeting their relative performance targets.

FY12 STI awarded to KMP	FY12 STI forfeited	FY11 STI awarded to KMP
$167,503	$1,121,720	$1,038,170

In view of the disappointing financial performance and outcomes in FY12, no short term incentives accrued for the former Managing Director and the executive team, other than three KMP who met their individual and business related key performance indicators during the year. It should be noted that these awards were on a significantly reduced and scaled down basis relative to their potential entitlements and that the recipients were responsible for outstanding results in their respective business units.

Long Term Incentives for FY12

Long Term Incentives (LTI) facilitates equity ownership of the Group's securities with those employees who have the largest strategic impact on the long term creation of securityholder wealth.

LTIs will only vest if three year TSR and EPS stretch hurdles are met. Each vesting hurdle represents 50% of the award. In FY12, no LIT's vested as the first issue under the Performance Rights Plan (2010) are not eligible to vest until June 2013. As at June 2012, with respect to the EPS actual performance relative to the EPS stretch targets, the vesting hurdle is below target, summarised in the table below:

EPS growth	Stretch Target (%)	Actual (%)	Over/(under) performance (%)
EPS FY11 growth	10.0%	10.1%	
EPS FY12 growth	10.0%	(11.0%)	
Aggregate	**20.0%**	**(0.9%)**	**(20.9%)**

Remuneration Strategy Review

In announcing the 2012 financial results, important changes to the remuneration philosophy for FY13 were outlined. These included:

- 5% reduction in directors' fees;
- 23% reduction in the fixed remuneration for the CEO position;
- No increase in KMP fixed remuneration for FY13; and
- Amended STI policy that escrows 25% of any future incentive bonus awarded to key management personnel for a further 12 months. The philosophy for the latter change is to promote the retention of the respective executive and secondly to provide a conditional element to the award of the STI which allows the Company to assess that there has been no material misstatement in awarding the incentive.

Our People

Aspen seeks to provide it's employees with training and leadership opportunities to allow them to drive the future success of the company and to build a workplace culture that is engaged and diverse.

Employee Engagement

Aspen conducted its inaugural employee engagement and survey at the commencement of FY12, to gain an insight into internal communication, team management, business culture and the operating environment.

In response, there has been a determined streamlining of communication levels and team level briefings.

During the year, the company invested in an electronic performance appraisal software and new human resources platform designed to increase efficiency and improve the management of performance.

Gender diversity

The Group values diversity and aims to create a vibrant and inclusive workforce which reflects the broader community.

The key metric for gender diversity is the number of women in management and in the overall workplace. The FY14 target of female participation in the executive team / management is 30% of overall staff, with the Group currently having 18% of female in these roles. This is being actively monitored by the Group.

Further details of the Diversity Policy and detailed targets are included in the governance section of the Financial Report.

Sustainability and Community

Aspen Group is committed to a wide agenda of social and environmental responsibility and consideration of environmentally sustainable outcomes are at the forefront of the operations it undertakes.

The Group actively seeks community engagement across its operations as it recognises that this is a positive experience for our stakeholders and employees whilst creating value through ongoing relationships.

Environmental Sustainability

Aspen has a proactive approach to the management and governance of sustainability priorities within the business, being committed to sustainable operations and development activities. This is highlighted by the operations of Aspen Parks in environmentally sensitive areas including:

- Shark Bay World Heritage Area - Monkey Mia Dolphin Resort, Shark Bay
- Ningaloo Reef Marine Park - Ningaloo Reef Resort, Coral Bay
- Woodman Point Regional Park - Woodman Point Holiday Park, Fremantle
- Ben Boyd National Park - Twofold Bay Holiday Park, Eden
- Murray River - Maiden's Inn Holiday Park, Echuca / Moama

Aspen's executive management team takes direct accountability for sustainability issues and plays an active role in their management. The major initiatives this year included:

New wastewater treatment plant at Monkey Mia

Wastewater generated from the Monkey Mia Dolphin Resort, and adjacent Department of Environment and Conservation visitors centre, has to date been transferred to a wastewater treatment plant approximately 800 metres south east of the Resort. As part of it's commitment to improve the treatment and efficient re-use of waste water, Aspen is replacing the existing facultative pond treatment plant with a new Membrane Bioreactor facility (MBR). Construction of the new plant has commenced and commissioning is expected by March 2013.

The basis of the proposed MBR is the production of a very high quality effluent which has the potential for return and reuse around the resort for external irrigation and toilet flushing; thereby creating a fit for purpose water system. The production of high quality effluent is paramount given the location of the Resort being adjacent to a World Heritage Area with the expectation that nitrogen levels will be reduced to a very low 8mg/litre. This low level concentration will mean that native plants will be able to absorb the nutrients without discharge into the sensitive natural environment.

Aspen has chosen an MBR wastewater treatment plant which have been previously constructed at Couran Cove (North Stradbroke Island) and Townsville which adjoin the sensitive Great Barrier Reef. The investment in this wastewater technology results in a new benchmark in sustainability for Aspen

ATO Building, Adelaide City Central Precinct

Completion of the ATO Building in Adelaide is due at the end of October 2012. The building will target a 4.5 Star NABERS rating. This NABERS Rating period commences when the building is 70% occupied, this will be achieved when the Tax Office has substantially moved its staff into the building, which will occur in late December 2012. Energy consumption is then monitored for a period of 12 months, before formal application for recognition of an official NABERS Rating.

The base building design was awarded a 5 Star Green Star Rating in May 2012 with a total of 65 points (5 more than the minimum required).

Data is currently being finalised for application for a 5 Star 'As Built' Rating, with a submission being prepared to be presented to the Green Building Council of Australia in November 2012.

Water Corporation's Water Efficiency Management Awards

In recognition of the waterwise initiatives implemented at the Cooke Point Holiday Park, Port Hedland, Aspen Parks has been awarded a gold medal at the Water Corporation's annual Water Efficiency Management Awards.

The awards were established by the Water Corporation to acknowledge outstanding water saving efforts of customers, and was awarded to Cooke Point Holiday Park in respect to implementing best practice irrigation planning as well as the installation of water saving shower technology.

The award further highlights Aspens commitment to providing environmental, community and sustainability initiatives, in conjunction with market leading accommodation options.

Community Engagement

Aspen has continued its commitment to local community, promoting social interaction and development of sustainable relationships across all sectors in which it operates. This commitment includes direct community engagement and development, support of charities and communities and providing input into social priorities.

During the year:

- Aspen made direct donations and support of charities including Autism West, Youth Opportunities SA (Inc.), Royal Flying Doctors Service, Salvation Army and Beyond Blue, together with financial support to a number of local sporting clubs.
- Community events were conducted across a number of residential projects including movie nights, Australia Day barbecues and Family Fun Day's – designed to promote a sense of engagement and interaction among residents.
- Focus was placed on the development of large well planned community parks and recreation areas. All Aspen estates feature these active space recreation areas as the focal point of the community.
- An events program for Dunsborough Lakes residents called Food Connect was established by Aspen in December 2011. In partnership with a steering group of Dunsborough Lakes' residents, three community events have since been held with the aim being to provide interactive activity suitable for all ages, based around local food, drawing on the expertise of the many producers in the area as well as the skills of local residents.
- Aspen Parks sponsored the annual Ord Valley Muster launching the Kimberley region dry season.
- Selected Aspen employees undertook a Training Matrix and Frontline Development Program which now includes a nationally recognised training unit 'Participate in Environmentally Sustainable Workplaces'.

Investor Relations

Stapled Security

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

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

Investor Communications

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

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

Aspen provides a website: www.aspengroup.com.au, as an effective channel of communication with investors and ensuring the market remains fully informed at all times.

Information, which is updated on a regular basis, includes latest Group news, property portfolio details and links to webcasts of financial results announcements. There is also useful historical data such as annual reports, distribution history, and previous newsletters.

Corporate Calendar

Payment of Distributions/Dividends

Record Date	Payment Date
30 September 2011	21 November 2011
31 December 2011	16 February 2012
31 March 2012	21 May 2012
30 June 2012	no distribution paid

Other Key Dates

Annual Report sent to Securityholders	22 October 2012
Annual General Meeting	23 November 2012
Release of FY13 Half Year Results	February 2013
Release of FY13 Full Year Results	August 2013

Distribution Policy

Aspen Group amended its distribution policy in August 2012, to effect a change in distribution frequency to a semi annual basis, with effect from 1 July 2012. Where possible the Group will make the payment within 60 days from the end of the half year. An end of year taxation statement summarising the taxation consequences of the distributions paid for the year is provided.

Prior to announcing the change in distribution frequency, Aspen historically paid distributions on a quarterly basis, for the periods ending 30 September, 31 December, 31 March and 30 June. The Group did not pay a distribution for the quarter ended 30 June 2012.

Distributions paid for the 2011/12 financial year totalled 3.15 cents per security.

A history of the Group's distributions is shown in the table on page 146.

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

Aspen Group's DRP has been in place since the June 2010 quarterly distribution. Quarterly distributions were paid either by cheque or directly to investors' nominated bank accounts. DRP Securities were issued at a discount of 2.5% to the weighted average price of the Stapled Securities, sold on the Australian Stock Exchange Limited, on the Five Business days after the Stapled Securities are quoted, ex-distribution.

In September 2012 the Group announced the suspension of the DRP for FY13.

Aspen Group

ABN: 50 004 160 927

Financial Report for the year ended 30 June 2012

Director's 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 Group's interest in associates and jointly controlled entities, and its stapled entity Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group", or "the Group"), for the financial year ended 30 June 2012 and the auditor's report thereon.

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Directors' Report

1. Directors

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

Name and qualifications	Age	Experience, special responsibilities and other directorships
Frank Zipfinger BA (Economics), LLB, LLM, MBA **Independent chairman**	59	Mr Frank Zipfinger has over 30 years' experience in the property industry. He 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. Frank was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Frank 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. 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 Shopping Centre Fund. Mr Zipfinger was appointed director of Aspen Group Limited 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 Galilieo Japan Trust since 2006.
Gavin Hawkins B.Bus, CA **Managing director** *(ceased 23 August 2012)*	47	Mr Gavin Hawkins is a founding director of Aspen Group, and served as the Group's Finance Director until his appointment to the position of Managing Director in June 2010. Mr Hawkins is responsible for the implementation of the Group's strategy and overseeing all operational and administrative functions for the Group. As a Chartered Accountant, Mr Hawkins spent a number of years with Deloitte, developing expertise in audit, corporate governance, corporate advisory, and management consultancy. He further developed his skills and experience in the corporate finance and investment banking industry by spending several years in London working with major financial institutions including Sumitomo Finance and Barclays Capital. Mr Hawkins holds a Bachelor of Business and is an associate member of the Institute of Chartered Accountants. Appointed Managing Director on 23 June 2010 and a member of the Nomination Committee on 9 June 2005. Ceased 23 August 2012. *Directorships of listed entities within last 3 years:* Nil

Directors' Report

<table>
<tr><th>Name and qualifications</th><th>Age</th><th>Experience, special responsibilities and other directorships</th></tr>
<tr><td>Terry Budge

B, Ecom, SF Fin, FAIM, FAICD

Independent non-executive director</td><td>60</td><td>Mr Terry Budge is a former career banker with over 35 years experience in the Australian banking industry and business. Mr Budge was Managing Director of BankWest from 1997 to 2004 following a 25 year career with the National Australia Bank where he held a number of senior executive roles.

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

Appointed Director on 6 May 2005, Chairman of the Audit Committee and a member of the Remuneration Committee on 9 June 2005, and a member of the Nomination Committee on 11 November 2006.

Directorships of listed entities within last 3 years:

Non-Executive Director of Westoz Investment Company Limited (since 31 August 2009)</td></tr>
<tr><td>Hugh Martin

B.Bus, CPA, MAICD

Independent non-executive director

(appointed 30 April 2012)

(Interim CEO as of 23 August 2012)</td><td>65</td><td>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.

He started his career as an Accountant in South Africa before relocating to Australia.

Mr Martin was formally an Executive Director of Lend Lease Limited and is currently acting as Consultant to Lend Lease Development Pty Limited.

From 1997 to 2001, Mr Martin was Chief Executive Officer 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, Project Director for Lend Lease Group; and National General Manager for the Apartments Development Division at Stockland Corporation.

Mr Martin is also currently a Non-Executive Director of non-profit organisation Habitat for Humanity Australia (HFHA).

Mr Martin resides in Sydney.

Appointed a director on 30 April 2012 and a member of the Audit Committee on 10 May 2012.

Directorships of listed entities within last 3 years:

Nil</td></tr>
</table>

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
Clive Appleton *BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD* **Independent non-executive director** *(appointed 30 April 2012)*	61	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. In 2005 Mr Appleton joined APN Property Group Limited as Managing Director and he is currently the Executive Director responsible for managing APN's Private Funds division. 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 where he was involved in the development of $1 billion worth of property. 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 of Centro where he was involved in the acquisition and redevelopment of the Myer Brisbane Centre. Mr Appleton is currently Chairman of AG Coombs Pty Limited and is a Non Executive director of the Gandel Group and Arrow International Group Limited. Mr Appleton resides in Melbourne. Appointed a director on 30 April 2012 and a member of the Remuneration Committee on 10 May 2012. *Directorships of listed entities within last 3 years:* Non executive director of Centro Retail Australia since 2011.
Reg Gillard BA, FCPA, FAICD, JP **Independent non-executive director** *(resigned 30 April 2012)*	65	Mr Reg Gillard brings over 30 years' experience in accounting and corporate finance to the Board. He has extensive experience and significant expertise in the evaluation and acquisition of businesses requiring development capital, initial public offerings, rights issues and placements, together with ongoing funding, corporate governance and compliance issues of listed public companies. Mr Gillard was Chairman of Aspen Group from 2001 to 28 November 2011. He has developed close working arrangements with a number of substantial Australian and international investment funds and has been responsible for, and involved with, the funding of several listed public companies. Mr Gillard is a Registered Company Auditor, Justice of the Peace, a Fellow of the Certified Practicing Accountants of Australia, a Fellow of the Australian Institute of Company Directors and a Licensed Real Estate Agent. Appointed Independent Chairman on 24 December 2001 and appointed Chairman of the Nomination & Remuneration Committees on 9 June 2005. Appointed member of the Audit Committee on 24 December 2001. Mr Gillard resigned as director of Aspen Group on 30 April 2012.

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
		Directorships of listed entities within last 3 years: Mr Gillard is a Non-Executive Director (Chairman) of the following entities: ▪ Caspian Oil & Gas Limited (since July 1994; resigned August 2010); ▪ Perseus Mining Limited (since October 2003); ▪ Eneabba Gas Limited (since August 2005; resigned February 2011); ▪ Tiger Resources Limited (since December 2005; resigned May 2011); ▪ Lindian Resources Limited (since October 2006; resigned August 2010); ▪ Platina Resources Limited (since 1 July 2009); ▪ Nemex Resources Limited (since April 2011); ▪ Mount Magnet South NL (since April 2011).

2. Company Secretary

Mr Eric Lee was appointed to the position of Group Company Secretary on 1 July 2011.

Mr Lee has been employed by Aspen Group since 2007. He has had over 20 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 the Group:

- Mr Brett Fullarton – Chief Financial Officer

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	14	14	2	2	2	2	5	5
T Budge	14	14	2	2	2	2	5	5
H Martin	2	2	-	-	-	-	1	1
C Appleton	2	2	-	-	-	-	1	1
R Gillard	13	13	2	2	2	2	4	4
Executive								
G Hawkins (ceased 23 August 2012)	14	14	2	2	-	-	-	-

5. Corporate governance statement

This Corporate Governance Statement is a summary of major policies and practices adopted by the Group, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated. The ASX Corporate Governance Council requires that the Group must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

This Corporate Governance Statement is not an exhaustive list of all the Company's corporate governance policies. The Group's Corporate Governance Charter, which is reviewed periodically and last revised in April 2012 is located on the Group's website (www.aspengroup.com.au)

Principle 1: Lay solid foundations for management and oversight

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

The Group has complied with this recommendation. The Corporate Governance Charter provides detail of matters reserved for the Board and management and is summarised as follows:

Role of the Board

The Board has overall responsibility for the good governance of Aspen Group. It's primary role is to ensure security holders' interests are protected and the value of their investment is maximised. To fulfil this role, the Board carries out its responsibilities according to the following mandate:

- the Board should comprise at least 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;

Directors' Report

- 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.

The Board consists of four independent non-executive directors and, until 23 August 2012, an executive director. During the financial year, the composition of the Board changed. An independent non-executive director, Mr Zipfinger, assumed the role of independent non-executive chairman following the retirement of Mr Gillard as chairman. On 30 April 2012, Mr Gillard retired as a director. Following an extensive search process, Mr Hugh Martin and Mr Clive Appleton accepted appointments as independent non-executive directors on 30 April 2012. The Nomination Committee sought suitable appointees and engaged a leading independent executive and Board recruitment agency that targeted potential appointees who possessed a diverse mix of relevant skills and commercial acumen.

Mr Martin and Mr Appleton bring extensive and relevant skills and experience in the property and funds management industry respectively to the Board. The Group recognizes the advantage of having a mix of relevant business, executive and professional experience on the Board, together with the importance of cultural and ethical values. With their leadership and strong interpersonal skills, Mr Martin and Mr Appleton complement the existing capabilities of the directors.

As part of the search process the Board actively sought to complement the Board further and fulfill its stated diversity agenda including gender diversity. At this time the Board remains active in seeking to meet its gender diversity agenda.

The responsibilities of the Board include:

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

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

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

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

Directors' Report

Principle 2: Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Group has complied with this principle. The Corporate Governance Charter provides detail of matters reserved for the structure of the Board which is summarized as follows

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

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

- Mr Frank Zipfinger
- Mr Terry Budge
- Mr Hugh Martin (appointed 30 April 2012)
- Mr Clive Appleton (appointed 30 April 2012)
- Mr Reg Gillard (resigned 30 April 2012)

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

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

(Materiality in this context is defined as a director-related business relationship that is, or is likely in the future, to be more than 10 percent of the director-related business's revenue).

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

Composition of the Board

The Board will have a minimum of three directors and a maximum of ten directors. One third of the directors must retire from office at the annual general meeting each year however will be eligible for re-election. Directors appointed during the year to fill casual vacancies are required to submit to election at the next annual general meeting.

At the 2011 Annual General Meeting, Mr Terry Budge and Mr Frank Zipfinger stood for re-election and were re-elected following a resolution of security holders of the Group.

The Group recognizes the advantage of having a mix of relevant business, executive and professional experience on the Board, together with the importance of cultural and ethical values, and the benefits of diversity including gender diversity.

Directors' Report

The Group has adopted a formal gender policy appropriate for an organisation of its size that will ensure that there is ongoing recognition of the need for diversity and the implementation of that policy.

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

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

Recommendation 2.2: The chair should be an independent director.

The Group has complied with this recommendation.

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

The Group has complied with this recommendation.

Recommendation 2.4: The Board should establish a nomination committee.

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

- Mr Frank Zipfinger (Chairperson) – Independent Non-Executive
- Mr Terry Budge – Independent Non-Executive
- Mr Reg Gillard Independent Non-Executive (resigned 30 April 2012)
- Mr Gavin Hawkins – Executive (ceased 23 August 2012)

The responsibilities of the Nomination Committee are as follows:

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

Directors' Report

The Nomination Committee meets as necessary and records the minutes of any such meeting. The members of the Nomination Committee are entitled to seek independent legal advice in relation to their roles as members of the Committee.

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

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

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

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

Recommendation 2.6: Induction and access to information

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

- the 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.

The induction program for directors included inspections of the 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. Senior 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 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.

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision making.

The Group has complied with this principle in the following manner:

Directors' Report

Recommendation 3.1: Code of Conduct

The Board has adopted a Code of Conduct to promote ethical and responsible decision making by directors, management and employees. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. All directors and employees, who are members of a professional body, are required to comply with their respective bodies' ethical standards. The code of conduct must be read and agreed at the commencement of employment and at regular intervals thereafter.

The Code of Conduct is 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.

Included in the Code of Conduct is the policy on trading in the Group's securities by directors, senior executives and employees. The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

Investor behavior regarding insider trading and market manipulation by employees or their associates is illegal and is forbidden by Aspen Group. Aspen employees are forbidden to short sell Aspen securities, regardless of whether it is an ASX approved short selling security or not. These prohibitions regarding the behaviour of employees and their associates in the trading of Aspen securities are contained in the Code of Conduct, a document which is discussed with all employees in the induction meeting with the Group's Compliance Manager. By signing the Code of Conduct, employees acknowledge that they have read, understood and have agreed to comply with the requirements.

Aspen Group directors and employees are made aware of the above information in relation to trading in Aspen Group securities. In addition to this, directors, certain senior executives, and other employees who have access to price sensitive information will not be able to deal in Aspen Group securities without the prior approval (written approval includes email) of the Company Secretary, or in his absence, the Chairman of Aspen Group. The authorisation and dealing restrictions will apply to Aspen Group Securities and any derivative product related to Aspen Group securities. Securities issued via the Distribution Re-investment Plan are not required to be authorised.

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

Recommendation 3.2: Diversity Policy

Aspen has established a policy concerning diversity and has disclosed the policy on the Group's website within the Corporate Governance Charter. This Diversity Policy also introduces the appropriate procedures to ensure implementation of its objectives, which are:

- to increase gender diversity at non-executive director level, senior managerial level and across the entire Group, so as to meet the target levels by 30 June 2014
- to provide an annual assessment of performance against the target levels.

The Group values diversity and aims to create a vibrant and inclusive workforce which reflects the broader community. Development of an inclusive workforce will promote greater diversity of thought and informed decision making, which ultimately will result in better business decisions.

Directors' Report

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

Gender	30 June 2012		Target for 30 June 2014	
	Female %	Male %	Female %	Male %
Non executive directors	-	100	20	80
Executive team / Managerial	18	82	30	70
Total Employees	34	66	45	55

The Group continues to focus on strategies to meet its gender diversity targets, including:

- recruitment policy to seek gender balance in the candidates assessed;
- development of leadership and managerial skills to enhance opportunities for female employees
- retention of staff through actively promoting work life balance.

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Group has complied with this principle in the following manner:

Recommendation 4.1: The Board should establish an audit committee.

The Group has complied with this recommendation. The Audit Committee shall be comprised of at least three directors, all of whom shall be non-executive directors. A committee chairman, being a non-executive director but not chairman of the Board, shall be appointed by the Board of Directors for a period of three years.

The members of the Audit Committee during the year:

- Mr Terry Budge (Chairman) – Independent Non-Executive
- Mr Frank Zipfinger – Independent Non-Executive
- Mr Reg Gillard – Independent Non-Executive (resigned 30 April 2012)
- Mr Hugh Martin – Independent Non-Executive (appointed to Committee on 10 May 2012); (appointed as Interim CEO as of 23 August 2012)

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

The Audit Committee meets as frequently as required and at least 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, or the external auditors. Any director, if they wish, may attend any meeting. The Chief Financial Officer and the external auditors are given notice of all meetings and have the right to attend and speak at each meeting subject to concurrence of the Chairman of the Audit Committee. A quorum for a meeting shall be a minimum of two, which must include the Chairman.

