Annual Report 2013

Chairman's Letter

Dear Shareowners

The release of the 2013 Annual Report brings to a conclusion another year of substantial challenge and change for Aspen Group.

In announcing the Group's strategy for FY13 at the November 2012 Annual General Meeting, the Board undertook to deliver on several broad but important initiatives directed at simplifying the business and stabilising the company. This was to be done through a significant level of debt reduction, the exit from unprofitable residential and development activities and by addressing various costly legacy issues.

On these measures, the past year has been successful as the business has exceeded its debt repayment obligations, extended the senior debt facility for a further one and a half years and has sold $203 million of non-core assets.

Core earnings for the Group of $23.4 million were up 88% on the prior year, representing 1.96 cents per share and exceeding guidance. The payment of distributions recommenced with 1.5 cents per security paid during the year. Gearing was reduced to 40% at 30 June 2013, down from 46% at 30 June 2012.

Against that, Aspen recorded a statutory loss for the period of $34.3 million, a disappointing outcome, due to impairments of several non-core assets. The share price remains persistently below net tangible asset backing.

Restoring shareowner value remains a key and immediate strategic objective.

To this end, we were delighted to appoint Clem Salwin at the end of the financial year as Aspen Group chief executive to lead the company into the next phase. At the same time, on behalf of the Board, I extend our sincere gratitude to Hugh Martin for his excellent work as Interim CEO in delivering on our important initiatives of the last year and generally for his stabilising influence in the company and with our stakeholders.

Turning to the future, the Board has recently announced the decision to dispose of our $311 million commercial property portfolio. The portfolio comprises some very attractive and high quality assets. However, Aspen Group does not have a strategic leadership position in the markets for these assets and the objective now is to narrow the business even further. Instead, we will focus on the accommodation sector, a structurally attractive industry in which Aspen Group does have a market leading position and expertise through its management of the Aspen Parks Property Fund and the Aspen Karratha Village property.

Aspen Group has advised that it is providing distribution guidance for the first half of FY14 only, being a distribution of 0.75 cents per security. This guidance assumes the retention of the commercial property portfolio during the first half and no material change in operating conditions.

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

Frank Zipfinger
Chairman

Financial Report

for the year ended 30 June 2013

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Glossary of entities and terms

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

Other terms used

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

Directors' Report

The directors present their report together with the consolidated financial statements of Aspen Group comprising of Aspen Group Limited ("the Company"), its subsidiaries, the Company's interest in associates and jointly controlled entities, and its stapled entity Aspen Property Trust ("the Trust"), which form the consolidated entity ("Aspen Group"), for the financial year ended 30 June 2013 and the auditor's report thereon.

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Directors' Report

1. Directors

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

Name and qualifications	Age	Experience, special responsibilities and other directorships
Frank Zipfinger BA (Economics), LLB, LLM, MBA **Independent chairman**	60	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. Mr Zipfinger was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, he completed over five years in various roles as a Managing Partner with the firm. Mr Zipfinger is a Member of the Australian Institute of Company Directors. He is also a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the board of the Melbourne Business School and President of the School's Alumni Council, and a director of the Australian Youth Orchestra. 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 a non-executive director on 31 January 2011 and Chairman on 28 November 2011. Mr Zipfinger was appointed Chairman of the Remuneration Committee on 10 February 2012, Chairman of the Nomination Committee on 10 February 2012 and was appointed a member of the Audit Committee on 2 August 2011. *Directorships of listed entities within last 3 years:* Non-executive director of Galilieo Japan Trust since 2006.
Clem Salwin BA (Honours) **Managing director** *(appointed CEO on 1 July 2013)*	47	Mr Clem Salwin has over 25 years' experience across real estate funds, investment, management, development, investment banking and corporate management. He was most recently the Acting Chief Executive Officer ("CEO") of Valad Property Group, the ASX listed REIT, with operations across Australia and Europe. Prior to Valad, Mr Salwin was a real estate investment banker with UBS, having been based both in Australia and Japan. Before then, he was with Bankers Trust Australia, responsible for real estate funds management. Mr Salwin was appointed as Managing Director and CEO of Aspen Group from 1 July 2013. Mr Salwin resides in Perth. *Directorships of listed entities within 3 years:* Nil

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
Hugh Martin *B.Bus, CPA, MAICD* **Non-executive director** *(Interim CEO between 23 August 2012 and 30 June 2013)*	66	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 formerly an Executive Director of Lend Lease Limited. From 1997 to 2001, Mr Martin was CEO of the joint venture between Mirvac and Lend Lease for the development, construction and sale of the Olympic Village, now known as the suburb of Newington in Sydney. Mr Martin has previously held senior executive positions as Finance Director of Baulderstone Hornibrook, Director of Property Investment with the State Authorities Superannuation Board of NSW (now Dexus), Managing Director of Leda Holdings, Chief General Manager of Homebush Bay Development Corporation, General Manager of Special Projects at Westfield Holdings Limited, Project Director for Lend Lease Group; and National General Manager for the Apartments Development Division at Stockland Corporation. Appointed a non-executive director on 30 April 2012 and a member of the Audit Committee on 10 May 2012. He relinquished his position on the Committee upon becoming the Interim CEO between 23 August 2012 and 30 June 2013. From 1 July 2013, he has resumed his work as a non-executive director. *Directorships of listed entities within last 3 years:* Nil
Clive Appleton *BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD* **Non-executive director**	62	Mr Appleton has had a successful career in property and funds management with over 30 years experience in several of Australia's leading retail property investment, management and development groups. In 2005 Mr Appleton joined APN Property Group Limited as Managing Director. From 1997 to 2004, Mr Appleton was the Managing Director of the Gandel Group Pty Limited, one of Australia's leading retail property investment, management and development groups. 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 a non-executive director of the Gandel Group, Arrow International Group Limited, APN Property Group Limited and Federation Centres. Appointed a non-executive director on 30 April 2012, a member of the Remuneration Committee on 10 May 2012 and a member of the Nomination Committee on 22 January 2013.

Directors' Report

Name and qualifications	Age	Experience, special responsibilities and other directorships
		Directorships of listed entities within last 3 years: Non-executive director of Federation Centres.
Guy Farrands BEc, Grad Dip Man, FAPI **Non-executive director** *(appointed 26 November 2012)*	50	Mr Farrands has over 30 years' experience in direct and listed property markets both in Australia and internationally and across commercial, retail, industrial, residential and retirement asset classes. He was Managing Director and CEO of GEO Property Group (now Villa World Limited) between 2007 and 2011. Previously Mr Farrands was CEO of Valad Property Group between 2005 and 2007, departing prior to Valad's acquisition of Crownstone / Scarborough. Prior to that Mr Farrands was Head of Corporate Development and Investor Relations for Valad. Mr Farrands' former roles included Division Director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, Associate Director and joint head of property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle. Mr Farrands resides in Sydney. Appointed a non-executive director on 26 November 2012, a member of the Remuneration Committee on 22 January 2013, a member of the Nomination Committee on 22 January 2013 and Chairman of the Audit Committee on 22 January 2013. *Directorships of listed entities within last 3 years* Managing director of GEO Property Group (now Villa World Limited).
Terry Budge B,Ecom, SF Fin, FAIM, FAICD **Independent non-executive director** *(resigned 23 November 2012)*	61	
Gavin Hawkins B.Bus, CA **Managing director** *(ceased 23 August 2012)*	48	

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 21 years financial and corporate experience in Australia and United Kingdom across multiple business sectors, including property, funds management, wholesaling, health care and hospitality management.

Directors' Report

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

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

3. Officers who were previously partners of the audit firm

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

- Mr Brett Fullarton – Chief Financial Officer

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	20	20	1	1	4	4	4	4
H Martin*	20	20	-	-	-	-	4	3
C Appleton	20	19	-	-	4	4	-	-
G Farrands (appointed 26 November 2012)	5	5	-	-	1	1	2	2
T Budge (resigned 23 November 2012)	15	15	1	1	3	3	2	2
Executive								
C Salwin (appointed 1 July 2013)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
G Hawkins (ceased 23 August 2012)	8	8	-	-	-	-	-	-

** Mr H Martin acted as Interim CEO between 23 August 2012 and 30 June 2013.*

Directors' Report

5. Operating and financial review

Aspen Group recorded a loss after tax calculated in accordance with International Financial Reporting Standards ("IFRS") of $34.313 million for the year ended 30 June 2013 (loss of $147.100 million for the year ended 30 June 2012).

Operating Results

Core Operating Profit After Tax for the year, as assessed by the directors, was $23.375 million ($12.414 million for the year ended 30 June 2012), reflecting an 88% increase from the previous corresponding year. Core operating earnings per share was 1.96 cents per security which exceeded guidance of 1.80 cents per security.

Core Operating Profit includes net rental income and associated interest expense and other expenditure from all investment properties held by Aspen Property Trust and Aspen Group Limited throughout Australia. It also includes Aspen Group's share of net rental income and expenditure from properties held by Franklin Street Property Trust ("FSPT") and management fees, equity profits and associated expenditure from Aspen Parks Property Fund ("APPF"). Core Operating Profit excludes profits/losses from all assets Aspen Group has classified as held for sale.

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

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

Operating Profit as assessed by the directors, for the year was $16.408 million (2012: $33.282 million), reflecting a 50.7% decrease from the previous corresponding year.

Operating Profit is the sum of Core Operating Profit and operating loss from non-core assets.

Aspen Group recorded an operating loss of $6.968 million from non-core assets (2012: operating profit of $20.867 million), comprising the operating contribution from all discontinued operations and costs relating to the divestment of non-core assets.

The Net Asset Value ('NAV') of Aspen Group at 30 June 2013 is 23.8 cents per security in accordance with the statutory financial statements. After excluding the deferred tax assets of the Aspen Group and adjusting for minority interests, the adjusted Net Tangible Assets ('adjusted NTA') is 22.0 cents per security.

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

Directors' Report

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

	30 June 2013	30 June 2012
	$'000	$'000
Operating core profit before tax	23,375	12,414
Non-underlying items		
Funds management loss	(151)	(6,833)
Financial income / (expense)	697	(321)
Gain in fair value of investment properties	7,380	41,776
Property expenses	226	(2,425)
Write-down of inventory to recoverable amount	-	(16,258)
Termination payments and restructuring costs	(3,691)	-
Administrative expenses	(46)	(514)
Financial expenses	(2,608)	(3,435)
Other expenses	(1,192)	(1,690)
Impairment of assets held for sale	(19,348)	(2,497)
Loss on changes in interest in subsidiaries	-	(105)
Impairment of financial assets	(1,142)	(117,560)
Impairment adjustments of equity accounted investees	(461)	(54,436)
Share of loss of equity accounted investees	(2,620)	(4,921)
Loss on disposal of investment property	-	(641)
Loss on disposal of property, plant and equipment	(384)	(392)
Profit / (loss) from discontinued operations	(27,380)	232
Total non-underlying items	(50,720)	(170,018)
Specific non-core items		
Funds management revenue	758	8,527
Net movement in fair value of investment properties	70	-
Financial income	2,613	14,192
Property expenses	(339)	-
Occupancy cost	(431)	-
Administrative expenses	(3,104)	(3,872)
Financial expenses	(2,111)	-
Other expenses	(138)	532
Share of loss of equity accounted investees	(105)	(1,063)
Profit / (loss) from discontinued operations	(4,181)	2,551
Total non-core items	(6,968)	20,867
Consolidated statutory net loss before tax attributable to securityholders of Aspen Group	(34,313)	(136,737)

Directors' Report

Income distributions for the year were as follows:

Quarter ended	Record date	Amount per stapled security 30 June 2013	Amount per stapled security 30 June 2012
September	-	-	1.050 cents
December	31 December 2012	0.750 cents	1.050 cents
March	-	-	1.050 cents
June	30 June 2013	0.750 cents	-
Total		**1.500 cents**	**3.150 cents**

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

Operating and Financial Review

Aspen Group has three business lines outlined below:

Accommodation	Commercial Property	"Non-Core Assets"
> Aspen Karratha Village > Aspen Parks Property Fund • Management • Approx 9% equity interest	> 4 office and industrial properties > Value of $311m > WALE of 5.6 years > Cap Rate of 8.8%	> Assets held for sale > Aspen Living residential syndicates > Aspen Development Fund No.1 > Aspen Diversified Property Fund[1]

[1] ADPF property assets sale settled post 30 June 2013

Accommodation

Aspen Group's accommodation business comprises two activities:

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

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

Aspen Karratha Village

AKV is a 180 room, high quality transient worker accommodation facility which is leased until January 2014. Net income from the property during FY13 increased 25.5% on the prior period to $13.467 million.

In the second half of FY13, following an independent valuation of AKV, a devaluation of 13.2% to $50.000 million was recorded. This revaluation reflected weaker demand in the mining accommodation sector and the reduction in remaining lease term.

Aspen Parks Property Fund

Earnings from the management of, and investment in, APPF are reported as funds management earnings. In addition to being the manager, Aspen Group holds an 8.5% equity interest in APPF.

The contribution to earnings for the twelve months to 30 June 2013 from management fees was $6.312 million, up 4.8% on the comparable period of FY12 due to increased acquisition and development fees.

Aspen Group's equity share of operating profit from APPF during the period was a profit of $1.560 million reflecting a 31.3% reduction from FY12. Aspen Group's share of statutory profit from APPF during the period was a loss of $1.184 million which was primarily due to Aspen Group taking up its share of devaluation of mining accommodation properties within APPF.

Directors' Report

Trading conditions for APPF during FY13 saw relatively steady earnings from tourism and resort properties but a softening in demand for accommodation from users in the mining industry, particularly in the second half, as the level of new construction and maintenance activity in key mining and resource regions of Western Australia and South Australia fell substantially.

For FY13, net equity inflows into APPF from retail and wholesale investors was $16.178 million.

APPF had total assets as at 30 June 2013 of $311.406 million and during the year acquired one new property, Dubbo Parklands in NSW for a total cost of $10.200 million. As part of its capital recycling strategy, APPF is undertaking the sale of several properties and to this end, the Island Gateway property was sold and settled subsequent to the end of June 2013 for $3.500 million.

Capital expenditure totaling approximately $29.600 million was incurred by APPF, principally in the second half on a number of major projects across six parks. The strategy is aimed primarily at generating additional revenue through increasing accommodation capacity at a number of parks, addressing infrastructure requirements and also improving the amenity for residents and visitors.

Commercial property portfolio

The commercial property portfolio consists of interests in 4 office and industrial properties. The key metrics of these properties are:

- Portfolio valued at $310.500 million, up 9.5% from June 2012
- Weighted average lease expiry of 5.6 years at 30 June 2013 (June 2012: 2.0 years)
- Weighted average occupancy of 99% at 30 June 2013 (30 June 2012: 97%)
- Weighted average cap rate of 8.8%, down from 9.3% at 30 June 2012

The portfolio recorded a 47.9% increase on a like for like basis in net rental income over the previous year to $20.249 million excluding the sale of two assets that occurred in FY12 and net rental income from the ATO building which was completed in October 2012. The income growth principally arose from the positive impact of market reviews across the Western Australian property leases. The inclusion of the ATO building added 37,350 square metres of net lettable area to the portfolio. Aspen Group has a 50% interest in the ATO Building.

The investment portfolio has seen capital growth with a revaluation increase of $15.271 million during the financial year following independent valuations of the Spearwood, Noble Park and ATO Building assets.

Refer to Likely Developments below for information about the Group's intention to sell these assets.

Non-core activities

Aspen Group is pursuing a strategy of realising value by selling all non-core assets in an orderly manner. In FY13 that strategy generated sales of $203.585 million through the sale of residential inventory and non-core assets, including the sale of assets from Aspen Diversified Property Fund ("ADPF") that settled in July 2013. Details of these sales and the remaining non-core assets are set out below.

From a statutory reporting perspective the non-core segment contributed a total loss of $49.054 million to Aspen Group's performance. This has primarily arisen as a result of a loss on consolidation of Aspen Development Fund No.1 Limited (ADF), and impairment of the Ballina retirement village as at 31 December 2012. As announced in July 2013, the business also recorded impairments of the carrying value of its interests in the Adelaide City Central development, predominantly relating to potential project costs, while further impairments reflected the prices achieved for the property assets in ADPF.

Directors' Report

Non-core balance sheet assets directly held by Aspen Group

During the year Aspen Group sold directly held non-core property assets to the value of $21.109 million, which were concluded generally in line with book value.

At 30 June 2013, Aspen Group has a further non-core asset with a book value of $20.218 million under contract for sale. Following the completion of these sales, Aspen Group will have $5.901 million in non-core balance sheet assets remaining.

Aspen Diversified Property Fund

In July 2012 unit holders in ADPF voted to conduct an orderly sale of the Fund's assets, leading to an eventual wind up.

By June 2013, Aspen Group had contracted the sale of all properties in the ADPF portfolio, for total proceeds of $113.900 million.

Net proceeds of sale were applied to the full repayment of ADPF debt in July 2013 upon settlement of the final property sale. A notice of termination of ADPF has been issued to commence a return of capital to unitholders (including Aspen Group, who holds ordinary and preferred equity) and wind up.

Aspen Living Residential Syndicates

Aspen Group has partially exited the residential development sector, having divested one of the five residential syndicates that it managed, with the sale of its management of, and co-investment in, the St Leonards Estate in October 2012 for $7.500 million.

Aspen Group continues to manage and have an equity interest in Enclave at St Leonards Ltd, a residential development in the West Swan district of Perth.

During the year $52.177 million of stock was sold and settled in the remaining residential syndicates (Dunsborough, Fern Bay, Whitsunday Shores and Enclave) which was applied to reduction of debt in those syndicates.

Aspen Development Fund No. 1 (ADF)

Aspen Group has a 75.1% interest in ADF which is a subsidiary and consolidated for accounting purposes. In November 2012, Aspen Group settled a put option with a major investor in ADF for $25.315 million. Aspen has also provided a loan of $50.393 million and guaranteed repayment of its senior debt.