The Chairman declares annually in writing to the Board that the financial records of the Group have been properly maintained; the Group's financial reports comply with accounting standards and present a true and fair view of the Group's financial condition and operational results.

Directors' Report

The Audit Committee's responsibilities include the following:

Financial Reporting

Review, assess and monitor the financial reporting of the Group including:

a) published financial statements and reports;

b) accounting policies and disclosures including notes to the financial statements;

c) the response to any issues raised as a result of an external audit; and

d) compliance with accounting and financial reporting standards, stock exchange and legal requirements.

External Audit

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

Internal Audit

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

Risk Management

- Oversee the formulation and implementation of a risk management strategy and policy in conjunction with the Compliance Committee, which includes Occupational Health and Safety Issues, and
- Monitor and review annually the effectiveness of the risk management policy.

Taxation

- Oversee the compliance of the Group with the requirements of the ATO and state taxation bodies.

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

- ***consists only of non-executive directors;***
- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair, who is not chair of the Board; and***
- ***has at least three members.***

The Group has complied with these recommendations.

Directors' Report

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

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

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Group has complied with this principle in the following manner:

Recommendation 5.1: Disclosure and Communication Policy

The Group has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

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

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

In summary the Disclosure and Communication Policy operates as follows:

- The Board is committed to effectively communicating with its security holders and the investment market about all major business events that influence Aspen Group in a timely and straightforward manner.
- In line with its disclosure obligations under Chapter 3 of the ASX Listing Rules and under Regulatory Guides 198 and 46 issued by ASIC, Aspen's policy is to immediately lodge with the ASX or ASIC any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of its securities. Aspen will also advise the market of any information that is currently known to the market which they believe to be false or misleading and which may be creating a false market.
- All ASX announcements are approved by a Director and provided to the Company Secretary. The Company Secretary is responsible for electronic lodgement of communications with the ASX and must ensure that announcements are factual and do not omit material information. The Company Secretary will also be responsible for the security of the announcement prior to its release to the market. Announcements are circulated to the Board and available via the website.
- The website incorporates a direct link to the announcements page on the ASX website, background details of the Group including details of assets and fund management activities, investor information such as annual reports, security price information, newsletters, press releases, distribution history and other supporting links.
- In instances where briefings are provided to market analysts and major security holders, it may be impractical to present this to all security holders. In this instance a copy of the presentation material including the response to any significant questions will be made available on the Group's website where it contains new material which is not known to the market.

Directors' Report

- Where the Group is to hold a security holder meeting, the full text of the notice of meeting will be provided in the announcement to the ASX. All directors and employees are educated on the importance of sensitive information and confidentially as part of an induction session. Employees must sign a copy of the Code of Conduct at the commencement of their employment, and by doing so agree to abide by its terms. A breach of the Code may lead to disciplinary action ranging from counselling to dismissal.

Security holders are encouraged to attend and participate in Aspen Group's Annual General Meeting which is usually held in November each year. An explanatory memorandum on the resolutions proposed is provided with the Notice of Meeting. Security holders unable to attend the AGM are able to lodge a proxy in accordance with the Corporations Act 2001. Security holders can submit enquiries regarding Aspen Directors or complaints, via the website or email homemail@aspengroup.com.au. Aspen Group uses Link Market Services Limited to administer the security holder register. Security holders can contact Link on 1300 554 474 or via their website www..linkmarketservices.com.au.

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

Principle 6: Respect the rights of shareholders

Companies should respect the rights of the shareholders and facilitate the effective exercise of those rights.

The Group has complied with this principle in the following manner:

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

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

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control

The Group has complied with this principle in the following manner:

Recommendation 7.1: Risk Management

The 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 the Group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has adopted a Risk Management Policy designed to:

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

Directors' Report

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

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

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

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

Recommendation 7.2: Management and Board Responsibility

The Board constantly monitors the operational and financial aspects of the Group's activities and, through the Audit Committee, the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Group.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Group has an appropriate internal control environment in place to manage the key risks identified. In addition, senior management investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel. Management shall report to the Board annually that the Group has a sound system of risk management in place and that those systems are operating efficiently and effectively in all material respects. The Board is required to disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However the Board believes that the 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 the Group.

Recommendation 7.3: Compliance Committee

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

The members of the Compliance Committee during the year were:

- Mr Keith Platel (Chairman) – External Independent Member
- Mr Mark Atkinson – External Independent Member
- Mr David Mortimer – Executive Member

The role of the Compliance Committee includes responsibility for the evaluation of the effectiveness of the Responsible Entity's compliance systems which are designed to protect the interest of security holders. The majority of Compliance Reports presented to the Committee by the Responsible Managers are designed to monitor risks and risk treatment.

Directors' Report

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

Recommendation 7.4: Verification of financial reports

The Board has received assurance from the Chairman and the Chief Financial Officer 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 Chairman and Chief Financial Officer are required by the Group to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(A) of the Corporations Act:

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

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The Group has complied with this principle in the following manner:

Recommendation 8.1: The Board should establish a Remuneration Committee.

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

- Mr Reg Gillard – Independent Non-Executive (resigned 30 April 2012)
- Mr Frank Zipfinger (appointed Chairman 10 February 2012) – Independent Non- Executive
- Mr Terry Budge – Independent Non-Executive
- Mr Clive Appleton – Independent Non-Executive (appointed to Committee on 10 May 2012)

The key responsibilities of the Remuneration Committee are as follows:

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

The Committee meets as required but not less than annually.

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

Directors' Report

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

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

6. Remuneration report

The Board presents the Remuneration Report for the Group for the year ended 30 June 2012, which forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

The report provides a summary of the remuneration practices for the Group with respect to all employees, including Executives and the Directors under the following sections:

- 6.1 Overview
- 6.2 Remuneration Philosophy
- 6.3 Remuneration Framework
  - 6.3.1 Fixed Compensation
  - 6.3.2 Variable Compensation – Short Term Incentives
  - 6.3.3 Variable Compensation – Long Term Incentives
  - 6.3.4 Legacy Plans
  - 6.3.5 Service Contracts
  - 6.3.6 Non-Executive Directors
  - 6.3.7 Consequences of Performance on Shareholder Wealth (unaudited)
- 6.4 Directors and Executive Officers Remuneration
- 6.5 Analysis of bonuses included in remuneration
- 6.6 Options and rights over equity instruments granted as compensation
- 6.7 Analysis of movements in options
- 6.8 Analysis of Long Term Incentive Instruments granted as compensation

6.1 Overview

The Board of Directors oversees the remuneration practices of the Group and is charged with dealing with the complex issue of retaining and rewarding talented executives, balanced with the interests of security holders, who want to see remuneration restrained in view of the poor financial performance of the Group in FY12. This is particularly pertinent as the Board, led by the Remuneration Committee, is mindful that 36% of shareholders voted against the Remuneration Report at the 2011 Annual General Meeting.

Since that vote the Remuneration Committee has been active in assessing the remuneration landscape, engaging with remuneration consultants and proactively discussing strategy with a number of security holders, to determine a remuneration structure that will be supported by security holders, but that also retains and motivates staff.

A key principle of remuneration is that the financial rewards of KMP are linked to the performance of the Group. In view of the poor FY12 performance, the level of STI paid to KMP during the year was significantly reduced compared to FY11. The table below demonstrates the reduction of STI from FY11 together with the level of STI forfeited through KMP not meeting their relative performance targets.

FY12 STI awarded to KMP	FY12 STI forfeited	FY11 STI awarded to KMP
$167,503	$1,121,720	$1,038,170

Directors' Report

Following review and consultation the Board has determined that the basic remuneration principles and framework, as described in this report, are sound, well understood and generally accepted in the market place.

There are several specific areas that the Board has determined will be changed for FY13:

- All Directors fees and Board Committee fees have been reduced by 5%
- No increase in Key Management Personnel (KMP) fixed pay
- The Short Term Incentive Policy is amended to include a deferral component, where 25% of any future award for KMP is deferred for 12 months. Upon completion of 12 months further service the KMP will then be eligible to take the deferred component of the STI in cash, provided that there is no material misstatement in the financial outcome for which the KMP is responsible for.

Subsequent to the end of the 2011/2012 financial year, Mr Hawkins, the Managing Director, ceased as director of all Group companies (23 August 2012). Details of the payments made to the Managing Director in FY13 are noted in the subsequent events note (note 9 in this report).

The table below outlines the issues raised by security holders in respect of the 2011 Remuneration Report and the Group's response:

Issues Raised	Aspen Group response
Fixed Pay - Managing Director remuneration is high compared to Property Sector and with respect to revenue and market capitalisation	- No Managing Director base pay increase since FY10 - The feedback will be considered in the search for a new CEO
STI - Cash STI paid in FY11 despite share price decline	- No STI paid to the Managing Director for FY12 - Significantly scaled down STI for FY12 paid to three KMP only for each meeting or exceeding individual performance targets for their respective business areas
LTI - Link between grant of performance rights to the Managing Director and share price performance - EPS vesting criteria set too low	- In accordance with the remuneration framework, the Managing Director has 40% of his total remuneration as deferred equity, which is 'at risk'. 50% of the LTI award is directly linked to total shareholder return. - The EPS growth target for FY12 was set at 5% at the beginning of the year, which the Group did not meet for the year. The EPS criteria represents 50% of the LTI award.

The Group's remuneration policy and framework for FY12 was comprehensively reviewed and appropriately modified from FY11, with the core principle being that remuneration is structured for the purpose of:

- motivating senior executives to pursue the long-term growth and success of the Group; and
- demonstrating a clear relationship between senior executives' performance and remuneration.

Directors' Report

The Board is committed to ensuring executive pay is fair and comparable to like companies, but importantly links the financial rewards for its executives with the interests of security holders. In view of the disappointing financial performance and outcomes in FY12, no short term incentives have accrued for the former Managing Director and the executive team, other than three executives who met their individual and business related key performance indicators during the year. It should be noted that these awards were on a significantly reduced and scaled down basis relative to their potential entitlements and that the recipients were responsible for outstanding results in their respective business units.

In respect of STI policy, the Board has determined that the structure of the policy will be amended for FY13 onwards and will include a deferral component. In this respect, any STI awarded to a KMP, will require the receipt of 25% of the amount awarded to be deferred for a period of 12 months, whereupon the recipient is eligible, providing they have been continuously employed in the that 12 months) to take the deferred component in cash.

Fixed remuneration for key management personnel for FY12 remained constrained, including that of the former Managing Director, whose base pay has remained unchanged since FY10.

6.2 Remuneration Philosophy

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

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel include all directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

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

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

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

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

Services from remuneration consultants

The Remuneration Committee engaged PJ Kinder and Associates (PJ Kinder) as remuneration consultant to the Board to assist in the review of the amount and elements of the KMP remuneration, together with Board and Committee fees.

The scope of work undertaken by PJ Kinder Consulting in relation to 2011/2012 was:

- Provision of advice on Board and Board Sub-Committee Fees for Non Executive Directors; and
- Assist in the preparation for the 2011 Annual General Meeting with respect to the remuneration report, including specific advice on the Board determined short term incentive and equity issue to Key Management Personnel as named in the Annual Report.

Directors' Report

PJ Kinder was paid $11,000 (including GST) for the remuneration consulting services in 2011/2012.

The engagement of PJ Kinder by the Remuneration Committee was based on a documented set of protocols that would be followed by PJ Kinder, members of the Remuneration Committee and members of KMP for the way in which remuneration recommendations would be developed by PJ Kinder and provided to the Board.

The protocols included the prohibition of PJ Kinder providing advice and recommendations to KMP before the advice and recommendations were given to members of the Remuneration Committee and not unless PJ Kinder had approval to do so from members of the Remuneration Committee.

These arrangements were implemented to ensure that PJ Kinder would be able to carry out its work, including information capture and the formation of its recommendations free from undue influence by members of KMP about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by PJ Kinder during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which PJ Kinder was required to provide the Board with a summary of the way in which it carried out its work, detail of its interaction with KMP in relation to the assignment and other services, and respond to questioning by members of the Board after the completion of the assignment.

Performance Appraisal System

The Group has a formalised performance appraisal system in place and it requires all employees to complete an electronic based Employee 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 as to the current year short term incentive payment and the following years base remuneration level.

The new electronic based performance review system promotes continuous employee feedback and performance monitoring to ensure that the employee and organisation goals are aligned.

The Remuneration Committee is responsible for:

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

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

6.3 Remuneration Framework

The objective of the Group's Remuneration Framework is to remunerate its employees both competitively and appropriately such that Aspen attracts, retains and motivates a skilled and qualified executive team. The framework clearly aligns executive reward with achievement of the Group's strategic objectives. In addition to this, interests of executives are aligned to security holders via business outcomes such as growth in the Group's earnings, distributions and security price.

The Remuneration Committee utilises external remuneration consultants, as well as subscribing to independent market remuneration reports to ensure that the executive remuneration framework is market competitive and complementary to the reward strategy of the Group through the following features:

Directors' Report

Alignment to security holders' interest:

- Net operating income and total shareholder returns are both core components of the framework's design
- Focuses the executive on key financial and non-financial drivers of security holder value
- Attracts and retains high calibre executives

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 the 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.

For the year ended 30 June 2012 the Board has determined that within the context of providing market competitive levels of remuneration to Aspen Group executives, it is appropriate that executives 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
- Variable remuneration ("at risk"), consisting of the following components:
  - Short-Term Incentive (STI)
  - Long-Term Incentive (LTI)

An extensive review was performed on the remuneration mix policy for executives, i.e. the appropriate split between fixed remuneration, STIs and LTIs. Based on advice from external consultants as well as a comparison of peer group splits, the Group proposed and shareholders approved the following remuneration components at the 2010 Annual General Meeting:

Remuneration Mix	Managing Director	Executives
Fixed Remuneration	50% - 100%	60% - 100%
STIs	0% - 30%	0% - 20%
LTIs	0% - 20%	0% - 20%

The remuneration mix remained unchanged for FY12.

It should be noted that STI and LTI components are "at risk" and are only realised if respective performance hurdles (as described later in the framework) are achieved. If performance hurdles are not achieved, the remuneration mix moves toward 100% fixed remuneration.

Directors' Report

Through the remuneration framework Aspen Group aims to satisfy the following key criteria to ensure appropriate reward governance practices:

- Reward Group, divisional and individual performance against targets
- Reward capability, level of responsibility and experience
- Align the interests of executives with security holders
- Ensure remuneration remains competitive and appropriate within the marketplace
- Ensure remuneration is affordable and paid from operating earnings
- Transparency of remuneration framework

Further detail on each of these components is provided below.

6.3.1. Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.
The performance of the Group depends on the quality of its directors and executives. The executive base salary is set so as to be fair and competitive against Aspen Group's peers so as to attract and retain the best personnel in their fields. Executives may elect to change the proportion of their remuneration taken as superannuation, subject to legislative guidelines and approval from the Remuneration Committee. No guaranteed base salary increases are included in any senior executive contracts.

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

- The candidate's position and level of experience
- Individual, divisional and overall performance of the Group
- Market forces
- Advice from external consultants
- Review of independent remuneration reports

Furthermore, the Remuneration Committee benchmarks remuneration levels against similar roles in comparable companies, The benchmarking is undertaken against comparable companies in the property sector as well as companies with comparable revenue and market capitalisation.

6.3.2. Variable Compensation - Short Term Incentives (STI)

The STI is an "at risk" incentive awarded annually and is paid in cash, subject to the performance against agreed KPIs and the performance of the Group as a whole. For the year ended 30 June 2012, no STI was awarded to the former Managing Director, whilst only three Key Management Personnel were awarded an STI, determined after performance reviews were completed and then approved by the Remuneration Committee.

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 the Group.

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

Directors' Report

The KPIs measured are linked to the 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)
- Financial (e.g. Group/divisional profit targets)
- Aspen People and Governance (e.g. leadership, culture enhancement, communication, risk management and ethics)
- Stakeholders (e.g. building strong relationships with investors, financiers, customers)

To be eligible for a STI a participant needs to be employed with Aspen Group for a minimum of 6 months, and all STIs are paid at the discretion of the Board.

The first step in the process is the Board setting the size of the potential STI pool at the beginning of each financial year. The STI pool size is set as an integral function of the Group's budgeted financial targets for the year.

The STI pool can be scaled up or down by the Board depending upon the actual financial performance of the Group.

The level of STI opportunity is expressed as a percentage of the employee's base remuneration and is dependent upon each individual's skill level, responsibilities and ability to influence the financial objectives of the Group.

The Board determined the relevant KPIs for the former Managing Director. The former Managing Director, in consultation with the Remuneration Committee, determined the appropriate KPIs for key executives.

At year end, actual performance levels (against set KPIs) are assessed by the Board for the Managing Director, and by the Managing Director, in consultation with the Remuneration Committee for key executives.

In any given year, the maximum potential STI payout for the Managing Director is 60% of base remuneration. This maximum can only be achieved for outperforming targeted financial performance of the Group as well as achieving above targeted individual performance, in terms of agreed KPIs.

6.3.3. Variable Compensation - Long Term Incentives (LTI)

LTIs are equity based plans designed to reward and retain employees by inviting them to become security holders in Aspen Group.
Participation is at the Board's discretion and no employee has contractual rights to participate or receive any guaranteed benefit.

The LTI plans are aimed at creating a strong link between performance and reward and increasing security holder value by enabling eligible employees to share in the future growth of the Group.

The objective of the LTI plan is to reward and retain key employees. Awards are linked to the Group's security price as quoted on the ASX, and to EPS, therefore employee's remuneration is aligned to the creation of security holder wealth. Under this plan, the more the Group's security price increases over the relevant vesting period, the greater the potential benefit to employees.

The Group's LTI is delivered via a Performance Rights Plan (PRP), which has been in place since 2010. The advantage of the PRP is that the rights retain some level of value even in depressed markets unlike options which may be 'out of the money' and are therefore not valued by the KMP in striving for improved performance.

Directors' Report

Performance Rights Plan (PRP)

The PRP facilitates the grant of performance rights (Performance Rights) to employees of a member of the Aspen Group (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 entitled to participate in the PRP, although prior security holder approval will be sought prior to each such participation.

The Performance Rights form a key component of Aspen Group's long term incentive remuneration strategy. The PRP aligns the interests of security holders and Eligible Employees, and the Plan is designed to reward performance and out-performance of Aspen Group's earnings per share growth (against targets) as well as total shareholder return compared to the S&P ASX 300 Property Sector index.

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).

For the year ended 30 June 2012, the Managing Director Mr Hawkins was awarded 1,575,250 Performance Rights, in accordance with a resolution passed by shareholders at the 2011 Annual General Meeting (2011: 2,015,027).

Vesting Conditions

A Performance Right Holder will only be able to exercise their Performance Rights to the extent the vesting conditions are satisfied (if any).

The PRP Rules allow for the design of offers in which the key measures used for the initial grants are expected to be continued employment, minimum internal performance ratings, Total Shareholder Return (TSR) and Earnings Per Share (EPS) vesting conditions. The TSR and EPS vesting conditions each determine 50% of the total award and are measured over a three year period from the start of the financial year in which they are offered. These financial vesting conditions are discussed in more detail below. The continued employment and minimum internal performance rating are also measured over that same 3 year period.

The Board will consider introducing additional or different conditions for future grants of rights should prevailing market conditions support such a decision.

TSR Hurdle

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

The S&P ASX 300 Property Sector index is used as a comparator group as it represents the Company's listed property peers that the Group competes with for capital 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 company in the comparator group. The performance of each company is then ranked, using percentiles. Aspen Group's performance will then be calculated at the end of the performance period and compared to the percentile rankings, so vesting of performance rights under this hurdle will only occur if Aspen outperforms a majority of the companies making up the S&P ASX 300 Property Sector index over the three year period.

Directors' Report

EPS Hurdle

EPS growth is used as a key parameter of financial performance. EPS is calculated using operating earnings per security adjusted for significant items and other items determined by the Board, as disclosed in the Director's Report and is set at the start of each financial year by the Board of Directors.

EPS growth will be measured as the percentage increase in EPS (with respect to the previous financial year) in each of the three consecutive financial years commencing with the year in which the performance rights are granted. The aggregate of actual EPS growth rates over the three year performance period is then compared to the aggregate of the individual target EPS growth rates as determined by the Board for the corresponding financial years ("EPS Target").

The Board believes that setting annual targets for EPS growth, and aggregating them over three years, is the most suitable and rigorous target setting process. Each annual target is set to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook. The Board believes that this approach is better aligned to security holders' interests than setting a three year target which may become unreasonably high or low as market conditions change over the three year vesting period.

The following vesting schedule applies to the award of any PRP'S to eligible participants:

Relative TSR over three years	Aggregate EPS Growth over three years	Proportion of TSR/EPS related rights vested
At or below the 50th percentile	Less than or equal to EPS Target	0%
At the 51st percentile	Greater than EPS Target	50%
Between the 51st percentile and the 75th percentile	Significantly greater than EPS Target	Straight-line between 50% and 100%
75th percentile or above	EPS stretch Target achieved	100%

For the year ended 30 June 2012 the Remuneration Committee determined that the relevant growth rates applicable for inclusion in the aggregation calculation for the year was based on minimum target of 5% growth in pre tax EPS, the achievement of which would represent a 50% vesting of the award, whilst a 10% increase was a stretch target for 100% vesting.

6.3.4. Legacy Plans

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

Employee Stapled Security Incentive Plan (ESSIP)

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

Under the ESSIP, the maximum number of stapled securities issued pursuant to the Plan cannot exceed 5% of the Group's total number of issued stapled securities. As at 30 June 2012, the number of stapled securities issued under the plan to all employees was 5.7 million, compared to the maximum number of stapled securities permitted under the Plan of 29.0 million.

Directors' Report

The key features of the plan are as follows:

- Eligible employees are offered the opportunity to purchase stapled securities in Aspen Group at the market price;
- The market price is determined by calculating the weighted average market price of stapled securities over the 15 trading days preceding the date of the offer;
- An offer can be made once in each 12 month period, with the first offer to be made following 12 months of service, or shorter at the discretion of the Directors;
- The purchase of securities is funded by a loan provided by Aspen Group. Interest on the loan will be equivalent to the prevailing interest rate payable by Aspen Group on its loan facilities;
- The loan provided by Aspen Group is on a non-recourse basis, which means only the value of the securities can be used to repay the loan (employees are not personally liable to repay the loan);
- Distributions received from securities held under the plan are used to repay the interest and principal of the loan; and
- Plan securities are held under a trading lock for a period of two years and as such cannot be sold or dealt with by employees during that time.

Executive Director Long Term Incentive Plan ("EDLTIP")

At the 2007 and 2008 Annual General Meetings (AGMs), security holders approved the issue of stapled securities to the former Managing Director and former executive director, under the Executive Director Long Term Incentive Plan ("EDLTIP").

No securities have vested under EDLTIP, all securities have been cancelled and the plan has expired.

6.3.5 Service Contracts

It is the Group's policy that service contracts for key management personnel, excluding the former Managing Director, have no fixed terms but are capable of termination on generally three months notice and that the Group retains the right to terminate the contract immediately, by making payment equal to three month's pay in lieu of notice.

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

The Managing Director had a contract of employment dated 22 October 2009 with the Group which specified the duties and obligations to be fulfilled. As outlined in note 9 of this report, the Managing Director ceased as an employee and a director on 23 August 2012.