Sales totalling $16.399 million settled in FY13 reducing the number of remaining projects to five. The proceeds were used to repay debt and provide working capital. The principal remaining project of ADF is the residual stages of the Adelaide City Central development – a mixed use landholding earmarked for potential office, retail and residential development.

At 30 June 2013, ADF had a further asset under contract for sale for $9.300 million.

Overheads

Total overheads fell by $1.786 million to $14.931 million for FY13 after excluding restructuring charges of $3.585 million.

Financial Position

Assets

Total assets have increased by $23.508 million to $610.932 million during the 2013 financial year. Cash balances have increased by $35.037 million as a result of non-core asset sales and equity raised.

Liabilities

Total liabilities decreased by $13.959 million to $324.899 million during the 2013 financial year. Interest bearing loans and borrowings have reduced by $3.174 million to $196.742 million.

Directors' Report

Equity

Equity increased by $50.489 million during the year, as a result of net proceeds of $97.157 million from a fully underwritten accelerated pro-rata non-renounceable 1:1 entitlement offer in October 2012. This was offset by the statutory loss of $34.313 million and distributions during the year.

Distribution

In August 2013 Aspen Group paid a distribution of 0.75 cents per security, bringing the total distribution paid to securityholders for the year ended 30 June 2013 to 1.50 cents per security, in line with guidance provided for the year.

Capital Management

At 30 June 2013, Aspen Group's core senior debt facility was drawn to $117.535 million, down from $136.329 million at 30 June 2012. The average cost of debt fell to 8.1% during the period, down from 8.6% at June 2012.

Aspen Group's gearing is 40.5% at 30 June 2013 which has decreased from 46.4% at 30 June 2012. Look through gearing has decreased from 49.6% to 42.8%.

There is continued focus on reducing overall debt levels across Aspen Group (including managed entities) and has agreed covenanted repayments with its senior debt provider across its senior debt and managed entities. Due to the level of debt reduction achieved in FY13, the next major milestone for December 2013 has been reduced to $27.000 million, down from $33.000 million previously.

Aspen Group is compliant with its banking covenants and is presently exceeding its debt reduction targets.

During the year Aspen Group concluded or renegotiated debt facilities including:

- Aspen Group's core debt facility was extended by 1.5 years to August 2015;
- Aspen Group's 50% consolidated entity, FSPT, refinanced $117.600 million of debt for a 5 year term;
- A convertible note facility was secured via the partial redemption of units in FSPT. The facility is fully drawn to $15.000 million (50% share); and
- ADF debt was extended to February 2015.

Aspen Group utilises interest rate swaps to hedge its exposure to interest rate risks. At 30 June 2013, 85.9% of the senior debt facility was hedged with a contracted weighted average maturity of 3.1 years.

Likely developments

Aspen Group will seek to sell the commercial property portfolio and will commence a sale process prior to the end of the 2013 calendar year. A key rationale for the sale is that the existing commercial portfolio is diffuse and strategically Aspen Group does not have a leadership position in these markets. Property market conditions are currently supportive and Aspen Group's financial position will be improved if the sale process is successful, providing greater financial flexibility to reduce debt and return capital to securityholders.

The business will be repositioned to focus on the accommodation sector in which it enjoys a relatively strong position, albeit currently experiencing the impact of the significant downturn in capital expenditure in the mining sector.

An immediate focus for the business is continuing the divestment of all interests in non-core assets and the reduction in overhead costs.

Subsequent to year end Aspen Group unconditionally contracted to sell the Ballina Retirement Village for book value and ADF has unconditionally contracted to sell the Byford on Scarp property.

Business Risks

Aspen Group has policies and processes in place for the oversight and management of business risks. Further details of the risk management framework and process are detailed in section 7 of the Corporate Governance Statement, while discussion of risks, including credit risk, liquidity risk, market risk and operation risk factors are detailed in note 30 of the financial

Directors' Report

statements. Listed below are relevant key risks for the business identified in the risk management matrix:

- Implications of a contraction in the resources sector – given Aspen Group's weighting to property in Western Australia, a reduction in the level of activity associated with mining and resources projects (particularly in the north-west of WA) may have an effect on the occupancy levels, income and asset valuations of Aspen Group and APPF given the provision of accommodation to the resources sector personnel. This may negatively impact profits and valuations of APPF and Aspen Group.
- Leasing risk - in particular Aspen Karratha Village, where a material lease is due to expire in January 2014.
- Future debt compliance – the ability of Aspen Group to meet future debt compliance is influenced by the timing of the sale of non-core assets. Market conditions in the residential and development sector remain challenging and, as a consequence, the timing of realisation and exit of the remaining syndicate interests in Whitsunday Shores Estate (QLD), Dunsborough Lakes (WA), Fern Bay (NSW) and ADF is uncertain.

Safety and Environment

No significant accidents or injuries were recorded during the year in respect of Aspen Group employees. There were no significant environmental issues.

Significant changes in the state of affairs

During the year Aspen Group's equity interest in two of its associates, Aspen Whitsunday Shores Pty Limited and ADF, increased above 50.0% and they are both now treated as subsidiaries for consolidation purposes at 30 June 2013.

As a result of the Accounting Standards requirement to consolidate ADF, impairments were taken against several development asset exposures within ADF, after assessing the outcomes of sale processes and a further deterioration in the relevant property markets.

Notwithstanding that Aspen Group had fully impaired all loans to and equity in ADF, this fund became a subsidiary on 27 November 2012 requiring an assessment of fair value of the ADF assets as at this date, with the statutory loss reflecting that fair value assessment.

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.

Directors' Report

6. Remuneration report (audited)

The Remuneration Report for Aspen Group for the year ended 30 June 2013 forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

6.1 Overview

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

The Remuneration Committee is proactive in assessing the remuneration landscape, engaging with remuneration consultants and discussing strategy with a number of securityholders to determine a remuneration structure that will be supported by securityholders, and that also retains and motivates staff. The Board is committed to ensuring Key Management Personnel ("KMP") pay is fair and comparable to like companies, and importantly links the financial rewards for its KMPs with the interests of securityholders.

The Board implemented changes to the remuneration framework and policies, in response to securityholders concerns raised in 2012, when over 30% of securityholders who cast a vote, did not support the remuneration report.

The specific areas that the Board changed for FY13 were as follows:

- All directors fees and board committee fees were reduced by 5% from FY12.
- The Short Term Incentive ("STI") Policy was 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 was responsible.

In August 2012, Mr Hawkins, the Managing Director at the time, ceased as director of all Aspen Group companies. Details of the payments made to the Managing Director in FY13 are noted in section 6.4 to this report. Mr Hugh Martin, a non-executive director, was employed as Interim CEO on a reduced base salary (down 18%) to that paid to the former Managing Director.

On 26 June 2013 Aspen Group announced the appointment of Mr Clem Salwin as CEO and Managing Director, following an extensive external search by Egon Zehnder. Mr Salwin commenced his employment on 1 July 2013. The remuneration package for Mr Salwin was designed and negotiated to ensure a strong alignment of his financial rewards with the creation of value for Aspen Group securityholders. As such, Mr Salwin's contract includes a combination of fixed remuneration, at a rate 30% lower than that of Mr Martin, whom he replaced, together with short term and long term incentives. Mr Salwin has agreed to invest $0.980 million of his own money in a placement of Aspen securities. This placement of securities and other equity including performance rights is subject to approval of securityholders at a General Meeting to be held on 6 September 2013.

6.2 Remuneration philosophy

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

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

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

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

Directors' Report

6. Remuneration report *(continued)*

6.2 Remuneration philosophy *(continued)*

6.2.1 Services from remuneration consultants

The Remuneration Committee engaged PJ Kinder and Associates ("PJ Kinder") and KPMG as remuneration consultants. The scope of work undertaken by PJ Kinder in relation to 2012 / 2013 was to provide advice to Aspen Group on FY13 remuneration namely:

- assess and recommend remuneration quantum and structure for KMP;
- assess and recommend remuneration quantum and structure for Board and Sub-Committee fees;
- review current incentive structures and recommend any changes to the existing remuneration framework, with commentary on executive remuneration structures including, but not limited to, clawbacks, deferred short-term incentive payments, mix between short and long-term incentives, vesting timeframes for long-term incentives;
- review the draft FY2012 Remuneration Report; and
- assist with the provision of advice regarding the FY13 STI payment for the Interim CEO.

PJ Kinder was paid $19,250 (ex GST) for their services in 2012 / 2013.

Aspen Group engaged KPMG to assist in the review of the retention bonus scheme that was implemented for some KMP during the financial year. KPMG was paid $15,000 (ex GST) for their remuneration report consulting services in 2012 / 2013.

The engagement of PJ Kinder and KPMG by the Remuneration Committee was based on a documented set of protocols that would be followed by PJ Kinder, KPMG, 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 or KPMG 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 the Remuneration Committee.

These arrangements were implemented to ensure that PJ Kinder and KPMG 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 and KPMG during the course of their assignments and is satisfied that its remuneration recommendations were made free from undue influence.

6.2.2 Performance appraisal system

Aspen 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 STI payment and the following year's base remuneration level.

The Remuneration Committee is responsible for:

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

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

(iii) approval of all elements of KMP compensation.