6.3.6 Non-Executive Directors

The total remuneration for non-executive directors for the 2012 financial period was $502,532 (2011:$435,789). The remuneration level is within the maximum remuneration level previously approved by security holders at the 2010 Annual General Meeting 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 gives due regard to the current market conditions for the supply of these services and the duties and responsibilities of each member. Remuneration levels are directly compared to that of competitors and advice sought from external consultants as required. Non-executive directors do not receive performance based remuneration such as cash bonuses or the ability to participate in the Group's employee stapled security incentive plans.

Directors' Report

The Directors have determined that it is appropriate, in view of the financial performance of the Group, that remuneration for Directors in respect of base fees and Committee fees be reduced by 5% per annum. As a result, the annual fees payable will be in accordance with the table below:

Position	FY12 Remuneration (Base fees excluding super)	Revised FY13Remuneration (Base fees excluding super)
Non-Executive Chairman	$157,500	$149,625
Non-Executive Director	$81,000	$76,950
Audit Committee Chairman	$9,000	$8,550
Audit Committee Member	$4,500	$4,275
Remuneration Committee Chairman	$9,000	$8,550
Remuneration Committee Member	$4,500	$4,275
Nominations Committee Chairman	$9,000	$8,550
Nominations Committee Member	$4,500	$4,275

6.3.7 Consequences of Performance on Shareholder Wealth (unaudited)

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

	2012	2011	2010	2009	2008
Net profit after tax before significant items	$28.0m	$35.2m	$33.6m	$33.2m	$43.8m
Statutory profit /(loss) after tax	($147.1m)	$17.4m	$12.6m	($64.7m)	$70.8m
Distributions per security	3.15cps	4.2cps	4.2cps	9.0cps	15.5cps
Market Cap (30th June)	$238m	$255m	$261m	$197m	$328m
Share price (30th June)	$0.40	$0.44	$0.45	$0.34	$1.24
Return on capital employed	(40.45%)	4.86%	2.96%	(13.25%)	14.05%

Net profit after tax before significant items, also referred to as underlying earnings, (as determined by the Directors and as disclosed on page 36) is considered as one of the financial performance targets in setting the STI. Statutory profit amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. In 2008, key management personnel compensation increased as a result of the significant growth of the Group and its earnings. However, due to the economic downturn in 2009 a significant level of cost rationalisation was undertaken and no STIs and LTIs were awarded in FY09 or FY10. During FY11 there was an improvement to the underlying business evidenced by the improved quality of the investment portfolio and extension of core debt facilities to 2014. In FY12, there has been a continued improvement in the property portfolio valuation to 30 June 2012, and there has been record level of growth in retail fund inflows for the Aspen Parks Property Fund. There has been, however, significant impairments recognised against the carrying values of loans to, and equity in, the residential and development funds which has contributed to the statutory loss for the financial year.

Directors' Report

6.4 Directors' and Executive Officers' Remuneration

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

	Year	Short-term				Post-employment						
		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Super-annuation 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)	**2012**	**159,639**	**-**	**-**	**159,639**	**14,367**	**-**	**-**	**-**	**174,006**	**-**	**-**
	2011	31,154	-	-	31,154	2,804	-	-	-	33,958	-	-
Terry Budge	**2012**	**103,327**	**-**	**-**	**103,327**	**9,299**	**-**	**-**	**-**	**112,626**	**-**	**-**
	2011	99,000	-	-	99,000	8,910	-	-	-	107,910	-	-
Hugh Martin (note 2)	**2012**	**15,532**	**-**	**-**	**15,532**	**-**	**-**	**-**	**-**	**15,532**	**-**	**-**
(appointed 30 April 2012)	2011	-	-	-	-	-	-	-	-	-	-	-
Clive Appleton	**2012**	**15,532**	**-**	**-**	**15,532**	**-**	**-**	**-**	**-**	**15,532**	**-**	**-**
(appointed 30 April 2012)	2011	-	-	-	-	-	-	-	-	-	-	-
Reg Gillard	**2012**	**169,575**	**-**	**-**	**169,575**	**15,261**	**-**	**-**	**-**	**184,836**	**-**	**-**
(resigned 30 April 2012)	2011	193,500	-	-	193,500	17,415	-	-	-	210,915	-	-
Executive Directors												
Gavin Hawkins, Managing Director	**2012**	**879,078**	**-**	**-**	**879,078**	**25,000**	**-**	**15,100**	**169,313**	**1,088,491**	**15.6**	**15.6**
(ceased 23 August 2012)	2011	972,891	544,170	-	1,517,061	25,000	-	12,009	111,010	1,665,080	39.3	39.3
Group Executives												
Jamie Smith, Head of Commercial Property	**2012**	**325,774**	**48,750**	**-**	**374,524**	**29,250**	**-**	**-**	**30,336**	**434,110**	**18.2**	**18.2**
	2011	266,844	78,750	-	345,594	23,590	-	-	19,292	388,476	25.2	25.2
Chris Lewis, Head of Residential Property	**2012**	**448,489**	**-**		**448,489**	**15,775**	**-**	**-**	**65,456**	**529,720**	**12.4**	**12.4**
	2011	426,846	191,250	-	618,096	15,198	-	-	45,287	678,581	34.9	34.9
Brendan Acott, CEO of Living	**2012**	**325,788**	**-**	**-**	**325,788**	**28,980**	**-**	**15,976**	**30,056**	**400,800**	**7.5**	**7.5**
	2011	291,485	87,000	-	378,485	25,712	-	10,569	25,436	440,202	25.5	25.5
Philip Barker, General Manager – Funds	**2012**	**294,017**	**29,000**	**-**	**323,017**	**15,775**	**-**	**-**	**27,069**	**365,861**	**15.3**	**15.3**
Management	2011	249,230	75,000	-	324,230	16,170	-	-	19,454	359,854	26.2	26.2
Brett Fullarton, Chief Financial Officer	**2012**	**223,295**	**89,753**	**-**	**313,048**	**5,764**	**-**	**-**	**-**	**318,812**	**-**	**-**
(appointed January 2012)	2011	-	-	-	-	-	-	-	-	-	-	-
Simon Martin, Chief Financial Officer	**2012**	**213,119**	**-**	**-**	**213,119**	**14,658**	**-**	**-**	**-**	**227,777**	**-**	**-**
(resigned January 2012)	2011	282,066	62,000	-	344,066	13,445	-	-	20,667	378,178	21.9	21.9
Total Key Management Personnel	**2012**	**3,173,165**	**167,503**	**-**	**3,340,668**	**174,129**	**-**	**31,076**	**322,231**	**3,868,103**	**-**	**-**
	2011	2,813,016	1,038,170	-	3,851,186	148,244	-	22,578	241,146	4,263,154	-	-

Directors' Report

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 on 23 August 2012.

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

Grant Date	Type of option	Vesting Date	Fair value per option	Exercise price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
1 December 2004	ESSIP	1 December 2006	$0.592	$1.005	$1.005	36.7%	5.13%	8.26%
1 December 2005	ESSIP	1 December 2007	$0.619	$1.090	$1.090	36.7%	5.13%	8.96%
19 December 2006	ESSIP	19 December 2008	$0.421	$1.767	$1.767	36.7%	6.25%	9.51%
6 December 2007	ESSIP	6 December 2009	$0.345	$2.690	$2.690	24.6%	6.75%	5.76%
11 June 2009	ESSIP	11 June 2011	$0.054	$0.321	$0.321	20.0%	3.00%	14.77%
27 November 2007	EDLTIP	30 June 2010	$0.410	$2.693	$2.693	24.6%	6.50%	5.65%
25 November 2008	EDLTIP	30 June 2011	$0.053	$0.466	$0.466	20.0%	5.25%	10.17%
01 July 2010	PRP	30 June 2013	$0.191	-	$0.450	26.9%	4.75%	9.33%
01 July 2011	PRP	30 June 2014	$0.322	-	$0.435	25.0%	5.32%	9.0%

Directors' Report

6.5 Analysis of bonuses included in remuneration

In respect of the FY12 reporting period, no short-term incentive cash bonuses were awarded to the former Managing Director, while only three KMPs received short term incentive cash bonuses totalling $167,503. Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the named Company executives and relevant group executives are detailed below.

In considering the award of the STI the Remuneration Committee assessed the overall financial performance of the company was below expectations. However, three KMP's were awarded STI in reflection of their contribution to the performance in their lines of business and meeting their key performance indicators. These lines of business were in respect of funds management and the management of the investment property portfolio.

	Short term incentive bonus		
	Included in remuneration $ (A)	% of STI opportunity vested in year	% of STI opportunity forfeited in year (B)
Group Executives			
J Smith	48,750	75%	25%
P Barker	29,000	50%	50%
B Fullarton	89,753	100%	-

(A) The amount included in remuneration for the financial year represents the amount that vested in the financial year based on achievement of the individual's key performance indicators and the contribution they have made to the business outcomes. Specifically these goals were in relation to the performance of the property portfolio and the funds management distribution success. The STI for Mr Fullarton is in respect of a condition for the first year of his contract only and relates to his fulfillment of service obligations, in that he remain with the business through to 30 June 2012. No amounts vest in future financial years in respect of the bonus schemes for the 2012 financial year.

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

6.6 Rights over equity instruments granted as compensation

Details on rights over ordinary shares in the Company that were granted as compensation to each key management person 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 options vested during 2012
Managing Director						
G Hawkins (ceased 23 August 2012)	1,575,250	01 July 2011	0.32245	-	30 June 2014	-
Group Executives						
J Smith	282,241	01 July 2011	0.32245	-	30 June 2014	-
C Lewis	608,988	01 July 2011	0.32245	-	30 June 2014	-
B Acott	279,635	01 July 2011	0.32245	-	30 June 2014	264,468
P Barker	251,845	01 July 2011	0.32245	-	30 June 2014	-
B Fullarton	296,135	01 July 2011	0.32245	-	30 June 2014	-

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

Directors' Report

6.7 Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the company held by each key management person and each of the relevant Group executives is detailed below.

	Granted in year $ (A)	Value of options exercised in the year $ (B)	Lapsed in the year $ (C)
Managing Director			
G Hawkins (ceased 23 August 2012)	507,939	-	(300,000)
Group Executives			
J Smith	91,009	-	-
C Lewis	196,368	-	-
B Acott	90,168	264,468	-
P Barker	81,207	-	-
B Fullarton	95,489	-	-

(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 2011 to 30 June 2014).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company 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.

Directors' Report

6.8 Analysis of Long Term Incentive Instruments 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 group executives are set out below:

	LTII granted		% vested in year/ prior years	% Forfeited in year (1)	Financial year in which grant vests	Note
	Number	Date				
Directors						
G Hawkins	300,000	1 December 2004	100%	100%	FY 2007	
(ceased 23	500,000	1 December 2005	100%	0%	FY 2008	(2)
August 2012)	1,250,000	19 December 2006	100%	0%	FY 2009	(2)
	2,015,027	1 July 2010	0%	0%	FY 2013	(3)
	1,575,250	1 July 2011	0%	0%	FY 2014	(3)
Group Executives						
J Smith	70,006	11 June 2009	100%	0%	FY 2011	
	50,000	9 December 2006	100%	0%	n/a	
	274,869	1 July 2010	0%	0%	FY 2013	
	282,241	1 July 2011	0%	0%	FY 2014	
C Lewis	108,899	11 June 2009	100%	0%	FY 2011	
	667,539	1 July 2010	0%	0%	FY 2013	
	608,988	1 July 2011	0%	0%	FY 2014	
B Acott	100,000	1 December 2005	100%	0%	FY 2008	
	264,468	11 June 2009	100%	0%	FY 2011	
	293,194	1 July 2010	0%	0%	FY 2013	
	279,635	1 July 2011	0%	0%	FY 2014	
P Barker	108,899	11 June 2009	100%	0%	FY 2011	
	261,780	1 July 2010	0%	0%	FY 2013	
	251,845	1 July 2011	0%	0%	FY 2014	
B Fullarton	296,135	1 July 2011	0%	0%	FY 2014	
S Martin	324,607	01 July 2010	0%	100%	FY 2013	

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

2) Upon cessation of the Managing Director's employment, the 1.750 million LTII are to be forfeited in FY13.

3) The performance rights of the Managing Director are subject to the vesting criteria stipulated in the Performance Rights Plan.

7. Principal activities

The principal activities of Aspen Group during the period were investment in commercial and industrial property and funds management activities in the property sector. There was no significant change in the nature of the activities of the Group during the year.

Directors' Report

8. Operating and financial review

The consolidated entity recorded a loss after tax calculated in accordance with International Financial Reporting Standards ("IFRS") of $147.100 million for the year ended 30 June 2012 (profit of $17.425 million for the year ended 30 June 2011).

Underlying 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 ongoing operating activities of Aspen Group in a way that appropriately reflects the Group's underlying performance. Underlying 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-Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of the Group's core ongoing business activities.

The Underlying Profit as assessed by the directors, for the year was $27.985 million ($35.245 million for the year ended 30 June 2011), reflecting a 20.9% decrease from the previous corresponding period.

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

The tables on pages 37 and 38 have not been audited or reviewed by KPMG.

Directors' Report

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

	Comprehensive Income for the period ended 30 June 2012		
	Underlying Results $ '000s	**Adjustments $ '000s**	**IFRS Total $ '000s**
Revenue and other income			
Income from investment properties	39,155	-	39,155
Revenue from sale of inventories	790	-	790
Funds management revenue	14,551	(6,833)	7,718
Financial income	14,440	(321)	14,119
Other income	692	-	692
Total revenue and other income	69,628	(7,154)	62,474
Change in fair value of investment properties	-	41,776	41,776
Change in fair value of retirement living assets	327	-	327
Loss on disposal of investment property	-	(641)	(641)
Loss on disposal of property, plant and equipment	-	(392)	(392)
Property expenses	(12,901)	(2,425)	(15,326)
Cost of inventories sold	(716)	-	(716)
Write-down of inventory to recoverable amount	-	(16,258)	(16,258)
Funds management commission expense	(421)	1,070	649
Administration expenses	(16,216)	(514)	(16,730)
Finance expenses	(9,834)	(3,435)	(13,269)
Other expenses	(59)	(2,760)	(2,819)
Impairment of available for sale investments	(119)	(2,497)	(2,616)
Impairment of financial assets	-	(117,560)	(117,560)
Loss on acquisition of subsidiary	-	(3,605)	(3,605)
Gain on sale of subsidiary	-	3,500	3,500
Impairment adjustments of equity accounted investees	-	(54,436)	(54,436)
Share of profit/(loss) of equity accounted investees	1,043	(4,921)	(3,878)
Profit/(loss) before tax	**30,732**	**(170,252)**	**(139,520)**
Income tax benefit	(5,298)	(5,065)	(10,363)
Profit/(loss) from continuing operations	**25,434**	**(175,317)**	**(149,883)**
Profit from discontinued operation	2,551	232	2,783
Profit/(loss) for the year	**27,985**	**(175,085)**	**(147,100)**
Profit/(loss) attributable to:			
Security holders of Aspen Group	27,261	(175,216)	(147,955)
Non-controlling interests	724	131	855
Profit/(loss) for the year	**27,985**	**(175,085)**	**(147,100)**
Basic earnings per security (cents)	4.66		**(25.31)**
Diluted earnings per security (cents)	4.66		**(25.29)**
Total Assets			587,424
Total Equity			248,566
Net Tangible Assets per security (cents)			$0.41
Net Tangible Assets per security – excluding non-dilutive LTI instruments (cents)			$0.41

Directors' Report

	Comprehensive Income for the period ended 30 June 2011		
	Underlying Results $ '000s	Adjustments $ '000s	IFRS Total $ '000s
Revenue and other income			
Income from investment properties	50,171	-	50,171
Funds management revenue	14,978	-	14,978
Revenue from sale of inventories	14,633	-	14,633
Financial income	12,506	1,699	14,205
Other income	1,197	95	1,292
Total revenue and other income	93,485	1,794	95,279
Change in fair value of investment properties	-	(1,245)	(1,245)
Change in fair value of retirement living assets	273	(879)	(606)
Loss on disposal of investment property	-	(518)	(518)
Loss on disposal of property, plant and equipment	-	(134)	(134)
Property expenses	(16,213)	-	(16,213)
Costs of inventories sold	(13,890)	-	(13,890)
Write-down of inventory to recoverable amount	-	(453)	(453)
Funds management commission expense	(1,054)	-	(1,054)
Administration expenses	(15,055)	(811)	(15,866)
Finance expenses	(13,742)	-	(13,742)
Other expenses	(470)	(523)	(993)
Amortisation of intangible assets	(804)	-	(804)
Impairment adjustments of equity accounted investees	-	12,873	12,873
Share of profit/(loss) of equity accounted investees	858	(30,724)	(29,866)
Profit/(loss) before tax	**33,388**	**(20,620)**	**12,768**
Income tax benefit	1,857	2,800	4,657
Profit/(loss) for the period	**35,245**	**(17,820)**	**17,425**
Basic earnings per security (cents)	6.24		**3.08**
Diluted earnings per security (cents) *	6.24		**3.08**
Total Assets			597,785
Total Equity			390,258
Net Tangible Assets per security (cents)			$0.66
Net Tangible Assets per security – excluding non-dilutive LTI instruments (cents)			$0.67

Income distributions for the year were as follows:

Quarter Ended	Record Date	Amount Per Stapled Security 30 June 2012	Amount Per Stapled Security 30 June 2011
September	30 September 2011	1.050 cents	1.050 cents
December	31 December 2011	1.050 cents	1.050 cents
March	31 March 2012	1.050 cents	1.050 cents
June	-	-	1.050 cents
Total		**3.150 cents**	**4.200 cents**

Directors' Report

Income distributions paid by Aspen Diversified Property Fund to non-controlling interests during the period since the date of acquisition were:

Month Ended	Record Date	Amount Per Unit 30 June 2012	Amount 30 June 2012
November	30 November 2011	0.0391 cents	$94,319
December	31 December 2011	0.0404 cents	$98,482
January	31 January 2012	0.0404 cents	$98,482
February	29 February 2012	0.0378 cents	$92,128
March	31 March 2012	0.0404 cents	$98,482
April	30 April 2012	0.0391 cents	$95,305
May	31 May 2012	0.0404 cents	$105,382
June	30 June 2012	0.0391 cents	$108,904
Total		**0.3167 cents**	**$791,484**

Review of principal businesses

Investment property portfolio

The Group's investment portfolio continues to perform soundly recording a 0.8% increase on a like for like basis in net rental income over the previous corresponding period to $15.737 million excluding the sale of two assets that occurred in FY12. Overall, the portfolio had a 97% occupancy level at year end.

During the year the Group effected the sale of its Alcoa and Rocklea investment properties at $27.472 million and $8.100 million respectively. Both settlements occurred in May 2012, and resulted in a pre tax loss of $0.641 million.

The investment portfolio continues to see capital growth with a revaluation increase of $41.776 million during the financial year following independent valuations of four properties.

Non-core land assets

Aspen Group is still pursuing its strategy of recycling non-core, non-income producing assets on its statement of financial position. Aspen has continued to advance the planning activities for a number of assets in line with this strategy, and sold its two landholdings at Herne Hill, WA during the year for $1.490 million with one remaining contracted as at 30 June 2012 (which settled subsequent to year end).

Funds Management

Funds Management contributed a statutory loss of $170.638 million to the Group's performance. This loss has primarily arisen as a result of management conducting a review of its equity and loans to its Aspen Living and Aspen Development Fund No.1 Limited (ADF) residential and development portfolios. This review has seen the Group recognise an impairment of equity and loans of $171.996 million. For further details of these impairments, refer to notes 5(xi), 20 and 37.

Excluding these impairments, Funds Management achieved a net profit of $14.924 million comprising the operating contribution from all funds management income streams, including management fees, equity share of profits and interest income on loans.

The Aspen Living division has actively pursued development activities in the residential sectors across a number of developments, however development activities remain challenging.

Directors' Report

The principal activity for ADF has been the continuation of development works on the Australian Taxation Office ("ATO") Building in its Adelaide City Central precinct. The ATO building remains on schedule for delivery of the base building in October 2012, with the full completion of the remaining portion of tenant works scheduled for the first quarter of 2013. Activity levels across ADF outside of the ATO Building development works have been subdued in what remains a challenging environment for realisation of major commercial and residential projects, coupled with capital constraints that hamper new development. Regardless of this, ADF has continued to sell down titled stock on a number of its projects including Norwest, Campbelltown and Byford on the Scarp.

Key highlights for the year include:

- Strong operating performance from Aspen Parks Property Fund with strong equity inflows up 82% on the previous corresponding period.
- The ATO Building acquired for the Group's investment portfolio had reached 88.5% completion at 30 June 2012 (90.8% at the date of this report).
- Aspen Living achieved the settlement of $46.000 million of stock during the year (177 lots).
- The Group successfully achieved facility extensions on 3 out of 6 of its development syndicates. A further two development syndicates achieved facility extensions subsequent to year end.

Capital Management and Financial Position

The Group's gearing position currently stands at 46% at 30 June 2012 which has increased from 28% at 30 June 2011 as a consequence of the consolidation of Aspen Diversified Property Fund and impairments conducted on loans and equity on its development syndicates. Look through gearing has increased from 34% to 49%.

The total cost of drawn debt as at 30 June 2012 for the consolidated entity inclusive of facility fees was 8.35% pa (2011: 8.96%).

Aspen uses interest rate swaps to hedge its exposure to interest rate risks and at 30 June 2012, 97.3% of the NAB senior debt facility was hedged with a contracted weighted average maturity of 2.48 years.

Significant changes in the state of affairs

During the period Aspen Group's equity interest in Aspen Diversified Property Fund increased and it is treated as a subsidiary for consolidation purposes at 30 June 2012.

Aspen Group also diluted its interest in 12-26 Franklin Street Property Trust ('FSPT') by the sale of 50% of the equity to Telstra Super Pty Limited reducing the Group's continuing interest to 50%. FSPT is no longer considered a subsidiary for consolidation purposes. It is now treated as a joint venture at 30 June 2012 and accounted for on a proportionate basis.

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

9. Events subsequent to reporting date

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

- The Group announced a fully underwritten capital raising on 24 September 2012. The capital raising is intended to strengthen the Group's capital position, reduce gearing and improve the Group's liquidity.

Directors' Report

The proposed capital raising will be structured as an accelerated pro-rata non-renounceable entitlement offer and is expected to raise $96.000 million after costs. The capital raising is to be fully underwritten subject to the usual terms and conditions associated with underwriting arrangements, the most significant of these being, no material adverse change in Aspen's business and no material adverse change in specified ASX indices. The Board resolved to proceed with the capital raising on 23 September 2012.

- A general meeting of the unit holders of the Aspen Diversified Property Fund ('the Fund") was held on 2 July 2012 which authorised Aspen Funds Management Limited (as the Responsible Entity of the Fund) to commence an orderly sale of the properties of the Fund within a reasonable period of time and to wind up the affairs of the Fund shortly thereafter.

- The Group secured up to $35.000 million of new funding via redemption of Aspen Property Trust's units in the Franklin Street Property Trust ("FSPT"). The funding has been made available through FSPT entering into a convertible note facility provided by the Group's joint venture partner Telstra Super.