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework

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

Alignment to securityholders' interest:

- net operating income and total securityholder returns;
- focuses the KMP on key financial and non-financial drivers of securityholder value, including risk management;
- attracts and retains high calibre KMP; and
- any other matter reasonably and properly relevant to this objective.

Alignment to employees' interest:

- rewards capability and experience;
- provides recognition for individual contribution;
- provides a clear structure of earnings rewards; and
- any other matter reasonably and properly relevant to this objective.

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

Year ended 30 June 2013

For the year ended 30 June 2013 the Board has determined that within the context of providing market competitive levels of remuneration to Aspen Group KMP, it is appropriate that KMP have a significant portion of their total remuneration at risk as it is tied to the performance of the business and their own contributions to that performance.

The remuneration framework now comprises the following components:

- fixed remuneration, including base remuneration, superannuation and other fixed employment benefits ;
- retention bonus scheme for certain senior executives (introduced this year, see 6.3.4);
- at risk remuneration, consisting of the following components:
    - Short-Term Incentive (STI)
    - Long-Term Incentive (LTI)

Based on advice from external consultants as well as a comparison of peer group splits, Aspen Group KMP had the following remuneration mix for FY13:

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

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

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework *(continued)*

6.3.1 Fixed compensation

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

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

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

6.3.2 Variable compensation - short term incentives

The STI is an "at risk" incentive awarded annually and is paid in cash, subject to retentions, the performance against agreed KPIs and the performance of Aspen Group as a whole. For the year ended 30 June 2013, the Interim CEO and five KMP 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 Aspen Group.

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

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

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

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

6.3.3 Variable compensation - long term incentives ("LTI")

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

Aspen Group's LTI is delivered via a Performance Rights Plan ("PRP"), which has been in place since 2010.

Performance rights plan

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

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework *(continued)*

6.3.3 Variable compensation - long term incentives ("LTI") *(continued)*

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

Vesting conditions

A performance right holder will only be able to exercise their performance rights to the extent the vesting conditions are satisfied (if at all). The TSR 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.

The Board will consider introducing additional or different conditions for future grants of rights should prevailing market conditions support such a decision. Presently continued employment and minimum individual performance rating are the only two additional conditions.

TSR hurdle

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

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

The TSR hurdle is tested at the end of the performance period (three years from grant) by calculating the TSR growth performance of each entity in the comparator group. The performance of each entity is then ranked, using percentiles. Aspen Group's performance will 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 Group outperforms a majority of the entities making up the S&P ASX 300 Property Sector index over the three year period.

EPS Hurdle

EPS is calculated using operating earnings per security adjusted for significant items and other items determined by the Board. 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 securityholders' 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 performance rights 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%

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework *(continued)*

6.3.3 Variable compensation - long term incentives ("LTI") *(continued)*

For the year ended 30 June 2013 the Remuneration Committee determined that the EPS applicable for inclusion in the aggregation calculation for the year was 1.8 cents per share ("cps"), the achievement of which would represent a 50% vesting of the award, whilst a 5% increase, or 1.89 cents, was the stretch target for 100% vesting.

6.3.4 Variable Compensation – Executive Retention Bonus Scheme

During the year ended 30 June 2013, there were several disruptive events at Aspen Group; these included:

- sharp decline in asset values leading to financial distress in funds and syndicates managed by Aspen Group, with consequent financial pressure from financiers;
- completion of a net $97.157 million equity raising;
- 3 different CEO's; and
- Public calls for Aspen Group to be wound up.

In view of these events, the Board believed that there was a serious risk that some KMP would depart. Owing to the complexity of Aspen Group, such departures may have created significant gaps in knowledge and capacity that would not have been in the best interests of securityholders. The Board resolved to introduce an Executive Retention Bonus Scheme for some KMP. A lump sum is payable to some KMP in the event that they are employed by Aspen on 30 December 2014.

6.3.5 Legacy plans

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

Employee Stapled Security Incentive Plan ("ESSIP")

At the 2004 AGM the securityholders approved the establishment of an 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 Aspen Group.

The key features of the plan are as follows:

- Eligible employees are offered the opportunity to purchase securities in Aspen Group at the market price;
- The market price is determined by calculating the weighted average market price of 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.

No further issues have been made under ESSIP in FY13, or are planned in future years.

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework *(continued)*

6.3.6 Service contracts

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

Aspen Group has entered into service contracts with each KMP, including the CEO, that provide for the payment of benefits, including statutory entitlements of accrued annual and long service leave, together with any superannuation benefits where the contract is terminated by either party. Refer to section 6.3. for details regarding retention plans for KMP. The former Managing Director, Mr Hawkins had a contract of employment dated 22 October 2009 with Aspen Group which specified the duties and obligations to be fulfilled. Mr Hawkins ceased as an employee and as a director on 23 August 2012. Termination benefits were payable as set out in section 6.4.

During the year, Aspen Group entered into a fixed term employment agreement with Mr Martin, to fulfil the role as Interim CEO. The contract expired on 30 June 2013 and no termination benefits were payable.

The contract of employment contract for Mr Salwin, commencing 1 July 2013, has no fixed term and specifies the duties and obligations of the role. The employment contract may be terminated by Aspen Group or Mr Salwin by giving 6 months notice of an intention to terminate his employment. Termination benefits to the extent permitted under the Corporations Act are included in his contract in the event of certain termination events. The terms of Mr Salwin's employment contract was released to the ASX on 26 June 2013.

6.3.7 Non-executive directors

The total remuneration for non-executive directors for the 2013 financial year was $425,637 (2012 : $502,532) representing a 15% reduction from the previous year. The remuneration level is within the maximum remuneration level previously approved by securityholders at the 2010 AGM of $700,000. Within this limit, the Remuneration Committee reviews the remuneration packages of all non-executive directors on an annual basis and makes recommendations to the Board. In making its recommendations, the Remuneration Committee has due regard to the current market conditions for the supply of these services and the duties and responsibilities of each member. Remuneration levels are compared to that of similar businesses and advice sought from external consultants as required. Non-executive directors do not receive performance based remuneration such as cash bonuses or the ability to participate in Aspen Group's ESSIP.

The annual fees payable in FY13 have been in accordance with the table below:

Position	FY13 remuneration (base fees excluding super)
Non-executive chairman	$149,625
Non-executive director	$76,950
Audit committee chairman	$8,550
Audit committee member	$4,275
Remuneration committee chairman	$8,550
Remuneration committee member	$4,275
Nominations committee chairman	$8,550
Nominations committee member	$4,275

The Remuneration Committee has determined that for the 2014 financial year, there will be no increase in fees.

Directors' Report

6. Remuneration report *(continued)*

6.3 Remuneration framework *(continued)*

6.3.8 Consequences of performance on securityholder wealth (unaudited)

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

	2013	2012	2011	2010	2009
Net profit before tax before significant items	$16.4m	$28.0m	$35.2m	$33.6m	$33.2m
Operating core profit before tax	$23.4m	-	-	-	-
Statutory profit /(loss) after tax	($34.3m)	($147.1m)	$17.4m	$12.6m	($64.7m)
Distributions per security	1.5cps	3.15cps	4.2cps	4.2cps	9.0cps
Market Cap (30th June)	$209m	$238m	$255m	$261m	$197m
Share price (30th June)	$0.175	$0.40	$0.44	$0.45	$0.34
Return on capital employed	3.89%	(40.45%)	4.86%	2.96%	(13.25%)

Net profit before tax before significant items, also referred to as underlying earnings, (as determined by the directors and as disclosed on page 10) is considered as one of the financial performance targets in setting the STI. In FY13, subsequent to the capital raising and strategic review, the Board considered it appropriate to take into consideration operating core profit before tax as one of the performance targets in setting the FY13 STI. Statutory profit amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards ("AASBs").

The Remuneration Committee also considered the relative performance of KMP against the execution of Aspen Group's strategy, including:

- simplification of the business model;
- significant realization of non-core assets;
- exceeding core operating guidance of 1.8 cps for FY13;
- achievement of debt reduction targets;
- successful $97.157 million equity raising; and
- successful retention of staff during a period of considerable business disruption, arising from internal and external factors.

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:

		Short-term				Post-employment						
	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Other long term $	Share-based payments LTI $ (1)	Total $	S300A (1)(e) (i) proportion of remuneration performance related %	S300A (1)(e) (vi) Value of LTI as proportion of remuneration %
Key Management Personnel												
Non-executive Directors												
Frank Zipfinger (Chairperson)	**2013**	**172,558**	**-**	**-**	**172,558**	**15,530**	**-**	**-**	**-**	**188,088**	**-**	**-**
	2012	159,639	-	-	159,639	14,367	-	-	-	174,006	-	-
Terry Budge	**2013**	**44,290**	**-**	**-**	**44,290**	**3,986**	**-**	**-**	**-**	**48,276**	**-**	**-**
(resigned 23 November 2012)	2012	103,327	-	-	103,327	9,299	-	-	-	112,626	-	-
Hugh Martin (note 2)	**2013**	**15,533**	**-**	**-**	**15,533**	**-**	**-**	**-**	**-**	**15,533**	**-**	**-**
(appointed 30 April 2012)	2012	15,532	-	-	15,532	-	-	-	-	15,532	-	-
Clive Appleton	**2013**	**82,956**	**-**	**-**	**82,956**	**7,909**	**-**	**-**	**-**	**90,865**	**-**	**-**
(appointed 30 April 2012)	2012	15,532	-	-	15,532	-	-	-	-	15,532	-	-
Guy Farrands	**2013**	**51,629**	**-**	**-**	**51,629**	**4,647**	**-**	**-**	**-**	**56,276**	**-**	**-**
(Appointed 26 November 2012)	2012	-	-	-	-	-	-	-	-	-	-	-
Reg Gillard	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(resigned 30 April 2012)	2012	169,575	-	-	169,575	15,261	-	-	-	184,836	-	-
Executive Directors												
Gavin Hawkins, Managing Director	**2013**	**186,632**	**-**	**4,480**	**191,112**	**4,000**	**1,087,275**	**158,890**	**-**	**1,441,277**	**-**	**-**
(ceased 23 August 2012)	2012	879,078	-	35,897	914,975	25,000	-	15,100	169,313	1,124,388	15.4	30.9
Hugh Martin, Interim CEO	**2013**	**636,554**	**350,000**	**49,588**	**1,036,142**	**20,622**	**-**	**-**	**-**	**1,056,764**	**33.8**	**-**
(23 August 2012 -30 June 2013)	2012	-	-	-	-	-	-	-	-	-	-	-
Group Executives												
Jamie Smith, Head of Commercial	**2013**	**325,410**	**121,900**	**4,460**	**451,770**	**25,763**	**-**	**5,622**	**65,030**	**548,185**	**30.6**	**12.2**
	2012	325,774	48,750	8,737	383,261	29,250	-	-	30,336	442,847	17.9	6.9
Chris Lewis, Head of Residential	**2013**	**158,432**	**-**	**2,023**	**160,455**	**1,688**	**107,885**	**-**	**-**	**270,028**	**-**	**-**
(resigned 10 October 2012)	2012	448,489	-	-	448,489	15,775	-	-	65,456	529,720	12.4	12.4
Brendan Acott, CEO of Living	**2013**	**306,735**	**117,024**	**3,830**	**427,589**	**24,712**	**-**	**9,212**	**62,429**	**523,942**	**30.4**	**12.2**
	2012	325,788	-	-	325,788	28,980	-	15,976	30,056	400,800	7.5	7.5
Philip Barker, GM – Funds Mgtm	**2013**	**289,845**	**87,000**	**3,593**	**380,438**	**16,470**	**-**	**-**	**58,027**	**454,935**	**31.9**	**12.8**
	2012	294,017	29,000	-	323,017	15,775	-	-	27,069	365,861	15.3	7.4
Brett Fullarton, CFO	**2013**	**493,855**	**251,289**	**4,966**	**750,110**	**16,470**	**-**	**-**	**200,093**	**966,673**	**45.5**	**22.0**
(appointed January 2012)	2012	223,295	89,753	-	313,048	5,764	-	-	-	318,812	-	-
Simon Martin, CFO	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(resigned 15 January 2012)	2012	213,119	-	-	213,119	14,658	-	-	-	227,777	-	-
Eric Lee, Company Secretary	**2013**	**283,122**	**103,146**	**7,363**	**393,631**	**16,470**	**-**	**9,811**	**55,025**	**474,937**	**30.8**	**12.3**
Total Key Management Personnel	**2013**	**3,047,551**	**1,030,359**	**80,303**	**4,158,213**	**158,267**	**1,195,160**	**183,535**	**440,604**	**6,135,779**	**-**	**-**
	2012	3,173,165	167,503	44,634	3,385,302	174,129	-	31,076	322,231	3,912,737	-	-

6. Remuneration report *(continued)*

6.4 Directors' and Executive Officers' Remuneration *(continued)*

Notes in relation to the table of key management personnel remuneration

1) The stapled securities issued under the various LTI plans are treated for accounting purposes as options and their fair value is calculated at the date of grant using a Monte Carlo option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value of these Long Term Incentive Instruments (LTII) disclosed is the portion of the fair value of the instruments allocated to the profit and loss this reporting period.

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

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
19 December 2006	ESSIP	19 December 2008	$0.421	$1.767	$1.767	36.7%	6.25%	9.51%
11 June 2009	ESSIP	11 June 2011	$0.054	$0.321	$0.321	20.0%	3.00%	14.77%
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%
1 November 2012	PRP	17 January 2016	$0.108	-	$0.17	23.7%	2.53%	8.8%

Directors' Report

6. Remuneration report *(continued)*

6.4 Directors' and Executive Officers' Remuneration *(continued)*

Details of the remuneration paid to Non-executive Directors for the 2013 and 2012 financial years are detailed in the table below:

Non-executive Directors	Year	Non Executive Director $	Audit Committee $	Remuneration Committee $	Nominations Committee $	Total $
Frank Zipfinger	**2013**	**151,010**	**4,310**	**8,619**	**8,619**	**172,558**
	2012	141,151	4,905	7,810	5,773	159,639
Terry Budge	**2013**	**37,211**	**3,539**	**1,770**	**1,770**	**44,290**
	2012	84,634	9,346	4,673	4,673	103,326
Hugh Martin	**2013**	**14,755**	**778**	**-**	**-**	**15,533**
	2012	15,532	-	-	-	15,532
Clive Appleton	**2013**	**76,950**	**-**	**4,275**	**1,731**	**82,956**
	2012	15,532	-	-	-	15,532
Guy Farrands	**2013**	**44,395**	**3,616**	**1,809**	**1,809**	**51,629**
	2012	**-**	**-**	**-**	**-**	-
Reg Gillard	**2013**	**-**	**-**	**-**	**-**	**-**
	2012	104,068	3,808	5,850	5,850	169,576
Total Non-executive Directors	**2013**	**324,321**	**12,243**	**16,473**	**13,929**	**366,966**
	2012	360,917	18,059	18,333	16,296	413,605

6.5 Analysis of bonuses included in remuneration

In respect of the FY13 reporting period, short-term incentive cash bonuses totalling $924,350 were awarded (FY12: $167,503). Additionally, amounts have been accrued for under the Executive Retention Bonus Scheme.

In considering the award of the STI to the KMP, the Remuneration Committee took into consideration the factors set out in section 6.3.7 above.

	STI bonus			
	Included in remuneration $ (A)	**% of STI opportunity vested in year**	**% of STI not yet vested**	**% of STI opportunity forfeited in year (B)**
Executive director				
H Martin	350,000	45%	15%	40%
Group executives				
J Smith	97,500	56%	19%	25%
B Acott	93,600	56%	19%	25%
P Barker	87,000	56%	19%	25%
B Fullarton	213,750	56%	19%	25%
E Lee	82,500	56%	19%	25%

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

Directors' Report

6. Remuneration report *(continued)*

6.6 Rights over equity instruments granted as compensation

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

	Number of rights granted	Grant date	Fair value per right at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2012
Group Executives						
J Smith	602,410	01 Nov 2012	0.108	-	30 June 2015	-
B Acott	578,313	01 Nov 2012	0.108	-	30 June 2015	-
P Barker	537,535	01 Nov 2012	0.108	-	30 June 2015	-
B Fullarton	1,853,568	01 Nov 2012	0.108	-	30 June 2015	-
E Lee	509,731	01 Nov 2012	0.108	-	30 June 2015	-

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

6.7 Analysis of movement in options

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

	Granted in year $ (A)	Value of options exercised in the year $ (B)	Lapsed in the year $ (C)
Group executives			
J Smith	65,060	-	-
B Acott	62,458	-	-
P Barker	58,054	-	-
B Fullarton	200,185	-	-
E Lee	55,051	-	-

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

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

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

Directors' Report

6. Remuneration report *(continued)*

6.8 Analysis of LTII granted as compensation – audited

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

	LTII granted		% vested in year/ prior years	% Forfeited in year (1)	Financial year in which grant vests	Note
	Number	Date				
Directors						
G Hawkins	500,000	1 December 2005	100%	100%	FY 2008	(2)
(ceased	1,250,000	19 December 2006	100%	100%	FY 2009	(2)
23 August	2,015,027	1 July 2010	0%	100%	FY 2013	(3)
2012)	1,575,250	1 July 2011	0%	100%	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%	100%	FY 2013	
	282,241	1 July 2011	0%	0%	FY 2014	
	602,410	1 November 2012	0%	0%	FY 2015	
C Lewis	108,899	11 June 2009	100%	100%	FY 2011	
(resigned	667,539	1 July 2010	0%	100%	FY 2013	
10 October	608,988	1 July 2011	0%	100%	FY 2014	
2012)						
B Acott	100,000	1 December 2005	100%	100%	FY 2008	
	293,194	1 July 2010	0%	100%	FY 2013	
	279,635	1 July 2011	0%	0%	FY 2014	
	578,313	1 November 2012	0%	0%	FY 2015	
P Barker	108,899	11 June 2009	100%	0%	FY 2011	
	261,780	1 July 2010	0%	100%	FY 2013	
	251,845	1 July 2011	0%	0%	FY 2014	
	537,535	1 November 2012	0%	0%	FY 2015	
B Fullarton	296,135	1 July 2011	0%	0%	FY 2014	
	1,853,568	1 November 2012	0%	0%	FY 2015	
E Lee	131,768	1 July 2010	0%	100%	FY 2013	
	217,108	1 July 2011	0%	0%	FY 2014	
	509,731	1 November 2012	0%	0%	FY 2015	

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

2) Upon cessation of the former Managing Director's employment, 1.750 million LTII were forfeited in FY13.