  Key terms of the Convertible Notes, in respect of the Group's unitholding, are as follows:
  - Redemption amount: $35.000 million, to be available as follows:
    - $15.000 million immediately available (and drawn on 14 September 2012);
    - $5.000 million on practical completion of base building works; and
    - $15.000 million on provision of acceptable security to meet developer obligations to tenants, with security to reduce in line with mitigation of said developer obligations;
  - All in coupon cost 10.5% per annum; and
  - Redemption period no later than three years from issue.

  The Group has provided its 50% interest in FSPT as security to Telstra Super in connection with repayment. The ability to subscribe for units in FSPT to fund an early repayment throughout the three year term of the Convertible notes is available to the Group at its discretion.

- The Group received a waiver of its breach of the Weighted Lease Duration (WLD) covenant on its NAB facility subsequent to year end, and a reduction in its WLD covenant to 1.25 years until 30 June 2013. This waiver is conditional upon Aspen Group and its associated entities committing to debt reduction of at least $100.000 million through a series of contracted step downs by December 2013, to be achieved through completion of a capital raising and progression of non-core asset sales.

- Aspen Group converted $1.525 million of debt into equity within Aspen Whitsunday Shores Pty Ltd ("AWSS") on 1 August 2012. Following this conversion, the Group owns 54% of AWSS.

- The Group has entered into a contract with an external party with respect to the sale of its equity and management fee rights on St Leonards Estate Pty Ltd for $7.500 million, which whilst is conditional as at the date of this report, is expected to settle in September/October 2012.

- On 11th September 2012, Aspen Group agreed to waive its loan to Aspen Development Fund No. 1 Limited ("ADF") of $37.354 million as at that date in exchange for ADF agreeing to conduct an orderly sale process.

- Subsequent to year end, Aspen Group received an increase in its LVR to 60% (from 50%) on the Bendigo and Adelaide bank facility until 31 December 2012.

- On 23 August 2012 the Managing Director, Mr Gavin Hawkins, ceased to be an employee and a Director of all Group companies with immediate effect. In accordance with a deed entered into between the Group and Mr Hawkins, a payment in lieu of notice equivalent to 14 months base pay will be paid to Mr Hawkins. The payment is to be made in

Directors' Report

two instalments with the second instalment, equal to six months pay, deferred until July 2013. In addition, Mr Hawkins will be paid his accrued annual leave and long service leave entitlements.

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.

10. Likely developments

Aspen Group will continue to pursue strategies aimed at increasing the profitability of its business activities while at the same time maintaining appropriate levels of capital adequacy and governance to safeguard the interests of security holders. This includes the completion of a strategic review of the Group's business, with the clear focus on simplifying its business model to concentrate on the activities in which the Group has core strengths and is able to achieve economic scale of operations.

This strategic review is likely to reflect a fundamental shift away from management fee and interest revenue generated from residential and development assets and instead focus on organic growth opportunities and acquisitions in the Aspen Parks Property Fund, active asset management of the existing investment portfolio, and growing the funds management platform to include single asset funds that meet investor appetite for secure and regular income. One key impact from this strategic review will include restricting the financial funding provided to certain residential and development syndicates.

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

11. Directors' interests

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

	Fully Paid Stapled Securities	LTII (1)
F Zipfinger	211,012	-
T Budge	534,809	-
H Martin (appointed 30 April 2012)	-	-
C Appleton (appointed 30 April 2012)	-	-
R Gillard (resigned 30 April 2012)	3,000,000	-
G Hawkins (ceased 23 August 2012)	14,622,466	5,340,277

1) Relates to LTII issued under the Employee Stapled Security Incentive Plan, Executive Director Long Term Incentive Plan and the Performance Rights Plan.

12. Indemnification and insurance of officers and auditors

During the financial year the Group paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2012 and since year end, the Group has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2013. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of the Group.

Directors' Report

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

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

13. Non-audit services

During the year KPMG, the 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 in accordance with a resolution of the Audit Committee, it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

	2012	2011
	$	$
Audit services:		
Auditors of the Group – KPMG:		
Audit and review of financial reports	319,470	331,885
Other regulatory audit services	34,600	34,600
	354,070	366,485
Other auditors – non-KPMG firms:		
Audit and review of financial reports	61,085	-
	415,155	366,485

	2012	2011
	$	$
Services other than statutory audit - KPMG:		
Tax advisory services	245,395	177,656
Other advisory services	34,184	36,141
	279,579	213,797
Other auditors – non-KPMG firms:		
Tax advisory services	28,463	-
	308,042	213,797

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

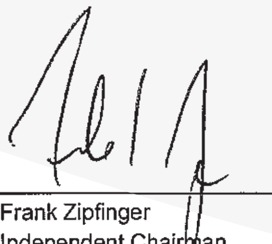
The lead auditor's independence declaration is included on page 45 and forms part of the Directors' Report for the financial year ended 30 June 2012.

Directors' Report

15. 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.

Signed in accordance with a resolution of the directors.



Frank Zipfinger
Independent Chairman
PERTH, 24 September 2012

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

To: the directors of Aspen Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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

Kevin Smout
Partner

Perth

24 September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 44 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 Aspen 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 the Aspen Group's financial position and of their performance.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2012 and 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 2012. The directors 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth

24 September 2012

Financial Report for the year ended 30 June 2012

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $ '000	2011 $ '000
Revenue and other income			
Income from investment properties	7	39,155	50,171
Revenue from sale of inventories	8	790	14,633
Funds management revenue	7	7,718	14,978
Finance income	11	14,119	14,205
Other income		692	1,292
Total revenue and other income		62,474	95,279
Change in fair value of investment properties	19	41,776	(1,245)
Change in fair value of retirement living assets		327	(606)
Loss on disposal of investment property		(641)	(518)
Loss on disposal of property, plant and equipment		(392)	(134)
Property expenses		(15,326)	(16,213)
Cost of inventories sold	9	(716)	(13,890)
Write-down of inventory to recoverable amount		(16,258)	(453)
Funds management commission expense		649	(1,054)
Administration expenses	10	(16,730)	(16,670)
Finance expenses	11	(13,269)	(13,742)
Other expenses		(2,819)	(993)
Impairment of available for sale investments		(2,616)	-
Impairment of financial assets	15	(117,560)	-
Loss on acquisition of subsidiary	39	(3,605)	-
Gain on sale of subsidiary	40	3,500	-
Impairment adjustments of equity accounted investees	20	(54,436)	12,873
Share of profit/(loss) of equity accounted investees	20	(3,878)	(29,866)
(Loss)/profit before income tax		(139,520)	12,768
Income tax (expense)/benefit	12	(10,363)	4,657
(Loss)/profit from continuing operations		(149,883)	17,425
Discontinued operation			
Profit from discontinued operation	39	2,783	-
(Loss)/profit for the year		(147,100)	17,425
Total comprehensive income for the year		(147,100)	17,425
(Loss)/profit attributable to:			
Security holders of Aspen Group		(147,955)	17,425
Non-controlling interests	39	855	-
(Loss)/profit for the year		(147,100)	17,425
Total comprehensive income attributable to:			
Security holders of Aspen Group		(147,955)	17,425
Non-controlling interests	39	855	-
Total comprehensive income for the year		(147,100)	17,425
Basic earnings per stapled security	32	(25.31)	3.08
Diluted earnings per stapled security	32	(25.29)	3.08
Basic earnings per stapled security – continuing operations	32	(25.64)	3.08
Diluted earnings per stapled security – continuing operations	32	(25.62)	3.08

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

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 $ '000	2011 $ '000
Assets			
Cash and cash equivalents	13	3,057	11,145
Trade and other receivables	14	9,263	10,763
Other financial assets	15	1,975	11,283
Assets classified as held for sale	16	23,275	4,854
Subsidiary assets classified as held for sale	39	119,893	-
Investments in equity accounted investees	20	5,038	-
Prepayments and other current assets	17	1,478	5,819
Total current assets		163,979	43,893
Trade and other receivables	14	2,675	7,714
Other financial assets	15	3,000	81,238
Property, plant and equipment	18	1,521	2,062
Investment property	19	379,125	327,364
Investments in equity accounted investees	20	18,816	80,977
Inventories	21	-	23,547
Intangible assets	22	3,829	5,160
Deferred tax assets	23	12,141	22,504
Other investments	24	2,093	2,233
Other	25	245	1,092
Total non-current assets		423,445	553,891
Total assets		587,424	597,784
Liabilities			
Trade and other payables	26	25,902	21,549
Subsidiary liabilities classified as held for sale	39	76,968	-
Interest-bearing loans and borrowings	27	136,329	20,590
Provisions	28	2,270	6,024
Employee benefits	29	1,064	956
Other financial liabilities	30	32,738	3,463
Total current liabilities		275,271	52,582
Interest-bearing loans and borrowings	27	63,587	154,845
Total non-current liabilities		63,587	154,845
Total liabilities		338,858	207,427
Net assets		248,566	390,357
Equity			
Issued capital	31	424,894	415,966
Other equity	31	(1,465)	(1,855)
Reserves	31	(9)	(9)
Retained losses		(190,403)	(23,745)
Total equity attributable to equity holders of the Company		233,017	390,357
Non-controlling interest	39	15,549	-
Total equity		248,566	390,357

(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 2012

	Note	Attributable to owners of the Company						
		Issued capital $'000	Other equity $'000	Reserves $'000	Retained losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2011		415,966	(1,855)	(9)	(23,745)	390,357	-	390,357
Total comprehensive income for the year								
Loss for the period		-	-	-	(147,955)	(147,955)	855	(147,100)
Total comprehensive income for the year		-	-	-	(147,955)	(147,955)	855	(147,100)
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of shares pursuant to Distribution Reinvestment Plan	31	8,739	-	-	-	8,739	-	8,739
Issue of shares from sales of ESSIP shares	31	189	-	-	-	189	-	189
Distributions to security holders	31	-	-	-	(19,217)	(19,217)	-	(19,217)
Share based payment transactions	29	-	-	-	514	514	-	514
Total contributions by and distributions to owners of the Company		8,928	-	-	(18,703)	(9,775)	-	(9,775)
Acquisition of non-controlling interest	39	-	-	-	-	-	12,184	12,184
Increase in non-controlling interest	39	-	390	-	-	390	2,510	2,900
Total transactions with owners of the Company		8,928	390	-	(18,703)	(9,385)	14,694	5,309
Balance at 30 June 2012		424,894	(1,465)	(9)	(190,403)	233,017	15,549	248,566

(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 2011

		Attributable to owners of the Company						
	Note	Issued capital $'000	Other equity $'000	Reserves $'000	Retained losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2010		408,422	(1,855)	(8)	(17,944)	388,615	-	388,615
Total comprehensive income for the year								
Profit for the period		-	-	-	17,425	17,425	-	17,425
Other comprehensive income								
Change in fair value of available for sale financial assets		-	-	(1)	-	(1)	-	(1)
Total other comprehensive income		-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the year		-	-	(1)	17,425	17,424	-	17,424
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of shares pursuant to Distribution Reinvestment Plan	31	7,544	-	-	-	7,544	-	7,544
Distributions to security holders	31	-	-	-	(23,833)	(23,833)	-	(23,833)
Share based payment transactions		-	-	-	607	607	-	607
Total contributions by and distributions to owners of the Company		7,544	-	-	(23,226)	(15,682)	-	(15,682)
Total transactions with owners of the Company		7,544	-	-	(23,226)	(15,682)	-	(15,682)
Balance at 30 June 2011		415,966	(1,855)	(9)	(23,745)	390,357	-	390,357

(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 2012

	Note	2012 $ '000	Restated 2011 $ '000
Cash flows from operating activities			
Cash receipts from customers		80,871	75,531
Cash payments to suppliers and employees		(53,811)	(36,310)
Cash payment in lieu of termination		-	(1,259)
Cash generated from operating activities		27,060	37,962
Dividends received		2,791	1,779
Interest received		1,272	3,880
Interest and other costs of finance paid		(13,592)	(13,253)
Income tax paid		-	163
Net cash from operating activities	33	17,531	30,531
Cash flows from investing activities			
Acquisition of property, plant and equipment	18	(326)	(276)
Disposal of property, plant and equipment		10	3,104
Improvements to investment properties		(3,619)	(676)
Development of investment properties		(56,802)	(5,295)
Capitalised interest to assets under development		(6,057)	(6,232)
Acquisition of equity accounted investees		(869)	(249)
Disposal of equity accounted investees		3,000	-
Acquisition of subsidiary, net of cash acquired		(4,817)	-
Proceeds from sale of investments		17,700	95,954
Proceeds from sale of inventories		449	12,500
Proceeds from sale of investment properties		31,931	-
Net cash from investing activities		(19,400)	98,830
Cash flows from financing activities			
Repayments of borrowings		(48,650)	(102,489)
Proceeds from borrowings		72,559	52,668
Loans to associates		(49,048)	(66,790)
Repayments from associates		35,648	5,878
Repayment from other parties		-	3,467
Distributions paid to non-controlling interest		(790)	-
Distributions paid		(15,521)	(15,376)
Net cash used in financing activities		(5,802)	(122,642)
Net increase/(decrease) in cash and cash equivalents		(7,671)	6,719
Cash and cash equivalents at beginning of period		11,145	4,426
Total cash and cash equivalents at end of period		3,474	11,145
Less: cash included in subsidiary assets held for sale	39	(417)	-
Cash and cash equivalents at end of period	13	3,057	11,145

(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

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Notes to the Consolidated Financial Statements

1. Reporting entity

Aspen Group was established for the purpose of facilitating a joint quotation of Aspen Property Trust ("the Trust") and Aspen Group Limited and its controlled entities on the Australian Securities Exchange. Both the Trust, Aspen Group Limited and their controlled entities are domiciled in Australia. The address of the Group's registered office is Level 3, Newspaper House, 129 St Georges Tce, Perth, Western Australia. The Constitution of Aspen Property Trust and the Articles of Association of Aspen Group Limited ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and that Unit holders and Shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interests of Aspen Group.

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

- either Aspen Group Limited or Aspen Property Trust resolving by special resolution in general meeting and in accordance with the constitution to terminate the stapling provisions; or
- the commencement of the winding up of either Aspen Group Limited or Aspen Property Trust.

With the establishment of Aspen Group, the combined group has common business objectives, and operates as a combined entity in the core business of property investment and management.

The Aspen Group entities comprising the stapled Group remain separate legal entities in accordance with the Corporations Act 2001 and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Regulations 2001.

The consolidated financial statements of Aspen Group as at and for the year ended 30 June 2012 comprise Aspen Group Limited ("the Company") and Aspen Property Trust ("the Trust") along with their subsidiaries and their interests in associates and jointly controlled entities (together referred to as the "Group" or "consolidated entity" and individually as "Group entities"). The Group is a for-profit entity and primarily is involved in investment in commercial, industrial and retail 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 on 24 September 2012.

Notes to the Consolidated Financial Statements

(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; and
- share-based payments.

The methods used to measure fair value are discussed further in note 5.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group.

Aspen Group is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(e) Financial position

During the year ended 30 June 2012 the Group recorded a loss after tax of $147.100 million (2011: profit after tax of $17.425 million). At 30 June 2012 current liabilities exceeded current assets by $111.292 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.

Notes to the Consolidated Financial Statements

The Directors are aware that the Group's ability to continue as a going concern, and being able to pay its debts as and when they fall due, is dependent on one or more of the following:

- Continued support from its principal financiers,
- Securing further working capital sourced from one or more of the following:
  - Capital market equity raising;
  - Asset sales;
  - Borrowings from related or third parties;
  - The ability of the Group to scale down its operations and conserve cash;

The Directors acknowledge that there are risks that may provide uncertainty over the Group's ability to continue operating for at least the next twelve months. However, the Directors believe that the Group will continue as a going concern and base this view on the following factors:

1. At 30 June 2012 the Group had net assets of $248.566 million.

2. The Group's cash flow forecast supports the Directors opinion that the Group's working capital position will remain positive for at least the next twelve months from the date of these financial statements. However, this cashflow forecast is dependent upon successfully achieving items three and four below. The balance of the items detail the Directors' plans and factors considered with regard to the Group's going concern.

3. Included in current liabilities at 30 June 2012 are interest bearing loans of $136.329 million. Of this amount, $122.881 million has a maturity date of February 2014. This portion of the loan has been classified as a current liability at 30 June 2012 as a result of a breach of the Weighted Lease Duration (WLD) covenant. Under the relevant facility agreement the Group is required to maintain a WLD of 2.0 years. At 30 June 2012 the actual WLD was 1.92 years. Subsequent to 30 June 2012 the lender has waived this breach and agreed to a reduction in the WLD covenant to 1.25 years until 30 June 2013. This waiver is conditional upon Aspen Group and its associated entities committing to debt reduction of $106.200 million through a series of contracted step downs by December 2013, being:
   a. $35.000m by October 2012;
   b. $38.100m by June 2013; and
   c. $33.100m by December 2013.

   These step-downs are to be achieved through completion of a capital raising and progression of non-core asset sales.

4. The Group announced a fully underwritten capital raising on 24 September 2012. The capital raising is intended to strengthen the Group's capital position, reduce gearing and improve the Group's liquidity.

   The proposed capital raising is structured as an accelerated pro-rata non-renounceable entitlement offer and is expected to raise $96.000 million after costs. The capital raising is to be fully underwritten subject to the usual terms and conditions associated with underwriting arrangements, the most significant of these being, no material adverse change in Aspen's business and no material adverse change in specified ASX indices. The Board resolved to proceed with the capital raising on 23 September 2012.

5. Subsequent to 30 June 2012 the Group has secured additional funding of up to $35.000 million via a facility that allows the Group to redeem its interest in FSPT (ATO building). The funding has been made available through FSPT entering into a convertible note facility provided by the Group's joint venture partner Telstra Super. (Refer to note 41).

Notes to the Consolidated Financial Statements

6. In August 2012 the Group entered into a Heads of Agreement to the sell its equity and management fee rights in St Leonards Estate Pty Ltd for $7.500 million. Whilst the agreement is conditional, the sale is expected to settle in September/October 2012.

7. In August 2012 Aspen Diversified Property Trust entered into a contract for the sale of one of its investment properties for $18.200 million, which settled on 20 September 2012. After debt reduction, this will facilitate cash repayment of $6.350 million to the Group.

8. The Group has an active sales program in place whereby it is seeking to dispose of non- core on balance sheet assets with a book value of $23.275 million.

9. The Group has commenced a strategic review of its business. The revised strategy has a focus on simplifying the business model to concentrate on the activities in which the Group has core strengths and is able to achieve economic scale of operations. The Group is currently reviewing its residential and development activities with a view to optimising returns. In the short term, while the review is ongoing, this will include restricting the financial funding provided to certain syndicates to expenditure levels that fulfil existing binding legal obligations.

10. Historically the Group has successfully renegotiated its finance facilities, conducted asset sales, and raised equity.

Should the Group not be successful in obtaining sufficient future funding through the capital raising and on-going bank support there may be a material uncertainty as to whether the Group can realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. However the Board is confident that appropriate funding through these means will be achieved when required.

3. Significant accounting policies

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

(a) Basis of consolidation

(a) Stapling

These consolidated financial statements have been prepared upon a business combination of the parent entity, the Company, and the Aspen Property Trust ("the Trust") and their controlled entities, in accordance with UIG1013 "*Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements*". For statutory reporting purposes, the Group reflects the consolidated entity being the Company and its controlled entities including the Trust and its controlled entities.

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

(ii) 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 the Group. Control exists when the entity has the power, directly or indirectly, to govern

Notes to the Consolidated Financial Statements

the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred,

(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 Aspen Group Limited or Aspen Property Trust. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(v) Loss of control of subsidiaries

Upon the loss of control, the 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 the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee, joint venture or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Investments in associates (equity accounted investees)

Associates are those entities in which the Aspen Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. For those entities where ownership is less than 20 percent, significant influence is assumed through the Group’s role as manager or responsible entity as applicable.

Investments in associates are accounted for using the equity method (equity accounted investees) and initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the 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 the Group, from the date that significant influence commences until the date that significant influence ceases.

Notes to the Consolidated Financial Statements

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of investees.

(vii) Investments in joint ventures

The Group's interest in joint venture controlled entities is accounted for in the financial statements by proportionately consolidating its interests in the assets and liabilities of the joint venture. The Group also recognises its share of the expenses that the joint venture incurs and its share of the income that the joint venture earns. Inter-group eliminations are made to the extent of the Group's interest when preparing the consolidated financial statements.
(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 the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees, when the consolidated entity's interest in such entities is disposed of.

(b) Financial instruments

(i) Derivative financial instruments

The consolidated entity 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, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. Other derivatives include put options which are accounted for as described below.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income. The fair value of interest rate swaps is the estimated amount that the 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.

(ii) Non-derivative financial instruments

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

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

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

Notes to the Consolidated Financial Statements

Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

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

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

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Statement of 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.

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

(iii) Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. Investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the Statement of 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.

(c) Financial guarantee contracts

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

Notes to the Consolidated Financial Statements

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

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

(iv) Reclassification to investment property

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

Notes to the Consolidated Financial Statements

(v) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis (see note 3 (n)).

(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.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in note 3(n).

Distinction between investment properties and owner-occupied properties

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

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

(f) Inventories

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

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

Notes to the Consolidated Financial Statements

Current and non-current inventory assets

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

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

All other inventory is classified as non-current.

(g) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated impairment losses. Intangible assets with an indefinite useful life are systematically tested for impairment at the date of each statement of financial position. Other intangibles are amortised on a straight line basis over their estimated useful lives from the date that they are available for use.

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

Intangible assets comprise primarily of development rights in relation to an Aspen managed land syndicate. These rights have a finite useful life of the duration of the project until all lots are sold. These rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit and loss over the estimated useful life of the intangible assets.

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

(h) 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.

(i) 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.

Notes to the Consolidated Financial Statements

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

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

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

(iii) Reversals of impairment

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

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

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(j) Current assets held for sale

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

(k) Employee benefits

(i) Defined contribution superannuation funds

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

(ii) Short-term benefits

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

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

(iii) Long-term service benefits

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

(iv) Share-based payments

Securities may be issued to employees of the Group under the Employee Stapled Securities Incentive Plan or the Performance Rights Plan. The securities issued are accounted for as options in the Group. The fair value of the options granted is recognised as an employee expense by the Group with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect

Notes to the Consolidated Financial Statements

the actual number of share options that vest, except for those that fail to vest due to market conditions not being met. The fair value is measured at the grant date using 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.

(l) Provisions

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

(m) Revenue and other income

(i) Rental income

Rental income from investment property is recognised in the statement of 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 the Group to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

(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 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) Sale of inventory

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

Notes to the Consolidated Financial Statements

(iv) Management and establishment fee income

Management fee income is recognised monthly in the Statement of 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.

(v) Performance fee income

Performance fees are recognised in the statement of comprehensive income on an accrual basis when the Group has earned them based on fund performance as detailed in the funds' Product Disclosure Statement or Offer Document. Any revision to the performance fee will be adjusted through profit or loss in the current financial period.

(n) Lease payments

(i) Operating leases

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

(ii) Finance leases

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

(o) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, 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.

(p) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the 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 the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Notes to the Consolidated Financial Statements

Segment results that are reported to the Managing Director 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 the 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.