3) The performance rights of the former Managing Director are subject to the vesting criteria stipulated in the PRP.

Directors' Report

6. Remuneration report *(continued)*

6.9 Analysis of LTII vesting conditions

The table below summarises how Aspen Group has performed against vesting conditions for the performance rights at 30 June 2013:

Issue Date	Financial Year	Vesting Date	FY12		FY13	
			TSR	EPS	TSR	EPS
1 July 2010	FY11	30/06/2013	✕	✕	✕	✕
1 July 2011	FY12	30/06/2014	✕	✕	✕	✕
1 November 2012	FY13	30/06/2015			✕	✓

TSR hurdle

The TSR of Aspen Group was measured against the S&P ASX 300 A-REIT index, and revealed that Aspen Group was below the 50th percentile for the FY11 issue (compound annual growth rate of negative 16.8%) and therefore, the TSR hurdle for the FY11 issue has not been met.

The FY12 issue is tracking below the TSR hurdle with a compound annual growth rate of negative 26.9%.

The FY13 issue is currently below the TSR hurdle, being in the 45th percentile.

EPS hurdle

The EPS target for the FY11 LTI issue was not met as a result of the significant impairments during, and capital raising undertaken in, FY13. The aggregate EPS growth for the 3 year period was negative 63.6% and therefore the EPS hurdle was not met.

The EPS condition for the FY13 LTI issue is on track, as Aspen Group exceeded EPS guidance by 8.97% following the core operating EPS of 1.96 cps. The required target for this condition was to exceed EPS guidance by 5%.

7. Principal activities

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

8. Events subsequent to reporting date

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

- On 12 July 2013, ADPF sold its portfolio of investment properties for $76.500 million and subsequently made full repayment of its debt with its primary bank of $47.200 million. Subsequently, on 15 July 2013, ADPF provided notice to unitholders to commence the termination of ADPF.

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

Directors' Report

9. Directors' interests

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

	Fully Paid Stapled Securities	LTII (1)
F Zipfinger	600,000	-
C Salwin (appointed 1 July 2013)	-	-
H Martin	-	-
C Appleton	-	-
G Farrands (appointed 26 November 2012)	-	-
T Budge (resigned 23 November 2012)	-	-
G Hawkins (ceased 23 August 2012)	-	-

1) Relates to LTII issued under the ESSIP and the PRP.

10. Indemnification and insurance of officers and auditors

During the financial year Aspen Group paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2013 and since year end, Aspen Group has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2014. Such insurance contracts insure against certain liability (subject to specific exclusions), persons who are or have been directors or executive officers of the Company.

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

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

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

11. Non-audit services

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

The Board has considered the non-audit services provided during the year by the auditor and it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Aspen Group, acting as an advocate for Aspen Group or jointly sharing risks and rewards.

Directors' Report

11. Non-audit services *(continued)*

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

	2013 $	2012 $
Audit services:		
Auditors of Aspen Group – KPMG:		
Audit and review of financial reports	409,825	319,470
Other regulatory audit services	41,000	34,600
	450,825	354,070
Other auditors – non-KPMG firms:		
Audit and review of financial reports	40,000	48,938
	490,825	403,008

	2013 $	2012 $
Services other than statutory audit - KPMG:		
Tax advisory services	173,116	245,395
Capital raising and due diligence	194,455	-
Other	57,500	34,184
	425,071	279,579
Other auditors – non-KPMG firms:		
Meeting attendance fees	23,552	-
	448,623	279,579

Directors' Report

12. Corporate governance statement

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

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

Included in the Annual Report is a Corporate Governance Statement disclosing the extent to which Aspen Group has followed the best practice recommendations of the ASX Corporate Governance Council as well as any departures from the recommendations and the reason for doing so.

Aspen Group has provided below a reconciliation of the ASX principles against its own corporate governance framework to outline how it satisfies the ASX principles.

Recommendation		Comply Yes/No	Reference/ explanation
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 35
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 36
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2: Structure the Board to add value			
2.1	A majority of the board should be independent directors.	Yes	Page 36
2.2	The chair should be an independent director.	Yes	Page 37
2.3	The roles of chair and CEO should not be exercised by the same individual.	Yes	Page 37
2.4	The board should establish a nomination committee.	Yes	Page 37
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 38
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 38

Directors' Report

Recommendation		Comply Yes/No	Reference/ explanation
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 39
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes	Page 39
3.3	Companies should disclose in each annual report he measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principal 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 40
4.2	The audit committee should be structured so that it: • Consists only of non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent chair, who is not chair of the board; and • Has at least three members.	Yes	Page 41
4.3	The audit committee should have a formal charter.	Yes	Page 41
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	

Directors' Report

Recommendation		Comply Yes/No	Reference/ explanation
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 42
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of securityholders			
6.1	Companies should design a communications policy for promoting effective communication with securityholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 43
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 43
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 43
7.3	The board should disclose whether it has received assurance from the CEO (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 44
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 44

Directors' Report

Recommendation		Comply Yes/No	Reference/ explanation
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee	Yes	Page 45
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors; • Is chaired by an independent chair; and • Has at least three members;	Yes	Page 45
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

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.

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

Role of the Board

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

- The Board should comprise at least three directors with a maximum of ten directors;
- The Chairman of the Board should be an independent non-executive director;
- The directors should possess a broad range of skills, qualifications and experience;
- The Board should have a majority of independent directors;
- The Board should meet on a regular basis and at least six times per annum; and
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The Board currently consists of three independent non-executive directors and an executive director. During the financial year, the composition of the Board changed.

Mr Budge retired as a non-executive director, and Mr Guy Farrands accepted an appointment as an independent non-executive director on 26 November 2012. Mr Farrands brings extensive and relevant skills and experience in the property and funds management industry respectively to the Board. Aspen Group recognizes the advantage of having a mix of relevant business, executive and professional experience on the Board, and Mr Farrands complements the existing capabilities of directors.

Directors' Report

12. Corporate governance statement *(continued)*

During the year, Mr Martin changed his role from an independent non-executive director to become Interim CEO, upon the departure of Mr Hawkins in August 2012. With the appointment of Mr Clem Salwin as Managing Director and CEO, Mr Martin has resumed his role as non-executive director from 1 July 2013.

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 target.

The responsibilities of the Board include:

- To act in the best interests of securityholders at all times;
- Establish and set the strategic direction for Aspen Group;
- Establish a framework for the proper governance of Aspen Group;
- Provide input into and final approval to the business plan that is then implemented by KMP to achieve Aspen Group's strategy;
- Appointment and removal of the executive directors;
- Confirmation of the appointment and removal of KMP;
- Review and ratification of the internal control systems, risk management measures and codes of conduct;
- Review and approval of the annual budget and forecasts;
- Monitoring of the performance of KMP in implementing Aspen Group's strategy;
- Approving and monitoring of financial and other reporting;
- Approval of acquisitions and disposals of significant assets and capital expenditure programs and monitor regularly where necessary; and
- Approval of financial reports as required by the Corporations Law or ASX rules.

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

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

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.

Aspen Group has complied with this principle.

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

Aspen Group has complied with this recommendation. The independent directors comprise 75% of the members of the Board and are:

- Mr Frank Zipfinger;
- Mr Clive Appleton;
- Mr Guy Farrands (appointed 26 November 2012); and
- Mr Terry Budge (resigned 23 November 2012).

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 2.1: A majority of the Board should be independent directors. *(continued)*

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

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

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 AGM each year however will be eligible for re-election. Directors appointed during the year to fill casual vacancies are required to submit to election at the next AGM.

At the 2012 AGM, Mr Martin and Mr Appleton were re-elected.

Aspen Group recognises 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. Aspen 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.

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;
- The gender of the candidate; 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.

Aspen Group has complied with this recommendation.

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

Aspen Group has complied with this recommendation.

Recommendation 2.4: The Board should establish a nomination committee.

Aspen 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 Clive Appleton – Independent Non-Executive (appointed to Committee on 22 January 2013);
- Mr Guy Farrands – Independent Non-Executive (appointed to Committee on 22 January 2013);
- Mr Terry Budge – Independent Non-Executive (resigned 23 November 2012); and
- Mr Gavin Hawkins – Managing Director (ceased 23 August 2012).

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 2.4: The Board should establish a nomination committee *(continued)*

The responsibilities of the Nomination Committee are as follows:

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

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

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

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

Aspen Group has complied with this recommendation. Performance evaluations of the Board, its Committees and individual directors took place in the reporting year 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 written 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.

Recommendation 2.6: Induction and access to information

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

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

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

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

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

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

Directors' Report

12. Corporate governance statement *(continued)*

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision making.

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

Recommendation 3.1: Code of conduct

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

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

Included in the Code is the policy on trading in Aspen Group's securities by directors, 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.

Insider trading and market manipulation by employees or their associates is illegal and is forbidden. Employees are forbidden to short sell Aspen Group securities. The Code, is discussed with all employees in their induction meeting with Aspen Group's Compliance Manager. By signing the Code, employees acknowledge that they have read, understood and have agreed to comply with the requirements.

Directors, certain KMP, and other employees who have access to price sensitive information will not be able to deal in Aspen Group securities without the prior approval of the Company Secretary, 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 DRP are not required to be authorised.

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

Recommendation 3.2: Diversity Policy

Aspen has established a policy concerning diversity and has disclosed the policy on Aspen Group's website within the 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, executive level and across Aspen Group, so as to meet the target levels by 30 June 2014; and
- To provide an annual assessment of performance against the target levels.

Aspen 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, which ultimately may result in better business decisions.

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 3.2: Diversity Policy *(continued)*

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

	Target for 30 June 2014		30 June 2013		30 June 2012	
Gender	**Female %**	**Male %**	**Female %**	**Male %**	**Female %**	**Male %**
Non-executive directors	20	80	-	100	-	100
Executive / Managerial	30	70	29	71	18	82
Total employees	45	55	42	56	34	66

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

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

Principle 4: Safeguard integrity in financial reporting

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

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

Recommendation 4.1: The Board should establish an audit committee.

Aspen 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 for a period of three years.

The members of the Audit Committee during the year:

- Mr Guy Farrands (Chairman) – Independent Non-Executive (appointed to Committee and Chairman on 22 January 2013);
- Mr Terry Budge (former Chairman) – Independent Non-Executive (resigned 23 November 2012);
- Mr Frank Zipfinger – Independent Non-Executive; and
- Mr Hugh Martin – Non-Executive (temporary leave of absence since appointed as Interim CEO between 23 August 2012 and 30 June 2013).

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

The Audit Committee meets as frequently as required and at least quarterly in line with external reporting requirements. The Chairman will call a meeting of the Audit Committee, if so requested by any committee member, the Chief Financial Officer ("CFO"), or the external auditors. Any director, if they wish, may attend any meeting. The CFO and the external auditors are given notice of all meetings and have the right to attend and speak at each meeting subject to concurrence of the Chairman of the Audit Committee. A quorum for a meeting shall be a minimum of two, which must include the Chairman.

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

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 4.1: The Board should establish an audit committee *(continued)*

The Audit Committee's responsibilities include the following:

Financial Reporting

Review, assess and monitor the financial reporting of Aspen 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

a) Recommend the appointment and removal of external auditors;

b) Review the audit engagement letter; and

c) 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.

Taxation

Oversee the compliance of Aspen Group with the requirements of the Australian Taxation Office ("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.

Aspen Group has complied with these recommendations.

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

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

Directors' Report

12. Corporate governance statement *(continued)*

Principle 5: Make timely and balanced disclosure

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

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

Recommendation 5.1: Disclosure and communication policy

Aspen 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 ("DCP") to ensure that:

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

In summary the DCP operates as follows:

- The Board is committed to effectively communicating with its securityholders and the investment market about all major business events that influence Aspen Group in a timely and straightforward manner;
- In line with its disclosure obligations under Chapter 3 of the ASX Listing Rules and under Regulatory Guides 198 and 46 issued by Australian Securities and Investments Commission ("ASIC"), Aspen Group's policy is to immediately lodge with the ASX or ASIC any information concerning Aspen Group that a reasonable person would expect to have a material effect on the price or value of its securities. Aspen Group will also advise the market of any information that is currently known to the market which they believe to be false or misleading and which may be creating a false market. Where necessary, and to assist with Aspen Group meeting its continuous disclosure obligations, a trading halt may be required for the securities. This process is managed by the Company Secretary in consultation with the Board;
- All 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 Aspen Group including details of assets and fund management activities, investor information such as annual reports, security price information, newsletters, distribution history and other supporting links;
- In instances where briefings are provided to the market a copy of the presentation material will be made available on Aspen Group's website; and
- Where Aspen Group is to hold a securityholder meeting, the full text of the notice of meeting will be provided in the announcement to the ASX. All directors and employees are educated on the importance of sensitive information and confidentially as part of an induction session. Employees must sign a copy of the Code 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.

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 5.1: Disclosure and communication policy *(continued)*

Securityholders are encouraged to attend and participate in Aspen Group's AGM. An explanatory memorandum on the resolutions proposed is provided with the Notice of Meeting. Securityholders unable to attend the AGM are able to lodge a proxy in accordance with the Corporations Act. Securityholders can submit enquiries regarding Aspen Group directors or complaints, via the website or email homemail@aspengroup.com.au. Aspen Group uses Link Market Services Limited ("Link") to administer the securityholder register. Securityholders can contact Link on 1300 554 474 or via their website www.linkmarketservices.com.au.

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

Principle 6: Respect the rights of securityholders

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

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

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

Aspen Group has complied with this recommendation. The DCP is available on Aspen Group's website within the Charter.

Principle 7: Recognise and manage risk

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

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

Recommendation 7.1: Risk Management

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

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

The Board has adopted a Risk Management Policy designed to:

- Identify, assess, monitor and manage risk; and
- Identify material changes to Aspen Group's risk profile.

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

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

Risks and their treatment are included in the Compliance Committee's report to the Board. Risk management performance is considered when awarding STIs.

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

Recommendation 7.2: Management and Board responsibility

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

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 7.2: Management and Board responsibility *(continued)*

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

Environmental regulation

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

During the financial year, the Department of Environment and Conservation ("DEC") issued an environmental field notice to Aspen Development Fund No 1 Limited ("ADF"), requiring ADF to remove contaminated material from its Upper Swan property. ADF has submitted a request to the DEC for a license which would allow ADF to leave the contaminated material on site. If the request for license is unsuccessful, ADF will be required to pay for the removal of the contaminated material. A contingent liability has been disclosed in the financial statements of ADF of $0.300 million.

Recommendation 7.3: Compliance Committee

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

The members of the Compliance Committee during the year were:

- Mr Keith Platel (Chairman) – External independent member;
- Mr Mark Atkinson – External independent member; and
- Mr David Mortimer – Executive member.

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

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

Recommendation 7.4: Verification of financial reports

The Board has received assurance from the Chairman and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and CFO are required by Aspen Group to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(A) of the Corporations Act:

- That Aspen Group's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of Aspen Group and comply with relevant accounting standards; and

Directors' Report

12. Corporate governance statement *(continued)*

Recommendation 7.4: Verification of financial reports *(continued)*

- That the declaration provided in accordance with section 295(A) of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

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.

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

Recommendation 8.1: The Board should establish a Remuneration Committee.

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

- Mr Frank Zipfinger – Non-Executive (appointed Chairman 10 February 2012);
- Mr Clive Appleton – Non-Executive (appointed 10 May 2012);
- Mr Guy Farrands – Non-Executive (appointed to Committee on 22 January 2013); and
- Mr Terry Budge – Non-Executive (resigned 23 November 2012).

The key responsibilities of the Remuneration Committee are set out in section 6.2.2.

The Remuneration Committee meets as required but not less than annually.

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

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

Aspen 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.

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

The lead auditor's independence declaration is included on page 46 and forms part of the Directors' Report for the financial year ended 30 June 2013.

14. Rounding off

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

Signed in accordance with a resolution of the directors.

Clem Salwin
Managing Director
PERTH, 23 August 2013

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG

KPMG

Kevin Smout
Partner

Perth

23 August 2013

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 2013, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 39 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, 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 Company's and the Group's financial position and of their performance.

KPMG

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth

23 August 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 $ '000	2012 $ '000
Revenue and other income			
Income from investment properties	7	51,752	39,155
Revenue from sale of inventories		-	790
Funds management revenue	7	6,887	7,718
Finance income	9	5,462	14,119
Other income		175	692
Total revenue and other income		64,276	62,474
Change in fair value of investment properties	17	7,672	41,776
Property expenses		(12,956)	(14,970)
Cost of inventories sold		-	(716)
Write-down of inventory to recoverable amount		-	(16,258)
Termination payments and restructuring costs		(3,691)	-
Occupancy costs		(994)	(356)
Administration expenses	8	(16,130)	(16,730)
Finance expenses	9	(16,619)	(13,269)
Other expenses		(1,982)	(3,017)
Change in fair value of assets held for sale	14	(19,563)	(2,475)
Impairment of financial assets	13	(1,142)	(117,560)
Loss on changes in interests in subsidiaries	35	-	(105)
Impairment adjustments of equity accounted investees	18	(461)	(54,436)
Share of loss from equity accounted investees	18	(1,162)	(3,878)
Loss before income tax		(2,752)	(139,520)
Income tax expense	10	-	(10,363)
Loss from continuing operations		(2,752)	(149,883)
Discontinued operation			
(Loss)/profit from discontinued operations	35	(31,561)	2,783
Loss for the year		(34,313)	(147,100)
Total comprehensive expense for the year		(34,313)	(147,100)
Loss attributable to:			
Securityholders of Aspen Group		(28,798)	(147,955)
Non-controlling interests	35	(5,515)	855
Loss for the year		(34,313)	(147,100)
Total comprehensive expense attributable to:			
Securityholders of Aspen Group		(28,798)	(147,955)
Non-controlling interests	35	(5,515)	855
Total comprehensive expense for the year		(34,313)	(147,100)
Basic earnings per stapled security	28	(2.84)	(25.31)
Diluted earnings per stapled security	28	(2.84)	(25.29)
Basic earnings per stapled security – continuing operations	28	(0.27)	(25.64)
Diluted earnings per stapled security – continuing operations	28	(0.27)	(25.62)