(q) Income taxes

(i) Aspen Group Limited

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

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

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

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

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

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

(ii) Tax Consolidation

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

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-

Notes to the Consolidated Financial Statements

consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

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

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

(iii) Aspen Property Trust

Under current Australian Income Tax Legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to 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.

(s) Goods and services tax

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

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

(t) Earnings per stapled security

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

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011 which are summarised below:

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Standard(s)	Key requirements	Impact on 30 June 2012 financial report
AASB 124 Related Parties AASB 2009-12 Amendments to Australian Accounting Standards	Has amended the definition of a related party and certain financial statement disclosures.	The application of this standard has not had a material effect on the Group's financial report.
AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project	A collection of non-urgent but necessary improvements to the following standards: AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13	The application of this standard has not had a material effect on the Group's financial report.
AASB 2010-5 Amendments to Australian Accounting Standards	This amendment makes numerous minor editorial amendments to a number of standards and interpretations.	The application of this standard has not had a material effect on the Group's financial report.
AASB 1054 Australian Additional Disclosures AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure requirements	These standards remove many of the additional domestic disclosures previously required under standards to align the requirements of accounting standards for publically accountable for-profit entities in Australia and New Zealand.	The application of this standard has not had a material effect on the Group's financial report.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.	The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the Group retains continuing involvement.	The application of this standard has not had a material effect on the Group's financial report.

The following standards amendments to standards and interpretations are effective for future financial reporting periods, and are available for early adoption. The Group has not early adopted any of these standards at 30 June 2012:

Standard(s)	Application date – reporting periods commencing on or after	Key requirements	Expected impact on future period financial reports
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax Recovery of Underlying Assets	1 January 2012	These amendments clarify that the tax base of investment property measured at fair value in accordance with AASB 140 Investment Property is based on the premise that the carrying amount will be recovered through sale rather than through use.	The Group has not yet quantified the impact of this standard.

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Standard(s)	Application date – reporting periods commencing on or after	Key requirements	Expected impact on future period financial reports
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	Makes a number of changes to the presentation of the Statement of Comprehensive Income.	The Group has not yet quantified the impact of this standard.
AASB 10 Consolidated Financial Statements AASB 127(2011) Separate Financial Statements	1 January 2013	Introduces a new approach to determining which investees should be consolidated.	The Group has not yet quantified the impact of this standard. A possible outcome is that a number of entities currently equity accounted will be consolidated.
AASB 11 Joint Arrangements AASB 128 Investments in Associates and Joint Ventures (2011)	1 January 2013	Introduces a new approach to determining the accounting and disclosure requirements of joint arrangements.	The Group has not yet quantified the impact of this standard.
AASB 12 Disclosure of Interests in Other Entities	1 January 2013	Increases the disclosure requirements for interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.	The Group has not yet quantified the impact of this standard.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.	1 January 2013	Introduces additional new disclosure requirements arising from the introduction of AASB 10 and AASB 11	The Group has not yet quantified the impact of this standard.
AASB 13 Fair Value Measurement AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	The standard explains how to measure fair value when required by other AASBs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards.	The Group has not yet quantified the impact of this standard.

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Standard(s)	Application date – reporting periods commencing on or after	Key requirements	Expected impact on future period financial reports
AASB 119 Employee Benefits (2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)	1 January 2013	The standard changes the definition of short-term and other long-term employee benefits and some disclosure requirements.	The Group has not yet quantified the impact of this standard.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 cycle	1 January 2013	A collection of non-urgent but necessary improvements to the following standards: AASB 1, AASB 101, AASB 116, AASB 132, AASB 134 and Interpretation 2.	The Group has not yet quantified the impact of 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) AASB 9 Financial Instruments (2009) (Financial asset requirements only) AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013**	Comprises the rewrite of AASB 139 Financial Instruments: Recognition and Measurement in 6 phases. ** The International Accounting Standards Board has deferred the application of IFRS 9 until 1 January 2015, however the AASB has yet to issue a corresponding amendment to AASB 9 (2009) and AASB 9 (2010)	The Group has not yet quantified the impact of this standard.

5. Determination of fair values and areas of estimation uncertainty

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

Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

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

(ii) Intangible assets

The fair value of trust and property development rights acquired in a business combination is based on the discounted estimated fees that have been avoided as a result of the rights being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets (refer note 22).

(iii) Inventories

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory (refer note 21). The net realisable value of inventories is assessed at each reporting date. The Group utilises a discounted cash flow financial model for each inventory asset (that is held for ongoing development) that subtracts estimated development and holding costs from forecast revenues to determine if the carrying value of inventory is recoverable. Key areas of judgement in these models include estimated sales rates, selling prices, development time frames and cost escalation.

(iv) Investment property

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

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

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

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

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

Notes to the Consolidated Financial Statements

The expected future market rentals are determined on the basis of current markets for similar properties in the same location and condition (refer note 35).

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

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Rental income from investment property is accounted for as described in note 3(m).

(v) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date (refer note 24).

(vi) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date (refer notes 14,15, 20 and 34).

At 30 June 2012, certain associated entities have determined to realize their assets and settle their liabilities through the sale of their development assets on a realization basis rather than ongoing development activities. The recoverability of the Group's loans to the associates has taken into account the expected realizable value of assets from an orderly sale process, the carrying amount of existing bank facilities of the associated entities, settlement of other liabilities and the expected residual proceeds available to repay loans to the Group.

(vii) Derivatives

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

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

During the year ended 30 June 2012 significant estimates and judgements have been made when valuing the Group's put option commitments.

When valuing the Group's put option with a shareholder of Aspen Development Fund No.1 Limited, an associate of the Group, estimates and judgements have been made regarding the likely value of ADF's underlying property assets based on a value-in-use method. These estimates and judgements have been primarily based on independent valuations which rely on a discounted cashflow over the expected life of each project. In the event that management's expectation of a likely sale price is below that of valuation, management have used estimates and judgements on likely sales revenue and selling costs to ascertain an appropriate realisation value.

(viii) Non-derivative financial liabilities

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

Notes to the Consolidated Financial Statements

(ix) Financial guarantees

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

(x) Share-based payment transactions

The fair value of employee options and other similar instruments is measured using an appropriate option pricing model. The fair value of share appreciation rights is measured using the Black-Scholes, Monte Carlo or Binomial formulae. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. (Refer note 37)

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

Aspen impaired a number of investments accounted for using the equity method. The investments are tested for impairment by comparing recoverable amounts (higher of value-in-use and fair value less costs to sell) with the carrying amounts, whenever there is an indication that the investment may be impaired. In determining the value-in-use of the investment, Aspen estimates its share of the present value of estimated cash flows expected to be generated by the associate including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of investments. In determining the fair value of associates involved in the sale of residential land, key assumptions include sales rates, and escalation of revenue and expenses. Details of this impairment and the assumptions used by management in assessing the impairment are provided in note 20.

6. Operating segments

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

- Property Portfolio - This segment includes net rental income and associated interest expense and other expenditure from all properties held by Aspen Property Trust throughout Australia, and Aspen Communities and Aspen Villages operations and land held for development. For the year ended 30 June 2012 it also includes net rental income and expenditure from all properties held by Aspen Diversified Property Fund from the date of acquisition.
- Funds Management - Property funds management includes fees, interest income, equity profits and associated expenditure from unlisted property funds and syndicates that Aspen Group manages.

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

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6. Operating segments (continued)

Information about reportable segments

	Property Portfolio		Funds Management		Other		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
External revenues	53,117	65,559	15,243	14,978	-	681	68,360	81,218
Interest income	11	164	9,242	11,222	829	1,200	10,082	12,586
Total segment revenue	53,128	65,723	24,485	26,200	829	1,881	78,442	93,804
Interest expense	11,337	8,050	2,476	5,692	-	-	13,813	13,742
Reportable segment profit before income tax and share of profits from investments accounted for using the equity method (and other significant items below)	20,718	22,799	13,881	11,703	(2,361)	(2,176)	32,238	32,326
Share of profits from investments accounted for using the equity method (before significant items below)	-	-	1,043	1,051	-	-	1,043	1,051
Segment profit/(loss) before significant items below	20,718	22,799	14,924	12,754	(2,361)	(2,176)	33,281	33,377
Funds management revenue	-	-	(6,833)	-	-	-	(6,833)	-
Financial income	-	-	(321)	-	-	-	(321)	-
Change in fair value of investment properties	41,776	(1,245)	-	-	-	-	41,776	(1,245)
Change in fair value of retirement living assets	-	(879)	-	-	-	-	-	(879)
Loss on disposal of investment property	(641)	(518)	-	-	-	-	(641)	(518)
Loss on disposal of property, plant and equipment	-	(134)	-	-	(392)	-	(392)	(134)
Property expenses	(2,425)	-	-	-	-	-	(2,425)	-
Cost of inventories sold	-	-	-	-	-	-	-	-
Write-down of inventory to recoverable amount	(16,258)	(453)	-	-	-	-	(16,258)	(453)
Funds management commission expense	-	-	1,070	-	-	-	1,070	-
Financial expenses	(3,435)	807	-	573	-	-	(3,435)	1,380
Other expenses	(221)	-	(2,538)	-	-	-	(2,760)	-
Impairment of available for sale investments	(2,475)	-	(22)	-	-	95	(2,497)	95
Impairment of financial assets	-	-	(117,560)	-	-	-	(117,560)	-
Loss on acquisition of subsidiary	(3,605)	-	-	-	-	-	(3,605)	-
Gain on sale of subsidiary	3,500	-	-	-	-	-	3,500	-
Impairment of adjustments of equity accounted investees	-	-	(54,436)	(18,551)	-	-	(54,436)	(18,551)
Share of profit of equity accounted investees	-	-	(4,921)	507	-	-	(4,921)	507
Other administrative expenses	-	(87)	-	-	-	-	-	(87)
Profit from discontinued operation	233	-	-	-	-	-	234	-
Segment profit/(loss) after significant items	37,167	20,290	(170,637)	(4,717)	(2,753)	(2,081)	(136,223)	13,492
Reportable segment assets	521,827	372,553	56,731	166,945	8,866	58,287	587,424	597,784
Investments in associates	-	15,000	23,854	65,977	-	-	23,854	80,977

Notes to the Consolidated Financial Statements

6. Operating Segments (continued)

Reconciliations of reportable segment revenues, profit or loss and assets

	2012 $ '000	2011 $ '000
Revenues		
Total revenues for reportable segments	77,613	91,923
Other revenue	829	1,881
Reversal of funds management fees to related party	(6,505)	-
Change in fair value of available for sale investments	(328)	95
Change in fair value of interest rate swaps	(321)	1,380
Elimination of discontinued operations	(8,814)	-
Consolidated revenue	62,474	95,279
Profit or loss		
Total profit/(loss) for reportable segments after significant items	(133,470)	15,573
Other profit and loss	(2,753)	(2,081)
Equity settled transactions	(514)	(724)
Elimination of discontinued operations	(2,783)	-
Consolidated profit/(loss) before income tax	(139,520)	12,768
Income tax expense/benefit	(10,363)	4,657
Consolidated profit/(loss) after income tax	(149,883)	17,425
Assets		
Total assets for reportable segments	578,558	539,498
Other assets	8,866	58,286
Consolidated total assets	587,424	597,784
Assets of subsidiary held for sale	(119,893)	-
Total asset	467,531	597,784

Geographical segments

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

Major Customers

Revenues from one customer of the Group's Property Portfolio represent approximately $16.743 million of the Group's total revenues (2011: $15.749 million)

7. Revenue

		2012 $ '000	2011 $ '000
Income from investment properties		39,155	50,171
Funds management	– asset management fees	7,411	14,426
	– establishment fees	307	345
	– asset disposal fees	-	207
		7,718	14,978

Notes to the Consolidated Financial Statements

8. Revenue from sale of inventories	2012 $ '000	2011 $ '000
Sales of inventories	790	14,633
	790	14,633

The Group settled one lot at Herne Hill, WA for $0.790 million in December 2011. Another lot at Herne Hill, WA was under contract at year end for $0.711 million and settled subsequent to year end. Refer note 41 for details.

9. Cost of inventories sold	2012 $ '000	2011 $ '000
Cost of inventories sold	716	13,890
	716	13,890

10. Administration expenses	Note	2012 $ '000	2011 $ '000
Wages and salaries including on-costs		10,710	10,533
Depreciation and amortisation		1,027	1,459
Contributions to defined contribution superannuation funds		668	694
Equity-settled share based payment transactions	29	514	607
Other administration costs		3,811	3,377
		16,730	16,670

11. Net finance income/expenses		2012 $'000	2011 $ '000
Finance income			
Interest income	– bank deposits	249	202
	– on loans to related parties	3,326	435
	– on loans to associates	7,973	11,949
	– on impaired loans to associates	1,269	-
		12,817	12,586
Dividend income		1,302	239
Change in fair value of interest rate swaps		-	1,380
		14,119	14,205
Finance expenses			
Change in fair value of interest rate swaps		(3,435)	-
Interest expense on financial liabilities measured at amortised cost		(15,891)	(19,976)
Less amounts capitalised to qualifying assets		6,057	6,234
		(13,269)	(13,742)
Net finance income		850	463

Notes to the Consolidated Financial Statements

12. Income tax expense

	2012 $ '000	2011 $ '000
Recognised in comprehensive income		
Current tax expense/(benefit)		
Current year	10,299	385
Utilised prior period losses	(10,299)	-
	-	385
Deferred tax expense		
Origination and reversal of temporary differences	(50,374)	(5,042)
Derecognition of deferred tax assets	60,737	-
	10,363	(5,042)
Total income tax expense/(benefit)	10,363	(4,657)
Numerical reconciliation between tax expense and pre-tax net profit		
Profit/(loss) before income tax including discontinued operations	(136,736)	12,768
Prima facie income tax calculated at 30%	(41,021)	3,830
Less prima facie income tax on profit from Trust	(18,425)	(9,264)
Increase in income tax expense due to:		
Non-deductible expenses	175	777
Taxable income not recognised in profit or loss	15,216	-
Unrecognised temporary differences	54,418	-
Income tax expense/(benefit) on pre-tax net profit	10,363	(4,657)

13. Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and in hand	3,057	11,145

The Group's exposure to interest rate risk and a sensitivity analysis is disclosed in note 34.

14. Trade and other receivables

	2012 $'000	2011 $'000
Current		
Trade receivables	8,542	9,772
Other receivables	721	991
	9,263	10,763
Non-current		
Trade receivables	-	4,722
Amount due from former directors	2,675	2,992
	2,675	7,714

The Group's exposure to credit and liquidity risk is disclosed in note 34.

Notes to the Consolidated Financial Statements

15. Other financial assets

	2012 $'000	2011 $'000
Current:		
Amount due from associates	1,975	11,283
Non-current:		
Amount due from associates	-	81,238
Loan to TRGP No1	3,000	-
	3,000	81,238

During the period, the Group has recognised an impairment expense of $117.560 million (2011: $nil) in relation to these financial assets. Refer to note 37 for further details.

The Group's exposure to credit and liquidity risk is disclosed in note 34.

16. Assets classified as held for sale

	Note	2012 $'000	2011 $'000
At 1 July		4,854	12,238
Transfers in from other assets		-	4
Disposals		(670)	-
Transfer in from equity accounted investments		14,300	-
Transfer in from/(out to) inventories		10,270	(7,388)
Transfer out to investment properties		(3,004)	-
Fair value/impairment adjustments		(2,475)	-
At 30 June		23,275	4,854
Previously classified as:			
Investment property		-	3,004
Investments		12,298	-
Inventories		10,977	1,850
		23,275	4,854

As part of a review of the Group's development property portfolio a number of non-strategic assets have been identified to be offered for sale. These assets are pledged as security as part of loans and borrowings to Bendigo Bank Limited (refer note 27).

17. Prepayments and other current assets

	2012 $'000	2011 $'000
Prepayments	932	1,425
Cash held in restricted funds	-	1,000
Other	546	3,394
	1,478	5,819

Notes to the Consolidated Financial Statements

18. Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Land and Buildings $'000	Office equipment & fittings $'000	Total $'000
Cost					
Balance at 1 July 2010	1,423	492	3,200	1,728	6,843
Additions	45	5	-	226	276
Disposals	-	-	(3,200)	-	(3,200)
Balance at 30 June 2011	1,468	497	-	1,954	3,919
Additions	94	22	-	211	327
Disposals	(103)	(362)	-	(95)	(560)
Balance at 30 June 2012	1,459	157	-	2,070	3,686
Depreciation and impairment losses					
Balance at 1 July 2010	297	78	-	1,052	1,427
Depreciation charge for the year	175	24	-	231	430
Disposals	-	-	-	-	-
Balance at 30 June 2011	472	102	-	1,283	1,857
Depreciation charge for the year	180	22	-	264	466
Disposals	(57)	(46)	-	(55)	(158)
Balance at 30 June 2012	595	78	-	1,492	2,165
Carrying amounts					
At 1 July 2010	1,126	414	3,200	676	5,416
At 30 June 2011	996	395	-	671	2,062
At 1 July 2011	996	395	-	671	2,062
At 30 June 2012	864	79	-	578	1,521

Notes to the Consolidated Financial Statements

19. Investment property	Note	2012 $'000	2011 $'000
At 1 July		327,364	379,150
Acquisitions and additions (1)		69,270	55,695
Disposals (2)		(35,572)	(111,580)
Transfers in from inventories		-	5,344
Deconsolidation of share of joint venture asset (1)	40	(27,990)	-
Reclassifications		4,277	-
Fair value adjustments		41,776	(1,245)
At 30 June		379,125	327,364

Notes:

(1) This includes the acquisition by 12-26 Franklin Street Property Trust ('FSPT') of the ATO land and building development in Adelaide from Aspen Development Fund No1 Limited in June 2011. In July 2011 Aspen Property Trust sold 50% of its shareholding in FSPT to Telstra Super Pty Limited ('Telstra Super'). At 30 June 2012 the Group has removed the 50% share of the ATO building now held as a joint venture through FSPT by Telstra Super.

(2) This represents the carrying value of properties sold at the date of disposal.

Property portfolio revaluations

At 30 June 2012, the Group revalued 80% of the investment properties and conducted directors' valuations on the remainder. This resulted in a net increase in the carrying value of investment properties of $41.776 million.

Investment properties are measured at fair value. Fair value is determined on the basis of either an independent valuation prepared by external valuation experts as at the date of the statement of financial position, or directors' valuation.

Independent valuations of property investments are obtained at intervals of not more than two years. Independent valuations were performed by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Fair values were determined in accordance with the accounting policy set out in note 5 of the financial statements for the year ended 30 June 2012 and having regard to recent market transactions for similar properties in the same location as the Group's investment property.

As at 30 June 2012, the weighted average cap rate for the portfolio (excluding Karratha which has a cap rate of 22.0% and has been excluded as it is not indicative of the rest of the portfolio) was 9.3%. The weighted average lease duration (excluding the Ballina property) was 1.98 years.

Notes to the Consolidated Financial Statements

The following table presents individual properties owned by the Group:

Property	Original Acquisition Date	Original Acquisition Cost $ '000	Latest Independent Valuation Date	Latest Independent Valuation $ '000	Book Value at 30 June 2012 $ '000	Book Value at 30 June 2011 $ '000
Commercial and Industrial						
256 Adelaide Terrace, (Septimus Roe) – WA	Oct 2002	29,648	June 2012	105,500	105,500	87,000
Phoenix Rd, Bibra Lake (Woolstores) – WA	Aug 2003	37,483	June 2012	73,000	73,000	58,000
Davy St, Booragoon, (Alcoa) – WA (4)	Aug 2003	18,329	Dec 2011	28,000	-	28,000
51 Heaton St, Rocklea – Qld (4)	Oct 2004	9,184	Dec 2011	8,100	-	9,500
215 Browns Rd, Noble Park – Vic	Oct 2004	22,625	Dec 2011	22,100	22,100	21,000
ATO Building, Adelaide – SA (1)	June 2011	49,627	-	-	82,998	49,627
Vacant site						
Morrison Rd, Midland – WA (5)	June 2007	5,500	Dec 2010	2,900	2,900	-
Accommodation park						
Karratha Village – WA	June 2005	1,000	June 2012	57,600	57,600	44,000
Retirement living						
Aspen LV Plus, Ballina – NSW	Nov 2007	3,809	-	-	35,027	30,237
					379,125	**327,364**

(1) ATO Building was acquired in June 2011, and represents investment property under construction. The value of this property at 30 June 2012 represents the Group's 50% interest in the total book value of the property as it is now part of the joint venture assets of Franklin Street Property Trust since 20 July 2011.

(2) During the financial year ended 30 June 2012, $39.155 million was recognised as rental income in the Statement of Comprehensive Income (2011: $50.171 million) and $15.326 million in respect to property expenses was recognised as an expense in the Statement of Comprehensive Income relating to investment property (2011: $16.213 million).

(3) At 30 June 2012 all investment properties have been pledged as security against loan facilities with the Group's bankers. Refer to note 27 for further details.

(4) The following investment properties were sold during the year:

a. Davy St, Booragoon (Aloca), Western Australia was sold in May 2012.

b. 51 Heaton Street, Rocklea, Queensland was sold in May 2012.

(5) Transferred from assets held for sale (refer to note 16).

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

	30 June 2012	30 June 2011
Weighted average discount rate	10.68%	10.47%
Weighted average terminal yield	9.62%	9.71%
Weighted average capitalisation rate	9.34%	9.47%
Weighted average vacancy rate	4.64%	7.67%
Weighted average rental growth rate	3.17%	2.99%

Notes to the Consolidated Financial Statements

20. Investments in equity accounted investees

The consolidated entity accounts for investments in associates using the equity method. The consolidated entity has the following investments in associates using the equity method which are all incorporated in Australia:

	Principal activities	Ownership 2012	Ownership 2011	Share of associate's net assets equity accounted 2012 $'000	Share of associate's net assets equity accounted 2011 $'000
Aspen Parks Property Fund	Tourist park investment	10.3%	11.9%	18,816	18,013
Aspen Diversified Property Fund (note 1)	Commercial property investment	-	35.9%	-	11,549
Aspen Dunsborough Lakes Limited	Residential property development	43.2%	43.2%	-	1,634
Aspen Whitsunday Shores Pty Limited (note 3)	Residential property development	42.1%	42.1%	-	2,175
Fern Bay Seaside Village Limited	Residential property development	45.4%	45.4%	-	3,570
St Leonard's Estate Pty Limited (note 3)	Residential property development	13.4%	13.4%	4.000	3,955
Aspen Development Fund No 1 Limited	Diversified property development	47.3%	46.0%	-	23,828
AEP 55 Currie Street Office Trust (note 2)	Commercial property investment	-	39.9%	-	15,000
Enclave at St Leonards Limited	Residential property development	10.0%	10.9%	1,038	1,253
Total				23,854	80,977

1) This investment was classified as a subsidiary and was consolidated by Aspen Group at 30 June 2012. Refer to note 39.

2) This investment is classified as held for sale at 30 June 2012. Refer to note 16.

3) Refer to note 41 for subsequent events of the Group relating to these investments in associates.

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

	2012 $'000	2011 $'000
Share of associate profit/(loss) before income tax	(5,273)	(44,265)
Share of income tax expense/benefit	1,395	14,399
Share of associate loss after income tax	(3,878)	(29,866)
(Impairment)/Reversal of impairment of equity accounted investments	(54,436)	12,873
Share of associates net loss accounted for using the equity method	(58,314)	(16,993)

The carrying value of investments in equity accounted investees was reviewed during the period ending 30 June 2012.

Each investment was treated as a separate cash generating unit and the value-in-use method was used to determine the appropriate impairment, with the exception of Aspen Dunsborough Lakes Ltd, Aspen Whitsunday Shores Pty Ltd, Fern Bay Seaside Village Ltd and Aspen Development Fund No 1 Ltd where impairments were calculated using an estimated realisation basis. Value-in-use was calculated with reference to independent valuations, with St Leonards Estate Pty Ltd and Enclave at St Leonards Ltd using a pre-tax discount rate of 16.1% and 44.4% respectively.

The result of this review was the downward revaluation of asset values as assessed by Aspen Group at a fund level with Aspen Group equity accounting for write-downs, incorporated in the associates' loss before tax of $5.3 million. There were also additional impairments recognised totalling $54.4 million. The write-downs were based on Aspen Group's ownership share of each fund, taking into account the fund net assets per share/unit post underlying asset revaluations.

Notes to the Consolidated Financial Statements

Aspen Group has a put option commitment to a shareholder in Aspen Development Fund No.1 Limited ('ADF') and to Aspen Whitsunday Shores Pty Limited ('AWSS') in relation to an underwriting commitment provided on a rights issue (refer note 30 for details for each entity). Aspen Group has assessed that it is probable that these options will be exercised on their exercise dates. The financial effect of this occurring has been recognised during the financial year by recording impairment charges of $26.840 million to the carrying value of the Group's investments in ADF and AWSS.

	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
2012							
Aspen Parks Property Fund	82,986	14,473	1,646	(94)	309,850	133,903	175,947
Aspen Diversified Property Fund	-	-	(1,748)	-	-	-	-
Aspen Dunsborough Lakes Limited	6,393	(35,788)	(1,104)	(530)	33,176	60,013	(26,837)
Aspen Whitsunday Shores Pty Limited	2,145	(24,884)	(170)	(3,530)	11,716	22,514	(10,798)
Fern Bay Seaside Village Limited	-	(41,553)	(1,519)	(2,051)	28,917	57,805	(28,888)
St Leonard's Estate Pty Limited	20,033	205	20	(94)	83,295	42,727	40,568
Aspen Development Fund No1 Limited	115,916	(124,649)	(967)	(48,058)	110,454	148,049	(37,595)
Enclave at St Leonards Limited	-	(355)	(36)	(79)	16,640	5,941	10,699
	227,473	(212,551)	(3,878)	(54,436)	594,048	470,952	123,096

	Revenue (100%)	Profit/ (loss) (100%)	Share of associates net profit/ (loss) recognised (1)	Revaluation/ Impairment of Equity Accounted Investment (1)	Total Assets (100%)	Total Liabilities (100%)	Net assets as per associates (100%)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011							
Aspen Parks Property Fund	77,522	23,585	2,965	(201)	287,613	145,348	142,265
Aspen Diversified Property Fund	13,968	2,142	768	-	131,198	98,986	32,212
Aspen Dunsborough Lakes Limited	14,512	(18,068)	(7,802)	6,291	98,130	67,771	30,359
Aspen Whitsunday Shores Pty Limited	5,763	(7,333)	(3,089)	2,509	49,738	29,470	20,268
Fern Bay Seaside Village Limited	3,263	(24,521)	(11,396)	10,111	78,476	57,178	21,298
St Leonard's Estate Pty Limited	38,932	2,770	370	-	80,589	40,163	40,426
Aspen Development Fund No1 Limited	67,989	(24,711)	(11,680)	(5,837)	229,001	111,514	117,487
AEP 55 Currie Street Office Trust	-	-	-	-	-	-	-
Enclave at St Leonards Limited	-	(11)	(2)	-	12,556	1,724	10,832
	221,949	(46,147)	(29,866)	12,873	967,301	552,154	415,147

Notes to the Consolidated Financial Statements

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

21. Inventories

	2012 $'000	2011 $'000
Property development (non current)		
Land – residential and retirement	-	23,547
	-	23,547

During the year, the Group has impaired $16.258 million (2011: $0.453 million) in relation to inventory so it is not carried in excess of the lower of cost or net realisable value. These assets are pledged as security to Bendigo Bank Limited (Refer to note 27 for details). As part of a review of the Group's development property portfolio, all inventory has been reclassified as assets held for sale as at 30 June 2012.

22. Intangible assets

	2012 $'000	2011 $'000
Carrying amount at the beginning of the year	5,160	5,964
Amortisation	(562)	(804)
Impairment	(769)	--
Carrying amount at the end of the year	3,829	5,160

Intangible assets of $6.000 million were acquired in 2009 relating to the purchase of the St Leonards Estate land development rights. $0.562 million was amortised in the current period (2011: $0.804 million). This intangible asset was also impaired by $0.769 million in the current period using an estimated realisation basis.

23. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other receivables	-	-	164	339	164	339
Financial assets	(35,954)	(188)	-	3,067	(35,954)	2,879
Equity accounted investments	(27,037)	(16,306)	2,083	1,760	(24,954)	(14,546)
Inventories	(6,637)	(3,226)	93	-	(6,544)	(3,226)
Investment property	-	-	19,751	14,556	19,751	14,556
Trade and other payables	(21,290)	(11,425)	-	-	(21,290)	(11,425)
Provisions	(1,572)	(287)	2	-	(1,570)	(287)
Tax losses carried forward	(2,481)	(10,794)	-	-	(2,481)	(10,794)
Unrecognised deferred tax	60,737	-	-	-	60,737	-
Net deferred tax assets/liabilities	(34,234)	(42,226)	22,093	19,722	(12,141)	(22,504)

At 30 June 2012 a deferred tax asset of $60.737 million (2011: Nil) for deductable temporary differences has not been recognised based on the Group's five year forecast and assessment that it is probable that future taxable profits would be available against which they can be utilised.

Notes to the Consolidated Financial Statements

24. Other investments

	2012 $'000	2011 $'000
Investments in available for sale securities	2,093	2,233
	2,093	2,233

Refer to note 34 for further information on the determination of fair value for these assets.

25. Other non-current assets

	2012 $'000	2011 $'000
Loan establishment costs	245	1,092
	245	1,092

26. Trade and other payables

	2012 $'000	2011 $'000
Trade payables and accrued expenses	13,965	10,120
Unearned rental income	1,734	2,485
Other	566	629
Resident loans – retirement leases (1)	9,637	8,315
	25,902	21,549

(1) Relates to initial lease amounts paid by residents at the Ballina LV Plus Retirement Village. Refer to note 3 (b).

27. Interest-bearing loans and borrowings

	2012 $'000	2011 $'000
Current liabilities		
Current portion of secured bank loans	136,329	20,590
Non-current liabilities		
Share of joint venture loan	47,024	-
Secured bank loans	16,563	154,845
	63,587	154,845
	199,916	175,435

The Group's exposure to interest rate risk and liquidity risk is disclosed in note 34.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Maturity	Face value at June 2012 $'000	Carrying amount at June 2012 $'000	Face value at June 2011 $'000	Carrying amount at June 2011 $'000
Secured bank loan[(1)]	AUD	Dec 2013	13,448	13,448	16,250	16,250
Secured bank loan	AUD	Feb 2014	122,881	122,881	143,402	143,402
Secured bank loan	AUD	Dec 2013	11,563	11,563	10,783	10,783
Secured bank loan	AUD	Dec 2013	5,000	5,000	5,000	5,000
Share of joint venture loan	AUD	Jan 2013	47,024	47,024	-	-
			199,916	199,916	175,435	175,435

(1) Amortised at $250,000 per month.

Notes to the Consolidated Financial Statements

Financing arrangements

National Australia Bank

At 30 June 2012, the Group's total bank debt with National Australia Bank ("NAB") consisted of $136.329 million including its Tranche A senior debt facility ($122.881 million) and its Tranche C facility ($13.448 million). The terms are detailed below.

Tranche A – Key Terms

- Facility Limit of $123.739 million at 30 June 2012.
- Maturity date of 28 February 2014.

Tranche C – Key Terms

- Facility Limit of $13.500 million.
- Project specific facility for the Karratha Accommodation Village.
- The facility is fully drawn and amortises at $250,000 per month.
- Maturity date of 31 December 2013.

The following terms apply to all tranches:

- Loan to Value covenant of 60.0%.
- Interest coverage ratio covenant of at least 1.5 times investment property net rental income.
- Weighted Lease Duration (WLD) covenant of 2.00

All NAB Tranches are secured over the consolidated entity's commercial investment property portfolio excluding the ATO Building.

As at 30 June 2012, the Group's Weighted Lease Duration was 1.92 years and below its required covenant of 2.00 years. As a result, the Group's facility with NAB has been recognised as current. This factor combined with the consolidation of debt of ADPF, which is in wind down mode, has resulted in the Group's senior borrowings being classified as a current liability. The Group received a waiver of its breach of WLD on its NAB facility subsequent to year end, and a reduction in its WLD covenant to 1.25 (refer note 41 for details).

Aspen uses interest rate swaps to hedge its exposure to interest rate risks and at 30 June 2012, 97.3% of the Tranche A and C senior debt facility were hedged with a contracted weighted average maturity of 2.48 years.

In addition to the above, in February 2011 Aspen Group have provided corporate guarantees of $62.100 million in respect of debt facilities on its associates. Refer note 30 and 44 for details.

Bendigo and Adelaide Bank

The key terms of the loan facility with Bendigo and Adelaide Bank are as follows:

- $12.000 million construction facility for development of the Ballina retirement village (drawn to $11.563 million). Use of funds from this facility is restricted to land and building construction costs for the Ballina retirement village.
- $5.000 million facility for partial reimbursement of equity (drawn to $5.000 million).
- Loan to Value (LVR) covenant of 50% to maturity.
- Maturity date of December 2013.

Notes to the Consolidated Financial Statements

The Bendigo and Adelaide Bank facility is secured over the consolidated entity's retirement village investment and assets held for sale portfolios. The Group has a requirement to revalue these assets by 31 August 2012, and based on valuations to hand this has resulted in the Group breaching its Loan to Value Ratio (LVR). Subsequent to year end, the Group received a waiver of the breach in LVR covenant, and successfully renegotiated its LVR covenant to 60% (from 50%) until 31 December 2012.

Morstem No.2 Pty Limited

On 20 July 2011, Aspen Funds Management Limited, as Trustee for 12-26 Franklin Street Property Trust (FSPT), entered into a facility agreement with Morstem No.2 Pty Limited, a related party of the joint venture partner Telstra Super Pty Limited. The facility currently available is the construction facility for the development of the ATO Building in Adelaide, SA. The key terms are as follows:

- Construction facility limit of $117.600 million.
- Repayment date of 16 January 2013, with an option to convert the Construction Facility to a 5-year Term Facility on completion of the ATO Building development.
- Facility is drawn to $94.048 million (representing 100% of FSPT's debt) at 30 June 2012. The balance in this note represents the Group's 50% share of this liability.
- Drawdown of funds from this facility can only be made for construction costs on the ATO building and are subject to confirmation from an independent quantity surveyor.

The Morstem No.2 Pty Limited facility is secured over the consolidated entity's commercial investment in the ATO Building.

The total cost of drawn bank debt as at 30 June 2012 for the consolidated entity inclusive of facility fees was 8.35% pa (2011: 8.96% pa).

	2012	2011
	$'000	$'000
Financing facilities		
Share of joint venture loan	58,800	-
Secured bank loans	154,239	199,380
	213,039	199,380
Facilities utilised at reporting date		
Share of joint venture loan	47,024	-
Secured bank loans	152,892	175,435
Bank guarantees	858	5,228
	200,774	180,663
Facilities not utilised at reporting date		
Share of joint venture loan	11,776	-
Secured bank loans	489	3,717
Bank guarantees	-	15,000
	12,265	18,717

Notes to the Consolidated Financial Statements

28. Provisions

	2012 $'000	2011 $'000
Provision - Distributions	-	6,024
Provision – Stamp duty	2,270	-
	2,270	6,024
Movement in provisions during the financial year:		
Carrying amount at the beginning of the year	6,024	5,849
Additional provisions recognised	20,698	23,834
Provisions used during the year	(24,452)	(23,659)
Carrying amount at the end of the year	2,270	6,024

Further details of distributions declared and/or paid during the year are set out in note 31.

At 30 June 2012, Aspen Group has recognised a provision for stamp duty on the exercise of the put options relating to Aspen Development Fund No.1 Limited and Aspen Diversified Property Fund which will occur in FY13.

29. Employee benefits

	2012 $'000	2011 $'000
Current		
Salaries and wages accrued	35	100
Liability for annual and long service leave	1,029	856
Total employee benefits	1,064	956

Share based payments

Description of Share based payments arrangements

Employee Stapled Security Incentive Plan

On 26 November 2004 the consolidated entity established the Employee Stapled Security Incentive Plan ("ESSIP"), a share option programme that entitles key management personnel and other employees to purchase stapled securities in the entity. In accordance with this programme instruments are exercisable at the market price of the stapled securities at the date of the grant. There was no issue under the ESSIP in 2012.

Performance Rights Plan

During 2011 the Group established the Performance Rights Plan (PRP) in accordance with a resolution passed by shareholders at the 2011 Annual General Meeting. The PRP facilitates the grant of performance rights (Performance Rights) to employees of a member of the Aspen Group (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 entitled to participate in the PRP, although prior security holder approval will be sought prior to each such participation.

The Performance Rights form a key component of Aspen Group's long term incentive remuneration strategy. The PRP aligns the interests of security holders and Eligible Employees, and the Plan is designed to reward performance and out-performance of Aspen Group's earnings per share growth (against targets) as well as total shareholder return compared to the S&P ASX 300 Property Sector index. The vesting of the PRP awards is subject to earnings per share (EPS) as well as total shareholder return (TSR) performance conditions, with each hurdle carrying a weighting of 50%.

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).

Notes to the Consolidated Financial Statements

The terms and conditions of the grants are as follows, whereby all long term incentive instruments ("LTII") are settled by physical delivery of securities:

Grant date	Number of instruments issued	Vesting conditions	Expiry date of LTII	Type of LTII	Exercise Price
1 December 2004 (i)	760,000	2 years of service	30 November 2011	ESSIP	$1.005
	(760,000)	Forfeited as vesting conditions not met			
1 December 2005	1,520,000	2 years of service	30 November 2012	ESSIP	$1.090
	(570,000)	Forfeited as vesting conditions not met			
19 December 2006	3,108,042	2 years of service	18 December 2013	ESSIP	$1.767
	(1,598,042)	Forfeited as vesting conditions not met			
27 November 2007	11,000,000	3 years of service plus performance conditions as above	30 June 2010	EDLTIP	$2.693
	(11,000,000)	Forfeited as vesting conditions not met			
6 December 2007 (ii)	1,403,447	2 years of service	5 December 2014	ESSIP	$2.690
	(1,403,447)	Cancelled			
25 November 2008	3,000,000	3 years of service plus performance conditions as above	30 June 2011	EDLTIP	$0.466
	(3,000,000)	Forfeited as vesting conditions not met			
11 June 2009 (ii)	2,707,404	2 years of service	10 June 2016	ESSIP	$0.321
	(1,755,024)	Forfeited as vesting conditions not met			
1 July 2010	7,453,256	3 years of service plus performance conditions as above	30 June 2013	PRP	$0.000
	(847,325)	Forfeited as vesting conditions not met			
1 July 2011	6,682,312	3 years of service plus performance conditions as above	30 June 2014	PRP	$0.000
	(225,959)	Forfeited as vesting conditions not met			
Total	16,474,663				

(i) Disclosed post 1 for 5 security consolidation.

(ii) 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.

Notes to the Consolidated Financial Statements

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 2012	PRP - 2011 Issue 2012
Fair value at grant date	$0.330	$0.322
Share price at grant date	$0.460	$0.435
Expected volatility (%)	26.82	25.03
Expected life (years)	2.5	3.0
Expected dividends (%)	9.0	9.0
Risk-free interest rate (%)	5.428	5.316

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, the 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.

Share based payments	**Note**	**2012 $'000**	2011 $'000
Employee expenses			
Stapled security options granted in 2008 – equity settled		-	53
Stapled security options granted in 2009 – equity settled		-	69
Stapled security options granted in 2010 – equity settled		199	564
Stapled security options granted in 2011 – equity settled		315	-
Total expense before adjustments		514	686
EDLTIP stapled security options granted in 2007 - adjustment		-	(79)
Total expense recognised as employee costs	10	514	607

Reconciliation of outstanding share options

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

	Weighted average exercise price 2012	**Number of LTII 2012**	Weighted average exercise price 2011	Number of LTII 2011
Outstanding at 1 July	0.565	15,548,702	1.258	8,095,446
Forfeited during the period	0.879	(4,312,818)	-	-
Exercised during the year	0.321	(683,532)	-	-
Expired during the year	1.005	(760,000)	-	-
Granted during the period	-	6,682,311	-	7,453,256
Outstanding at 30 June	0.243	16,474,663	0.565	15,548,702
Exercisable at 30 June	1.175	3,412,380	0.565	15,548,702

The options outstanding at 30 June 2012 have an exercise price in the range of $0.000 to $1.767 (2011: $0.321 to $1.767) and a weighted average contractual life of 3.8 years (2011: 2.7 years).

Notes to the Consolidated Financial Statements

The weighted average share price at the date of exercise for share options exercised in 2012 was $0.434 (2011: no options exercised).

30. Other financial liabilities

	2012 $'000	2011 $'000
Current liabilities		
Interest rate derivatives – fair value through profit and loss	5,898	2,463
Put option	26,840	-
Financial guarantee	-	1,000
	32,738	3,463

Aspen Group has accounted for the following put option liabilities at 30 June 2012:

- A put option commitment to a shareholder in Aspen Development Fund No.1 Limited ("ADF"). Under the terms of the option, the shareholder may serve a notice to Aspen to purchase its shares in ADF (64,170,000 shares being 27.8% of the issued share capital) for their original cost amount, being $31.250 million, less any investor and capital returns received by the shareholder from the acquisition date to the date the option is exercised. The option is exercisable between 27 September 2012 and 15 October 2012, with settlement to occur within 60 days. If the option were able to be exercised as at the date of this report, the purchase price for the shares would be $25.315 million. Based on the expected value of the shares that would be put to Aspen, the consolidated entity has recognised a liability for the full value of the put option.
- To Aspen Whitsunday Shores Pty Limited ("AWSS") in respect to an underwriting commitment on a rights issue conducted in 2009. Under the terms of the underwriting commitment, AWSS can elect to put any shortfall on the rights issue to Aspen (as at 30 June 2012 this was 12,709,792 shares). This option is exercisable at any time, with settlement to occur within 14 days. If the option were able to be exercised as at the date of this report, the purchase price for the shares would be $1.525 million. Based on the expected value of the shares that would be put to Aspen, the consolidated entity has recognised a liability for the full value of the put option. Subsequent to year end, AWSS exercised its put option and have been allotted the shares. The consolidated entity has converted part of its loan receivable from AWSS to an investment in AWSS.

31. Capital and reserves

Issued capital	**Stapled securities**	
	2012 No.	**2011 No.**
On issue at 1 July	579,826,041	579,980,076
Issued during the year	20,681,285	16,612,658
Cancellation of EDLTIP and ESSIP securities during the year	(2,006,442)	(16,766,693)
On issue at 30 June – fully paid	598,500,884	579,826,041

The 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 security holder meetings. The liability of a member is limited to any remaining unpaid amount in relation to a member's subscription for securities.

Unlisted options

At 30 June 2012, nil unlisted options exist (2011: nil).

Notes to the Consolidated Financial Statements

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

For the year ended 30 June 2012

Issued capital	**2012 No. '000**	**2012 $'000**
On issue at 1 July 2011	573,497	415,836
Stapled securities issued at $0.4296 (i)	5,159	2,217
Stapled securities issued at $0.3846 (i)	6,099	2,347
Stapled securities issued at $0.4196 (i)	5,122	2,151
Stapled securities issued at $0.4703 (i)	4,301	2,024
Sale of ESSIP shares	911	319
On issue at 30 June 2012 – fully paid	595,089	424,894

Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options	**2012 No. '000**	**2012 $'000**
01 July 2011 – Balance	6,329	130
Sale of ESSIP shares	(911)	(130)
Cancellation of ESSIP securities	(2,006)	-
30 June 2012 - Balance	3,412	-
Total securities listed on ASX	598,501	424,894

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

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

For the year ended 30 June 2011

Issued capital	2011 No. '000	2011 $'000
On issue at 1 July 2010	556,884	408,292
Stapled securities issued at $0.4472 (ii)	3,955	1,769
Stapled securities issued at $0.4529 (ii)	4,334	1,963
Stapled securities issued at $0.4696 (ii)	4,406	2,069
Stapled securities issued at $0.4422 (ii)	3,918	1,743
On issue at 30 June 2011 – fully paid	573,497	415,836
Equity instruments issued pursuant to Aspen Group stapled security plans accounted for as options		
01 July 2010 – Balance	22,096	130
Cancellation of non-vested ESSIP securities	(3,267)	-
Cancellation of non-vested EDLTIP securities	(12,500)	-
30 June 2011 - Balance	6,329	130
01 July 2010 – Balance	1,000	-
Other		
Cancellation of non-vested ESSIP securities	(1,000)	-
30 June 2011 - Balance	-	-
Total securities listed on ASX	579,826	415,966

Notes to the Consolidated Financial Statements

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

	2012	2011
Reserves	**$'000**	$'000
Available for sale reserve	(9)	(9)
Movement in reserves		
Balance at the beginning of the financial year	(9)	(8)
Transfer from/(to) available for sale reserve	-	(1)
Balance at the end of the financial year	(9)	(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 Aspen Diversified Property Fund to non-controlling interests during the year ended 30 June 2012.

Distributions

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

2012	Cents per security	Total Amount $'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	-	-	-	-
Aspen Property Trust				
July 11 – Sept 11	1.050	6,078	21 November 2011	100%
Oct 11 – Dec 11	1.050	6,147	16 February 2012	100%
Jan 12 – Mar 12	1.050	6,202	21 May 2012	100%
	3.150	18,427		-
Aspen Diversified Property Fund				
November 2011	0.0391	94	30 December 2011	100%
December 2011	0.0404	98	31 January 2012	100%
January 2012	0.0404	98	29 February 2012	100%
February 2012	0.0378	92	30 March 2012	100%
March 2012	0.0404	98	30 April 2012	100%
April 2012	0.0391	95	31 May 2012	100%
May 2012	0.0404	106	29 June 2012	100%
June 2012	0.0391	109	31 July 2012	100%
	0.3167	790		100%

Notes to the Consolidated Financial Statements

2011	Cents per security	Total Amount $'000	Date of Payment	Tax Deferred %
Aspen Group Limited (the Company)				
Nil	-	-	-	-
Aspen Property Trust				
July 10 – Sept 10	1.050	5,891	19 November 2010	-
Oct 10 – Dec 10	1.050	5,936	17 February 2011	-
Jan 11 – Mar 11	1.050	5,983	20 May 2011	-
Apr 11 – Jun 11	1.050	6,023	19 August 2011	-
	4.200	23,833		-

Dividends	2012 $'000	2011 $'000
Dividend franking account		
30 per cent franking credits available to security holders of Aspen Group Limited for subsequent financial years	2,094	2,094

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

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

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

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

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

32. Earnings per stapled security

	Note	2012 cents per stapled security	2011 cents per stapled security
Basic earnings per stapled security	(a)	(25.31)	3.08
Diluted earnings per stapled security	(b)	(25.29)	3.08
Continuing operations:			
Basic earnings per stapled security – continuing operations	(a)	(25.64)	3.08
Diluted earnings per stapled security – continuing operations	(b)	(25.62)	3.08
Discontinued operations:			
Basic earnings per stapled security – discontinued operation	(a)	0.33	-
Diluted earnings per stapled security – discontinued operation	(b)	0.33	-

Notes to the Consolidated Financial Statements

(a) Basic earnings per stapled security

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

Profit/(loss) attributable to ordinary stapled security holders (basic)

	2012			2011	
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Total $'000
Profit/(loss) for the year	(149,883)	2,783	(147,100)	17,425	17,425
Non-controlling interest share of profit/(loss)	-	(855)	(855)	-	-
Profit/(loss) attributable to ordinary stapled security holders (basic)	(149,883)	1,928	(147,955)	17,425	17,425

	2012	2011
Weighted average number of securities (basic)	**No. '000**	No. '000
Issued stapled securities 1 July	573,497	556,885
Weighted average number of securities at 30 June[(1)]	584,670	564,972

(1) Excludes non-dilutive LTI instruments

(b) Diluted earnings per stapled security

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

Profit/(loss) attributable to ordinary stapled security holders (diluted)

	2012			2011	
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Total $'000
Profit/(loss) for the year	(149,883)	2,783	(147,100)	17,425	17,425
Non-controlling interest share of profit/(loss)	-	(855)	(855)	-	-
Profit/(loss) attributable to ordinary stapled security holders (diluted)	(149,883)	1,928	(147,955)	17,425	17,425

	2012	2011
Weighted average number of securities (diluted)	**No. '000**	No. '000
Weighted average number of stapled securities at 30 June	584,670	564,972
Effect of stapled security options on issue	261	415
Weighted average number of securities (diluted) at 30 June	584,931	565,387

Notes to the Consolidated Financial Statements

33. Reconciliation of cash flows from operating activities

Cash flows from operating activities	2012 $ '000	2011 $ '000
Loss/profit for the year	(147,100)	17,425
Adjustments for:		
Income from investment properties	163	-
Funds management revenue	3,145	-
Financial income	(8,507)	(6,318)
Property expenses	2,449	-
Depreciation and amortisation	1,027	1,459
Change in fair value of investment property	(41,776)	1,245
Change in fair value of inventory	(234)	453
Change in fair value of interest rate swaps	3,435	(1,380)
Capitalised coupon interest	(3,050)	(2,223)
Share of profit/(loss) of equity accounted investees	5,827	18,504
Share-based payment expenses	514	607
Write-down of inventory to recoverable amount	16,258	-
Impairment of financial assets	117,560	-
Impairment adjustments of equity accounted investees	54,436	-
Impairment of available-for-sale investments	2,616	-
Change in fair value of retirement living assets	(327)	606
Stamp duty on exercise of put option	1,770	-
Impairment of intangible asset	769	
Loss on acquisition of subsidiary	3,605	-
Gain on sale of subsidiary	(3,500)	-
Loss from disposal of property, plant and equipment	392	134
Loss from disposal of investment properties	641	518
Profit from sale of inventories	(74)	(742)
Income tax (expense)/benefit	10,363	(4,657)
Profit from discontinued operation	(593)	-
Non controlling interest	(855)	-
Operating profit before changes in working capital and provisions	18,954	25,631
Change in trade and other receivables	1,148	3,276
Change in subsidiary assets held for sale	(365)	-
Change in other assets	2,353	477
Change in trade and other payables	(3,265)	701
Change in subsidiary liabilities held for sale	(349)	-
Change in other liabilities	(1,054)	441
Change in provisions and employee benefits	109	5
Net cash from operating activities	17,531	30,531

Notes to the Consolidated Financial Statements

34. Financial instruments

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

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

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

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

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

Credit Risk

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

The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

(i) Trade and other receivables

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

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

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

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

Notes to the Consolidated Financial Statements

(ii) Loans to associates

As at 30 June 2012, the Group has a loan portfolio of $1.975 million (after recognising impairments) to its funds management entities. Details of the loans and the terms and conditions attaching to these are set out in note 37 and repayment of these loans is expected to occur through future business activities of each respective entity and/or future sales of englobo land.

As part of the 2012 financial year end review process, a detailed review was performed on the recoverability of all loans to associates. This review was conducted through the completion of a net present value on its future loan repayments, based on current cashflow projections of each associate. Significant estimates and judgements have been made on each associate, particularly in regard to projected sales rates and escalation of revenue and expenditure when valuing the carrying value of loans. As a result of this detailed review on the recoverability of loans, an impairment expense of $89.534 million (2011: Nil) was recognised during the year. Refer note 37 for further details on the impairments taken on each associate.

Liquidity Risk

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

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

Market risk

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

(i) Interest rate risk

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

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

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

Notes to the Consolidated Financial Statements

Operational risk

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

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

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

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

Capital management

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

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

Management can alter the capital structure of Aspen by issuing new stapled securities, adjusting the amount of dividends/distributions paid to security holders, returning capital to security holders, selling assets to reduce debt, adjusting the timing of development and capital expenditure and through the operation of a Dividend and Distribution Reinvestment Plan. Aspen also manages capital through its distribution policy. In June 2012, the Board resolved not to pay a distribution for the quarter ended June 2012 to enhance the capital position of the Group in light of the likely funding commitment relating to the exercise of a put option in November of this year relating to ADF (refer note 30 for further details). In addition, on the 24th September 2012 the Board announced a fully underwritten capital raising, to strengthen the Group's capital position, reduce gearing and improve liquidity.

Gearing is a measure used to monitor levels of debt capital used by the Group to fund its operations. This ratio is calculated as interest bearing debt, net of cash and cash equivalents divided by total assets. The gearing ratios at 30 June 2012 and 30 June 2011 were 46% and 28%, respectively.

Notes to the Consolidated Financial Statements

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

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

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

Credit risk

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

	Carrying Amount	
	2012	2011
	$ '000	$ '000
Cash and cash equivalents	3,057	11,145
Cash held in restricted funds	-	1,000
Trade and other receivables	11,938	18,477
Other financial assets	4,975	92,521
Subsidiary held for sale – cash	417	-
Subsidiary held for sale – trade and other receivables	589	-
	20,976	123,143

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

	Carrying Amount	
	2012	2011
	$ '000	$ '000
Funds management receivables	-	6,224
Property management receivables (net of provisions)	8,543	7,698
Cash held in restricted funds (refer note 19)	-	1,000
Loan to TRGP No1 (refer note 15)	3,000	-
Amount due from associates (refer note 15 and 37)	1,975	92,522
Amount due from former directors (refer note 37)	2,675	2,992
Dividend receivable	460	273
GST and other receivables	261	1,291
	16,914	112,000

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

	Gross 2012 $ '000	**Impairment 2012 $ '000**	Gross 2011 $ '000	Impairment 2011 $ '000
Not past due	16,914	-	112,000	-
Past due 0-30 days	-	-	51	(51)
Past due 31-120 days	-	-	87	(87)
Past due 121 days to one year	117,627	(117,627)	228	(228)
More than one year	130	(130)	-	-
	134,671	(117,757)	112,366	(366)

Notes to the Consolidated Financial Statements

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

	2012 $ '000	2011 $ '000
Balance at 1 July	367	165
Impairment loss recognised	117,643	367
Amounts written off	(253)	(165)
Balance at 30 June	117,757	367

The impairment provision at 30 June 2012 of $0.198 million for trade receivables relates to tenants that have either vacated their tenancy with outstanding rental arrears or are currently in financial difficulties. Management has assessed the collectability of all debts and provided for specific provisions for any doubtful debts. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. Refer to note 37 for further details on the impairments recognised on the Group's financial assets.

The Group requests rental deposit or bank guarantees from new tenants in order to secure the premises and tenants are invoiced in advance. At 30 June, the Group holds $2.192 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:

2012	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 loans	(199,916)	(238,677)	(142,879)	(2,254)	(20,480)	(10,643)	(62,420)
Trade and other payables	(5,172)	(5,172)	(5,172)	-	-	-	-
Put options	(26,840)	(26,840)	(26,840)	-	-	-	-
Interest rate swaps	(5,898)	(5,898)	(5,898)	-	-	-	-
	(237,826)	(276,587)	(180,789)	(2,254)	(20,480)	(10,643)	(62,420)

2011	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	(175,435)	(208,826)	(20,998)	(13,073)	(30,707)	(144,048)	--
Trade and other payables	(6,227)	(6,227)	(6,227)	-	-	-	-
Financial guarantee	(1,000)	(1,000)	(1,000)	-	-	-	-
Interest rate swaps	(2,463)	(2,209)	(778)	(651)	(607)	(173)	-
	(185,125)	(218,262)	(29,003)	(13,724)	(31,314)	(144,221)	-

Resident loans of $9.637 million (2011: $8.315 million) are classified as current liabilities per Note 26 for the reasons set out in note 3 (b) (ii). However, they do not have contractual dates of maturity and are not presented in the liquidity analysis above.

Notes to the Consolidated Financial Statements

The Group has secured bank loans which contain debt covenants as set out in note 27. The breach of covenant at 30 June 2012 may require the Group to repay the loan earlier than indicated in the table above. 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 notes 27 and 41 for further information regarding the secured bank loans.

Interest rate risk

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

Interest rate risk – Hedging

Interest rate swap contracts have been recorded on the 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.

Contractually, the swaps have an average maturity of 2.48 years (2011: 2.06 years) and have fixed swap rates ranging from 5.03% to 6.18% (2011: 5.41% to 6.00%). At 30 June the Group had interest rate swaps with a notional contract amount of $133.550 million (2011: $164.750 million). For the purposes of the liquidity analysis, the derivatives are recorded as due for settlement within 6 months due to the covenant breach at 30 June 2012.

The net fair value of interest rate swaps at 30 June 2012 was a liability for $5,897,588 (2011: liability of $2,462,727).

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

	2012	2011
Carrying amounts	**$'000**	$'000
Variable rate instruments		
Cash and cash equivalents	3,057	11,145
Loan to TRGP No1	3,000	-
Amount due from associates	1,975	92,521
Amount due from directors	2,675	2,992
Interest rate derivatives	(5,898)	(2,463)
Interest bearing loans	(199,916)	(175,435)
	(195,107)	(71,240)

Notes to the Consolidated Financial Statements

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2012	**$'000**	**$'000**	**$'000**	**$'000**
Variable rate instruments	(1,892)	1,892	-	-
Interest rate swap	1,336	(1,336)	-	-
Cash flow sensitivity (net)	(556)	556	-	-
30 June 2011	**$'000**	**$'000**	**$'000**	**$'000**
Variable rate instruments	(688)	688	-	-
Interest rate swap	1,648	(1,648)	-	-
Cash flow sensitivity (net)	960	(960)	-	-

Equity price risk

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

Fair Values

Estimation of fair value

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

The methods used in determining the fair values of financial instruments are discussed in note 5.

Interest rates used for determining fair value

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

	2012	2011
	%	**%**
Derivatives	6.6% - 6.9%	8.0% - 8.7%
Loans to associates:		
Aspen Dunsborough Lakes Limited	13.50%	-
Aspen Whitsunday Shores Pty Limited	8.75%	-
Fern Bay Seaside Village Limited	18.00%	-
Aspen Development Fund No 1 Limited	11.35%	-

Notes to the Consolidated Financial Statements

Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
30 June 2012	$'000	$'000	$'000	$'000
Available-for-sale financial assets	-	-	2,093	2,093
Derivative financial liabilities	-	(32,738)	-	(32,738)
	-	(32,738)	2,093	(30,645)
30 June 2011				
Available-for-sale financial assets	-	-	2,233	2,233
Derivative financial liabilities	-	(2,463)	-	(2,463)
	-	(2,463)	2,233	(230)

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2012 (2011: no transfers).

The following table shows a reconciliation of movements in the Group's financial instruments classified as Level 3 within the fair value hierarchy for the years ended 30 June 2012 and 30 June 2011:

	Available for Sale Assets	
	2012	2011
	$'000	$'000
Opening balance at 1 July	2,233	2,135
Total gains or losses:		
- in profit or loss	(140)	94
Purchases	-	4
Closing balance at 30 June	2,093	2,233

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

Notes to the Consolidated Financial Statements

35. Operating leases

Leases as lessor

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

	2012 $'000	2011 $'000
Less than one year	15,336	14,932
Between one and five years	59,855	22,044
More than five years	48,346	252
	123,537	37,228

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2012 $'000	2011 $'000
Less than one year	830	-
Between one and five years	4,413	-
More than five years	6,904	-
	12,147	-

The Group has entered into a lease agreement 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.

36. Capital and other commitments

	2012	2011
Investment Property	$'000	$'000
Contracted but not provided for and payable:	19,995	119,300

The commitments in the table above for the year ended 30 June 2012 relate to:

1. The construction of the ATO Building in Adelaide which was acquired during the financial year and is currently in the course of construction. The base building and ATO works are due to be completed in October 2012, with the remaining Australia Post fitout forecast to be complete by March 2013.
2. Aspen Group is a cornerstone investor in its various managed funds, which are classified as associate entities in these financial statements. In this regard Aspen Group has committed $6.670 million of loan funds, drawn to $2.200 million at 30 August 2012.

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

Notes to the Consolidated Financial Statements

37. Related party transactions

Key management personnel disclosures

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

Non-executive directors:
- F Zipfinger
- T Budge
- H Martin (appointed 30 April 2012)
- C Appleton (appointed 30 April 2012)
- R Gillard (resigned 30 April 2012)

Executive directors:
- G Hawkins (ceased 23 August 2012)

Senior Executives:
- J Smith
- C Lewis
- B Acott
- P Barker
- B Fullarton (appointed January 2012)
- S Martin (resigned January 2012)

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

	2012	2011
	$ '000	$ '000
Short-term employee benefits	3,341	4,358
Long-term employee benefits	31	23
Post-employment benefits	174	197
Termination benefits	-	114
Equity compensation benefits	322	241
	3,868	4,933

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.

Basis of disclosures included as remuneration

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

Measurement – ESSIP / EDLTIP / PRP

The value of equity remuneration issued to KMP is determined at grant date. Aspen stapled securities are allotted to the individuals; though the ultimate beneficial ownership is dependent on meeting predetermined service criteria - refer to Director's Report for further information. The fair value of these equity instruments is determined by the application of an appropriate option pricing model, incorporating the terms and conditions upon which the equity instruments were issued. Refer note 5 for further details regarding the calculation of fair values.

Notes to the Consolidated Financial Statements

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

Refer to note 3 (k) for further details regarding the accounting policy for securities issued under this plan.

Allocation

Where the benefit from equity remuneration is expected to be earned over several reporting periods, the total benefit determined at the grant date of the equity remuneration is apportioned on a straight-line basis over the periods in which it is expected to be earned. Adjustments are recognised in profit or loss for those options subject to achievement of non-market conditions.

Loans issued under the ESSIP / EDLTIP

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

Notes to the Consolidated Financial Statements

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

Options and rights over equity instruments - Unlisted options

	Note	Balance at 01 July 2011	Granted as Remuneration	Exercised	Expired / Forfeited	Balance at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors								
F Zipfinger		-	-	-	-	-	-	-
T Budge		-	-	-	-	-	-	-
H Martin	*1*	-	-	-	-	-	-	-
C Appleton	*1*	-	-	-	-	-	-	-
R Gillard	*2*	-	-	-	-	-	-	-
G Hawkins	*4, 6, 7*	2,050,000	-	-	(300,000)	1,750,000	-	1,750,000
	5, 6, 7	2,015,027	1,575,250	-	-	3,590,277	-	-
Senior Executives								
J Smith	*4*	120,006	-	-	-	120,006	-	120,006
	5	274,869	282,241	-	-	557,110	-	--
C Lewis	*4*	108,899	-	-	-	108,899	-	108,899
	5	667,539	608,988	-	-	1,276,527	-	-
B Acott	*4*	364,468	-	(264,468)	-	100,000	-	100,000
	5	293,194	279,635	-	-	572,829	-	--
P Barker	*4*	108,899	-	-	-	108,899	-	108,899
	5	261,780	251,845	-	-	513,625	-	-
B Fullarton	*3, 5*	-	296,135	-	-	296,135	-	-
S Martin	*5, 6*	324,607	-	-	(324,607)	-	-	-
Total		**6,589,288**	**3,294,094**	**(264,468)**	**(624,607)**	**8,994,307**	**-**	**2,187,804**

Notes

(1) Director appointed on 30 April 2012.

(2) Director resigned on 30 April 2012.

(3) Executive appointed a KMP during the financial year.

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

(5) Relates to rights granted under the Performance Rights Plan (PRP).

(6) Executive is no longer a KMP as at 30 June 2012.

(7) Director ceased on 23 August 2012.

Notes to the Consolidated Financial Statements

Options and rights over equity instruments - Unlisted options

	Note	Balance at 01 July 2010	Granted as Remuneration	Other	Expired / Forfeited	Balance at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors								
R Gillard		-	-	-	-	-	-	-
T Budge		-	-	-	-	-	-	-
S F Chan	*1*	-	-	-	-	-	-	-
M McCann	*1*	-	-	-	-	-	-	-
F Zipfinger	*2*	-	-	-	-	-	-	-
G Hawkins	*3*	1,500,000	-	-	(1,500,000)	-	-	-
	4	2,050,000	-	-	-	2,050,000	-	2,050,000
	5	-	2,015,027	-	-	2,015,027	-	-
Senior Executives								
J Timms	*1, 4*	566,571	-	(566,571)	-	-	-	-
J Smith	*4*	120,006	-	-	-	120,006	70,006	120,006
	5	-	274,869	-	-	274,869	-	-
C Lewis	*4*	108,899	-	-	-	108,899	108,899	108,899
	5	-	667,539	-	-	667,539	-	-
B Acott	*4*	364,468	-	-	-	364,468	264,468	364,468-
	5	-	293,194	-	-	293,194	-	-
P Barker	*4*	108,899	-	-	-	108,899	108,899	108,899
	5	-	261,780	-	-	261,780	-	-
D Cardoso	*1, 4*	124,456	-	(124,456)	-	-	-	-
R Morrison	*4, 6*	186,683	-	(186,683)	-	n/a	-	-
S Martin	*5*	-	324,607	-	-	324,607	-	-
Total		**5,129,982**	**3,837,016**	**(877,710)**	**(1,500,000)**	**6,589,288**	**552,272**	**2,752,272**

Notes

(1) Executive resigned during the financial year.

(2) Director appointed on 31 January 2011.

(3) Relates to options granted under the Executive Director Long Term Incentive Plan (EDLTIP).

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

(5) Relates to rights granted under the Performance Rights Plan (PRP).

(6) Executive is no longer a KMP as at 30 June 2011.

Listed options

No listed options were granted during the financial year ended 30 June 2012 (2011: Nil). No listed options were held by key management person related parties.

Notes to the Consolidated Financial Statements

Movements in securities

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

	Note	Balance at 01 July 2011	Issued from DRP	Other	Net Purchases / (Sales)	Balance at 30 June 2012
Directors						
F Zipfinger	*2*	6,279	11,166	-	193,567	211,012
T Budge		484,942	49,867	-	-	534,809
H Martin	*3*	-	-	-	-	-
C Appleton	*3*	-	-	-	-	-
R Gillard	*1*	2,673,472	-	-	326,528	3,000,000
G Hawkins	*6*	14,622,466	-	-	-	14,622,466
Senior Executives						
J Smith		13,637	-	-	-	13,637
C Lewis		-	-	-	-	-
B Acott		47,639	-	-	-	47,639
P Barker		-	-	-	-	-
B Fullarton	*4*	-	-	-	-	-
S Martin	*1, 5*	-	-	-	-	-
Total		17,848,435	61,033	-	520,095	18,429,563

	Note	Balance at 01 July 2010	Issued from DRP	Other	Net Purchases / (Sales)	Balance at 30 June 2011
Directors						
R Gillard		2,656,823	16,649	-	-	2,673,472
T Budge		442,448	42,494	-	-	484,942
SF Chan	*1*	3,055,058	215,756	(3,270,814)	-	n/a
M McCann	*1*	169,764	-	(169,764)	-	n/a
F Zipfinger	*2*	-	279	6,000	-	6,279
G Hawkins		14,622,466	-	-	-	14,622,466
A Del Borrello	*1*	17,550,815	-	(17,550,815)	-	n/a
Senior Executives						
J Timms	*1*	-	-	-	-	n/a
J Smith		13,637	-	-	-	13,637
C Lewis		-	-	-	-	-
B Acott		47,639	-	-	-	47,639
P Barker		-	-	-	-	-
D Cardoso	*1*	17,398	-	-	(17,398)	-
R Morrison	*5*	8,197	-	(8,197)	-	n/a
S Martin	*5*	-	-	-	-	-
Total		38,584,245	275,178	(20,993,590)	(17,398)	17,848,435

Notes to the Consolidated Financial Statements

Notes

(1) Director/Executive ceased/resigned during the financial year.

(2) Director appointed on 31 January 2011.

(3) Director appointed on 30 April 2012.

(4) Executive appointed during the financial year.

(5) Executive is no longer a KMP as at 30 June 2012.

(6) Director ceased on 23 August 2012.

No stapled securities were granted to key management personnel during the reporting period. No shares were held by key management personnel related parties.

Individual directors and executives compensation disclosures

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

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

Loans to executive directors

In May 2009, Aspen Group announced a 1 for 1.1 pro rata offer (Entitlement Offer) to all existing security holders. Aspen Group provided a full recourse $7.200 million loan to the then Executive Directors to enable them to fully participate in the Entitlement Offer. Key terms of the loan are as follows:

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

The movement in the loan to the former Managing Director during the year is outlined below:

	2012	2011
	$'000	$'000
Opening balance at 1 July	2,992	6,763
Interest accrued	257	435
Repayments	(100)	(3,467)
Distributions received	(474)	(739)
Closing balance at 30 June	2,675	2,992
Maximum balance during the period	3,016	6,814

Notes to the Consolidated Financial Statements

The loan amount is recorded as a receivable in the statement of financial position of Aspen Group Limited (refer to note 14) and is fully repayable at the end of the loan term.

The loans are fully secured against property backed assets. Mr Angelo Del Borrello repaid his loan during the financial year ended 30 June 2011.

Share-based payment loans to KMP

Loans made to individuals by Aspen Group to fund the purchase of securities issued under the ESSIP are not disclosed in the statement of financial position under IFRS because they are considered options for accounting purposes.

Under AASB 2 “Share-based Payment”, the loans on ESSIP securities are considered options for accounting purposes, the fair value of the options is recognised as an employee expense with a corresponding increase in reserves and the loans are not recorded on the statement of financial position. 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.

Identity of related parties

The consolidated entity has a related party relationship with its associates (see note 20) and with its key management personnel.

Associates

Aspen Group manages the following entities: Aspen Parks Property Fund, Aspen Dunsborough Lakes Limited, Aspen Whitsunday Shores Pty Limited, Fern Bay Seaside Village Limited, St Leonard’s Estate Pty Limited, Enclave at St Leonards Limited and Aspen Development Fund No 1 Limited. Aspen Group provides loan funds to these associates to assist their working capital and/or their development funding requirements.

The following unsecured loans are from the Group and are outstanding at year end.

Loans to associates	Average Interest rate	Gross 2012 $’000	Impairment 2012 $’000	Net 2012 $’000	Net 2011 $ ‘000
Aspen Diversified Property Fund	-	-	-	-	25,798
Aspen Living:					
Aspen Dunsborough Lakes Limited	9.35%	-	-	-	-
Aspen Whitsunday Shores Pty Limited	10.08%	14,943	(13,418)	1,525	13,519
Fern Bay Seaside Village Limited	16.83%	-	-	-	-
St Leonards Estate Pty Limited	11.40%	445	-	445	3,264
Aspen Development Fund No 1 Limited	11.40%	34,919	(34,919)	-	7,384
Other	-	5	-	5	3
		50,312	(48,337)	1,975	49,968

Notes to the Consolidated Financial Statements

The following secured loans are from the Group and are outstanding at year end.

Loans to associates	Average Interest rate	Gross 2012 $'000	Impairment 2012 $'000	Net 2012 $'000	Net 2011 $ '000
Aspen Living:					
Aspen Dunsborough Lakes Limited	9.35%	32,480	(32,480)	-	23,272
Fern Bay Seaside Village Limited	16.83%	36,743	(36,743)	-	19,281
		69,223	(69,223)	-	42,553

Aspen Group holds a second ranking registered mortgage over the project assets of these associates.

During the 2012 financial year end process, the Group has conducted a detailed review on the recoverability of its loans to associates, and an impairment of $117.560 million was recorded (2011: Nil). Refer note 20 for further details. Notwithstanding the impairments recorded on these loans, the Group still retains a legal entitlement to the gross value of the loans. Subsequent to year end, the Group agreed to waive its loan to Aspen Development Fund No. 1 Limited ("ADF") in exchange for ADF agreeing to conduct an orderly sale process (refer note 41 for details).

In addition to the loans noted above, the Group has receivables from associates as set out below:

Receivables	2012 $ '000	2011 $ '000
Aspen Parks Property Fund	907	523
Aspen Living:		
Aspen Dunsborough Lakes Limited	2	126
Aspen Whitsunday Shores Pty Limited	(6)	40
Fern Bay Seaside Village Limited	1	8
St Leonards Estate Pty Limited	3,186	1,460
Aspen Development Fund No 1 Limited	39	356
Other investments	38	634
	4,167	3,147

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

Management fees	2012 $ '000	2011 $ '000
Aspen Parks Property Fund	6,025	6,018
Aspen Diversified Property Fund	330	1,250
Aspen Living:		
Aspen Dunsborough Lakes Limited	(4,127)	1,234
Aspen Whitsunday Shores Pty Limited	196	404
Fern Bay Seaside Village Limited	1,070	252
St Leonards Estate Pty Limited	2,634	2,464
Aspen Development Fund No 1 Limited	1,590	3,386
Other investments	-	(30)
	7,718	14,978

Notes to the Consolidated Financial Statements

Interest income	2012 $ '000	2011 $ '000
Aspen Diversified Property Fund	670	1,854
Aspen Living:		
Aspen Dunsborough Lakes Limited	2,295	2,436
Aspen Whitsunday Shores Pty Limited	446	1,173
Fern Bay Seaside Village Limited	4,299	1,821
St Leonards Estate Pty Limited	82	372
Aspen Parks Wholesale Property Fund	1	-
Aspen Development Fund No 1 Limited	1,449	4,293
	9,242	11,949

Acquisition of ATO Building from Aspen Development Fund No 1 Limited

In the 2011 financial year 12-26 Franklin Street Property Trust ("FSPT"), an entity 50% owned by Aspen Property Trust (refer note 38), entered into an agreement, conditional on finance, to purchase the ATO Building from Caversham Property Developments Pty Limited, a company wholly owned by ADF. On 15 August 2011 this agreement went unconditional once FSPT secured an external construction loan.

Under the terms of the agreement FSPT agreed to pay $7.000 million for the land and to fund the development of the ATO Building with ADF appointed the developer of the building construction. The total purchase price of the ATO Building including land from Aspen Development Fund No 1 Limited is $183.700 million which includes a holding cost on the development funding provided. The estimated total cash outlay to Aspen Development Fund No 1 Limited for the building is $161.718 million. Details of amounts paid to date for the land purchase and building construction are as follows:

Payments by FSPT to for Land & Building Construction	2012 $'000	2011 $'000
Aspen Development Fund No 1 Limited	106,188	44,880

During the 2012 financial year Aspen Group Limited was returned financial guarantees totalling $60.000 million from the builder of the ATO Building, comprising $30.000 million in bank guarantees and $30.000 million in corporate guarantees. These guarantees were returned on 15 August 2011 as external construction loan finance was secured for the construction of the ATO Building.

Notes to the Consolidated Financial Statements

38. Consolidated entities

	Ownership interest 2012 %	Ownership interest 2011 %
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	100	100
Aspen Funds Management Limited	100	100
Aspen Living Villages Pty Limited	100	100
Aussie.com.au (2000) Pty Limited	100	100
Aspen Development Fund No. 2 Pty Limited	100	100
Aspen Property Management Pty Limited	100	100
Aspen Cliftleigh Pty Limited	100	100
Aspen Search Pty Limited	100	100
Aspen Select Property Fund	100	100
Aspen Communities Property Fund (note 1)	100	100
Aspen Communities Limited	100	100
Aspen Villages Property Fund (note 1)	100	100
Aspen Diversified Property Fund (see note 39)	43.6	35.9
Joint venture		
12-26 Franklin Street Property Trust	50	100

Note

(1) Including controlled entities as listed below:

Aspen Communities Property Fund comprising:

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

Aspen Villages Property Fund comprising:

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

All subsidiary entities were formed / incorporated in Australia.

Notes to the Consolidated Financial Statements

39. Acquisition of subsidiary

On 14 October 2011 the Group obtained control of Aspen Diversified Property Fund, by purchasing 19.1% of the shares and voting interests in the Fund as a result of Skiptan Pty Limited exercising its put option. Aspen Group paid cash consideration of $5.595 million for this interest. As a result, the Group's equity interest in Aspen Diversified Property Fund increased from 35.9% to 53.2%. A minor portion of the Group's holding was sold down in December 2011 and June 2012 and as at 30 June 2012 the Group's holding was 43.6%. The Group holds call options over the disposal units enabling it to reacquire the units such that if called, the Group would own 49.99% of the equity interest. Based on the percentage holding, the Group's loan to the Fund and management's rights, the directors are of the view that they have effective control and have consolidated the Fund.

In the period from 1 November 2011 to 30 June 2012 Aspen Diversified Property Fund contributed revenue of $8.803 million and profit of $2.783 million to the Group's results, of which $0.855 million is attributable to non-controlling interests who hold 56.4% of the Fund by 30 June 2012. This profit also includes a gain of $0.968 million relating to the revaluation of investment properties held by the Fund at 30 June 2012.

Identifiable assets acquired and liabilities assumed at the consolidation date were as follows:

	$'000
Cash and cash equivalents	778
Trade and other receivables	424
Provision for doubtful debts	(101)
Investment properties	114,989
Prepayments and other assets	188
Trade and other payables	(730)
Interest – bearing loans and borrowings	(88,099)
Provisions	(206)
Other financial liabilities	(1,199)
Total net identifiable assets	26,044

Premium paid on acquisition

Premium paid on acquisition was recognised as follows:

	$'000
Total consideration transferred	5,595
Non-controlling interests, based on their proportionate interest in the recognized amounts of the assets and liabilities of the acquirer	12,184
Fair value of the existing interest in the acquiree	9,350
Fair value of identifiable net assets	(26,044)
Premium paid on acquisition	1,085

The re-measurement to fair value of the Group's existing 35.9% interest in the Fund at the consolidation date resulted in a loss of $3.605 million (including the premium paid on acquisition and accounting for any stamp duty implications of the change in the Group's interest) which has also been recognised in the loss on acquisition of a subsidiary in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

Disposal of non-controlling interest

In December 2011 the Group disposed of 0.486% of its interest in ADPF for $0.150 million in cash, decreasing its ownership from 53.22% to 52.73%. The Group recognised an increase of non-controlling interests of $0.122 million and a gain on sale of interest in other equity of $0.028 million. In June 2012, the Group disposed of a further 9.16% of its interest for $2.750 million in cash, decreasing its ownership further to 43.57%. The Group recognised a further increase in non-controlling interests of $2.388 million and a gain on sale of interest in other equity of $0.362 million.

The following summarises the effect of changes in the Company's ownership interest in ADPF on non-controlling interests:

	$'000
Non-controlling interests at date of acquisition	12,184
Effect of sale of Group's interest to non-controlling interests	2,510
Share of comprehensive income	855
Non-controlling interests at 30 June 2012	15,549

Subsidiary held for sale

At 30 June 2012, Aspen Group's management was of the expectation that the shareholders of ADPF would resolve to wind up the fund and therefore at this date the assets and liabilities of this subsidiary were shown as held for sale on the statement of financial position. Subsequent to year end as per note 41, this resolution to wind up the fund was successfully passed.

	$'000
Assets classified as held for sale	
Cash and cash equivalents	417
Trade and other receivables	589
Investment properties	118,182
Prepayments and other assets	705
	119,893
Liabilities classified as held for sale	
Trade and other payables	670
Interest bearing loans and borrowings	74,718
Provisions	113
Other financial liabilities	1,467
	76,968

Profit from discontinued operations	$'000
Revenue from investment properties	8,803
Property expenses	(2,109)
Change in fair value of investment properties	968
Administration expenses	(175)
Finance income	11
Finance expenses	(4,715)
Profit from discontinued operations	2,783

Notes to the Consolidated Financial Statements

40. Sale of subsidiary

On 20 July 2011, the Group's interest in 12-26 Franklin Street Property Trust (FSPT) was diluted by the sale of 50% of the equity to Telstra Super Pty Limited ('Telstra Super') reducing the Group's continuing interest to 50%. The Group has entered into a joint venture agreement with Telstra Super to develop the ATO building in Adelaide held by FSPT. The consideration for 50% equity interest from Telstra Super was $34.000 million which was received and invested into FSPT on 15 August 2011. The gain on disposal of the interest in FSPT for the Group was $3.500 million which has been recognised in profit and loss.

41. Subsequent events

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

- The Group announced a fully underwritten capital raising on 24 September 2012. The capital raising is intended to strengthen the Group's capital position, reduce gearing and improve the Group's liquidity.

  The proposed capital raising will be structured as an accelerated pro-rata non-renounceable entitlement offer and is expected to raise $96.000 million after costs. The capital raising is to be fully underwritten subject to the usual terms and conditions associated with underwriting arrangements, the most significant of these being, no material adverse change in Aspen's business and no material adverse change in specified ASX indices. The Board resolved to proceed with the capital raising on 23 September 2012.

- A general meeting of the unit holders of the Aspen Diversified Property Fund ('the Fund")was held on 2 July 2012 which authorised Aspen Funds Management Limited (as the Responsible Entity of the Fund) to commence an orderly sale of the properties of the Fund within a reasonable period of time and to wind up the affairs of the Fund shortly thereafter.

- The Group secured up to $35.000 million of new funding via redemption of Aspen Property Trust's units in the Franklin Street Property Trust ("FSPT"). The funding has been made available through FSPT entering into a convertible note facility provided by the Group's joint venture partner Telstra Super.

  Key terms of the Convertible Notes, in respect of the Group's unitholding, are as follows:
  - Redemption amount: $35.000 million, to be available as follows:
    - $15.000 million immediately available (and drawn on 14 September 2012);
    - $5.000 million on practical completion of base building works; and
    - $15.000 million on provision of acceptable security to meet developer obligations to tenants, with security to reduce in line with mitigation of said developer obligations;
  - All in coupon cost 10.5% per annum; and
  - Redemption period no later than three years from issue.

  The Group has provided its 50% interest in FSPT as security to Telstra Super in connection with repayment. The ability to subscribe for units in FSPT to fund an early repayment throughout the three year term of the Convertible notes is available to the Group at its discretion.

- The Group received a waiver of its breach of the Weighted Lease Duration (WLD) covenant on its NAB facility subsequent to year end, and a reduction in its WLD covenant to 1.25 years until 30 June 2013. This waiver is conditional upon Aspen Group and its associated entities committing to debt reduction of at least $100.000 million through a series of contracted step downs by December 2013, to be achieved through completion of a capital raising and progression of non-core asset sales.

Notes to the Consolidated Financial Statements

- Aspen Group converted $1.525 million of debt into equity within Aspen Whitsunday Shores Pty Ltd ("AWSS") on 1 August 2012. Following this conversion, the Group owns 54% of AWSS.

- The Group has entered a contract with an external party with respect to the sale of its equity and management fee rights on St Leonards Estate Pty Ltd for $7.500 million, which whilst is conditional as at the date of this report, is expected to settle in September/October 2012.

- On 11th September 2012, Aspen Group agreed to waive its loan to Aspen Development Fund No. 1 Limited ("ADF") of $37.354 million as at that date in exchange for ADF agreeing to conduct an orderly sale process.

- Subsequent to year end, Aspen Group received an increase in its LVR to 60% (from 50%) on the Bendigo and Adelaide bank facility until 31 December 2012.

- On 23 August 2012 the Managing Director, Mr Gavin Hawkins, ceased to be an employee and a Director of all Group companies with immediate effect. In accordance with a deed entered into between the Group and Mr Hawkins, a payment in lieu of notice equivalent to 14 months base pay will be paid to Mr Hawkins. The payment is to be made in two instalments with the second instalment, equal to six months pay, deferred until July 2013. In addition, Mr Hawkins will be paid his accrued annual leave and long service leave entitlements.

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.

42. Consolidated Entity Guarantees

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

	2012 $'000	2011 $'000
External Parties		
Bank Guarantees issued by NAB to third parties	858	25,228
Associate		
Aspen Whitsunday Shores Pty Limited	2,100	2,100
Aspen Dunsborough Lakes Limited	5,000	-
Aspen Development Fund No 1 Limited	55,000	60,000
Fern Bay Seaside Village Limited	2,451	1,476
	64,551	63,576

Theses guarantees primarily related to the provision of guarantees to financiers and insurance bond providers for a number of the Group's associates. However the Group has issued bank guarantees to third parties which primarily secure fitout obligations on its new office premises.

Notes to the Consolidated Financial Statements

43. Auditors' remuneration

	2012 $	2011 $
Audit services:		
Auditors of the Group – KPMG:		
Audit and review of financial reports	319,470	331,885
Other regulatory audit services	34,600	34,600
	354,070	366,485
Other auditors – non-KPMG firms:		
Audit and review of financial reports	61,085	-
	415,155	366,485

	2012 $	2011 $
Services other than statutory audit - KPMG:		
Tax advisory services	245,395	177,656
Other advisory services	34,184	36,141
	279,579	213,797
Other auditors – non-KPMG firms:		
Tax advisory services	28,463	-
	308,042	213,797

44. Parent entity disclosures

As at, and throughout the financial year ending 30 June 2012 the parent company of the Group was Aspen Group Limited.

	2012 $ '000	2011 $ '000
Result of the parent entity		
Loss for the period	(227,797)	(27,924)
Total comprehensive income for the period	(227,797)	(27,924)
Financial position of parent entity at year end		
Current assets	80,214	23,667
Total assets	190,803	323,774
Current liabilities	35,314	4,576
Total liabilities	467,420	423,470
Total equity of the parent entity comprising of:		
Share capital	44,874	44,874
Other equity	50,363	-
Retained losses	(371,854)	(144,570)
Total equity	(276,617)	(99,696)

Notes to the Consolidated Financial Statements

Aspen Group Limited has a loan payable to Aspen Property Trust of $388.324 million. In addition to this loan, Aspen Property Trust has provided Aspen Group Limited with a rebate on interest charged for the financial years ended 30 June 2010 & 2011 to the value of $50.363 million, which is now reflected as equity in Aspen Group Limited for accounting purposes.

Aspen Funds Management Limited, as responsible entity for Aspen Property Trust, has agreed not to call upon the loan until Aspen Group Limited is in a financial position to repay this loan.

Parent entity contingencies

As at 30 June 2012, the parent entity had exposure to the following contingent liability. This contingent liability relates to put options that existed on units within the Aspen Diversified Property Fund. Details of this contingent liability are as follows:

Entity	2012 $'000	2011 $'000
Aspen Diversified Property Fund	2,750	-

Parent entity guarantees to related parties

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

The parent entity and its subsidiaries as per note 37 provide an unlimited guarantee and indemnity in favour of Aspen Funds Management Limited as responsible entity for Aspen Property Trust.

Aspen Group Limited, Aspen (Septimus Roe) Pty Ltd, and Aspen Funds Management Limited (as responsible entity for Aspen Property Trust) have provided guarantees to financiers and insurance bond providers for a number of the Group's associates. Under the terms of the agreements, the Company 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

Associate	2012 $'000	2011 $'000
Aspen Whitsunday Shores Pty Limited	2,100	2,100
Aspen Dunsborough Lakes Limited	5,000	-
Aspen Development Fund No 1 Limited	55,000	60,000
Fern Bay Seaside Village Limited	2,451	1,476

Directors' Declaration

1. In the opinion of the directors of Aspen Group Limited ('the Company') 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 the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

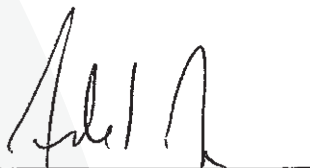
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

2. The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chairman and Chief Financial Officer for the financial year ended 30 June 2012.

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.



Frank Zipfinger
Independent Chairman
PERTH, 24 September 2012

Additional Securities Exchange Information

Capital Structure

As at 5 October 2012 Aspen Group had on issue 596,681,195 ordinary securities.

(a) Distribution of Securities

Analysis of numbers of holders by size of holding.	
Size of Holding	Number of Securityholders
1 - 1,000	793
1,001 to 5,000	658
5,001 to 10,000	480
10,001 to 100,000	1,813
More than 100,001	369
Total	**4,113**

There were 1,163 holders of less than marketable parcels (Minimum $500 parcel at $0.17 per stapled security)

(b) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of stapled securities as at 5 October 2012 are listed below:

Name	05 Oct 12	%IC
J P Morgan Nominees Australia Limited	115,644,713	19.38%
HSBC Custody Nominees (Australia) Limited	96,540,592	16.18%
National Nominees Limited	62,161,835	10.42%
Citicorp Nominees Pty Limited	57,740,409	9.68%
JP Morgan Nominees Australia Limited	12,716,072	2.13%
Mr Gavin Hawkins	11,206,404	1.88%
Citicorp Nominees Pty Limited	11,130,973	1.87%
Mr Angelo Del Borrello	10,383,127	1.74%
Skiptan Pty Ltd	7,825,000	1.31%
BNP Paribas Noms Pty Ltd	6,754,588	1.13%
UBS Nominees Pty Ltd	6,403,570	1.07%
BNP Paribas Noms Pty Ltd	5,504,815	0.92%
CS Fourth Nominees Pty Ltd	4,585,129	0.77%

Equity Trustees Limited	4,031,378	0.68%
Redbrook Nominees Pty Ltd	3,300,000	0.55%
Mr Gavin Ronald Hawkins	2,997,043	0.50%
Agens Pty Limited	2,791,363	0.47%
Mr Robert Alexander Hoad	2,229,294	0.37%
Rundal Holdings Pty Ltd	2,203,660	0.37%
Acres Holdings Pty Ltd	2,170,000	0.36%
Total	**428,319,965**	**71.78%**
Balance Of Register	**168,361,230**	**28.22%**
Grand Total	**596,681,195**	**100.00%**

(c) Substantial Securityholders

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

Date of Last Notification	Securityholder	No. of stapled securities
4/9/2012	Allan Gray Australia Pty Ltd	109,366,075
13/9/2012	Westpac Banking Corporation	50,521,006

d) Dividend and Distribution History

		Aspen Group Ltd		Aspen Property Trust		
Period/Quarter Ended	Date Pair	Dividend cents per share	Franking %	Distribution cents per share	Tax Deferred%	Total Amount paid cents
March 2003	16/04/03	1.4	-	-	-	1.4
June 2003	29/08/03	1.4	-	-	-	1.4
July 2003	29/08/03	0.4665	-	-	-	0.4665
Aug/ Sept 2003	17/10/03	0.29	71.30	0.9435	47.51	1.235
December 2003	20/01/04	0.4345	71.30	1.4155	47.51	1.85
March 2004	22/04/04	0.4345	71.30	1.4155	47.51	1.85
June 2004	12/08/04	0.337	0.00	1.5130	100.00	1.85
September 2004	30/09/04	-	-	2.0875	57.00	2.0875
December 2004	31/12/04	-	-	2.0875	57.00	2.0875
March 2005	31/03/05	-	-	2.0875	57.00	2.0875
June 2005	15/08/05	-	-	2.0875	57.00	2.0875
September 2005	17/10/05	-	-	2.25	46.70	2.25
December 2005	19/01/06	-	-	2.25	46.70	2.25
March 2006	20/04/06	-	-	2.625	46.70	2.625
June 2006	15/08/06	-	-	2.875	46.70	2.875

September 2006	20/10/06	-	-	2.875	23.00	2.875
December 2006	25/01/07	-	-	2.875	23.00	2.875
March 2007	26/04/07	-	-	3.50	23.00	3.50
June 2007	16/08/07	-	-	3.50	23.00	3.50
September 2007	18/10/07	-	-	3.875	0.70	3.875
December 2007	23/01/08	-	-	3.875	0.70	3.875
March 2008	23/04/08	-	-	3.875	0.70	3.875
June 2008	21/08/08	-	-	3.875	0.70	3.875
September 2008	22/10/08			3.875	1.54	3.875
December 2008	18/02/09	-	-	2.040	1.54	2.040
March 2009	20/05/09	-	-	2.040	1.54	2.040
June 2009	19.08/09	-	-	1.040	1.54	1.040
September 2009	18/11/09	-	-	1.05	-	1.05
December 2009	18/02/10	-	-	1.05	-	1.05
March 2010	20/05/10	-	-	1.05	-	1.05
June 2010	25/08/10	-	-	1.05	-	1.05
September 2010	18/11/10	-	-	1.05	-	1.05
December 2010	17/02/11	-	-	1.05	-	1.05
March 2011	20/05/11	-	-	1.05	-	1.05
June 2011	19/08/11	-	-	1.05	-	1.05
September 2011	21/11/11	-	-	1.05	-	1.05
December 2011	16/02/12	-	-	1.05	-	1.05
March 2012	21/05/12	-	-	1.05	-	1.05

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

(e) Voting Rights

For all stapled securities voting rights are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll shall have one vote.

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Corporate Directory

Board of Directors

Frank Zipfinger	Non-Executive Chairman
Hugh Martin	Interim Chief Executive Officer
Terry Budge	Non-Executive Director
Clive Appleton	Non-Executive Director

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Group Company Secretary
Eric Lee

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KPMG
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