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

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 $ '000	2012 $ '000
Assets			
Cash and cash equivalents	11a	15,794	3,057
Cash in term deposits	11b	22,300	-
Trade and other receivables	12	4,080	9,263
Other financial assets	13	11,817	1,975
Assets classified as held for sale	14	26,119	23,275
Subsidiary assets classified as held for sale	35	136,263	119,893
Investments in equity accounted investees	18	961	5,038
Prepayments and other current assets	15	1,523	1,478
Total current assets		218,857	163,979
Trade and other receivables	12	-	2,675
Other financial assets	13	3,000	3,000
Property, plant and equipment	16	2,427	1,521
Investment property	17	360,500	379,125
Investments in equity accounted investees	18	13,695	18,816
Intangible assets	19	-	3,829
Deferred tax assets	20	12,141	12,141
Other	21	312	2,338
Total non-current assets		392,075	423,445
Total assets		610,932	587,424
Liabilities			
Trade and other payables	22	11,460	25,902
Liabilities classified as held for sale	22	11,903	-
Subsidiary liabilities classified as held for sale	35	91,667	76,968
Interest-bearing loans and borrowings	23	3,050	136,329
Provisions	24	11,506	2,270
Employee benefits	25	766	1,064
Other financial liabilities	26	855	32,738
Total current liabilities		131,207	275,271
Interest-bearing loans and borrowings	23	193,692	63,587
Total non-current liabilities		193,692	63,587
Total liabilities		324,899	338,858
Net assets		286,033	248,566
Equity			
Issued capital	27	522,051	424,894
Other equity	27	(1,465)	(1,465)
Reserves	27	(9)	(9)
Retained losses		(237,071)	(190,403)
Total equity attributable to equity holders of the Company		283,506	233,017
Non-controlling interest	35	2,527	15,549
Total equity		286,033	248,566

(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 2013

		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 2012		424,894	(1,465)	(9)	(190,403)	233,017	15,549	248,566
Total comprehensive expense for the year								
Loss for the year		-	-	-	(28,798)	(28,798)	(5,515)	(34,313)
Total comprehensive expense for the year		-	-	-	(28,798)	(28,798)	(5,515)	(34,313)
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of securities pursuant to equity raising	27	101,436	-	-	-	101,436	-	101,436
Payment of equity securities issue costs	27	(4,280)	-	-	-	(4,280)	-	(4,280)
Issue of securities from sales of ESSIP shares	27	1	-	-	-	1	-	1
Distributions to securityholders	27, 35	-	-	-	(17,015)	(17,015)	(791)	(17,806)
Share based payment transactions	25	-	-	-	(855)	(855)	-	(855)
Total contributions by and distributions to owners of the Company		97,157	-	-	(17,870)	79,287	(791)	78,496
Acquisition of non-controlling interest	35	-	-	-	-	-	(5,959)	(5,959)
Disposal of non-controlling interest	35	-	-	-	-	-	(757)	(757)
Total transactions with owners of the Company		97,157	-	-	(17,870)	79,287	(7,507)	71,780
Balance at 30 June 2013		522,051	(1,465)	(9)	(237,071)	283,506	2,527	286,033

(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 2012

	Note	Issued capital $'000	Other equity $'000	Reserves $'000	Retained losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to owners of the Company						
Balance at 1 July 2011		415,966	(1,855)	(9)	(23,745)	390,357	-	390,357
Total comprehensive expense for the year								
Loss for the year		-	-	-	(147,955)	(147,955)	855	(147,100)
Total comprehensive expense 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 securities pursuant to Distribution Reinvestment Plan	27	8,739	-	-	-	8,739	-	8,739
Issue of securities from sales of ESSIP shares	27	189	-	-	-	189	-	189
Distributions to securityholders	27	-	-	-	(19,217)	(19,217)	-	(19,217)
Share based payment transactions	25	-	-	-	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	35	-	-	-	-	-	12,184	12,184
Increase in non-controlling interest	35	-	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 Cash Flows

For the year ended 30 June 2013

	Note	**2013 $ '000**	2012 $ '000
Cash flows from / (used in) operating activities			
Cash receipts from customers		104,099	80,871
Cash payments to suppliers and employees		(78,505)	(53,811)
Cash generated from operating activities		25,594	27,060
Dividends received		2,219	2,791
Interest received		3,914	1,272
Interest and other costs of finance paid		(30,303)	(13,592)
Net cash from operating activities	29	1,424	17,531
Cash flows from / (used in) investing activities			
Cash invested in term deposits and restricted funds	11(b)	(22,300)	-
Acquisition of property, plant and equipment	16	(2,001)	(326)
Disposal of property, plant and equipment		-	10
Improvements to assets held for sale		(283)	-
Improvements to investment properties		(1,944)	(3,619)
Development of investment properties		(9,700)	(56,802)
Capitalised interest to assets under development		-	(6,057)
Acquisition of equity accounted investees		(230)	(869)
Disposal of equity accounted investees		9,667	3,000
Acquisition of subsidiary, net of cash acquired	35	(23,930)	(4,817)
Proceeds from sale of investments		(757)	17,700
Proceeds from sale of inventories		-	449
Proceeds from sale of assets held for sale		20,755	-
Proceeds from sale of investment properties		36,800	31,931
Net cash from / (used in) investing activities		6,077	(19,400)
Cash flows from / (used in) financing activities			
Proceeds from issue of equity securities	27	101,436	-
Payment of equity securities issue costs	27	(4,279)	-
Repayments of borrowings		(72,017)	(48,650)
Proceeds from borrowings		25,282	72,559
Loans to associates		(34,469)	(49,048)
Repayments from associates		445	35,648
Distributions paid to non-controlling interest	27	(109)	(790)
Distributions paid	27	(8,903)	(15,521)
Net cash from / (used in) financing activities		7,386	(5,802)
Net increase / (decrease) in cash and cash equivalents		14,887	(7,671)
Cash and cash equivalents at beginning of year		3,474	11,145
Total cash and cash equivalents at end of year		18,361	3,474
Less: cash included in subsidiary assets held for sale	35	(2,567)	(417)
Cash and cash equivalents at end of year	11	15,794	3,057

(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 the Trust and the Company and its controlled entities on the ASX. Both the Trust, the Company and their controlled entities are domiciled in Australia. The address of Aspen Group's registered office is Level 3, Newspaper House, 129 St Georges Terrace, Perth, Western Australia. The Constitution of the Trust and the Articles of Association of the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and that unitholders and shareholders be identical.

The consolidated financial statements of Aspen Group as at and for the year ended 30 June 2013 comprise the Company and the Trust along with their subsidiaries and their interests in associates and jointly controlled entities. Aspen Group is a for profit entity and is primarily involved in investment in 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 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 23 August 2013.

(b) Basis of measurement

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

- Derivative financial instruments;
- Available for sale financial instruments;
- Investment property;
- Assets held for sale
- Subsidiary assets held for sale; 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 Aspen Group.

Aspen Group is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

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

Notes to the Consolidated Financial Statements

2. Basis of preparation *(continued)*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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 the Board and 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 2013 Aspen Group recorded a loss after tax of $34.313 million (2012: $147.100 million). At 30 June 2013 Aspen Group had net assets of $286.033 million (2012: $248.566 million) and current assets exceeded current liabilities by $87.650 million (2012: net current deficit of $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.

The Board believe that Aspen Group will continue as a going concern, and base this view on the following factors:

(i) Aspen Group's cash flow forecast supports the Board's opinion that Aspen Group's working capital position will remain positive for at least the next twelve months from the date of these financial statements;

(ii) Aspen Group and its associated entities have committed to future debt reduction of $51.260 million to its primary bank through a series of contracted step downs, being:

a. $40.510 million by December 2013 ($15.347 million achieved at the date of signing this report); and

b. $7.500 million by June 2014.

The step-downs are primarily to be achieved through non-core asset sales in associate entities. Aspen Group is presently seeking to dispose of non-core on balance sheet assets with a book value of $174.453 million;

(iii) Aspen Group is compliant with its Weighted Lease Duration (WLD) covenant. The covenant increases from 1.25 years to 2.0 years on 29 January 2014. As at 30 June 2013 Aspen Group's WLD was 1.92 years; and

(iv) During the year Aspen Group finalised a review of its business that was intended to simplify the business and to concentrate on the activities in which Aspen Group has core strengths. As part of this strategic review, Aspen Group has secured agreement from all of its financially dependent development syndicates to commence orderly sale processes.

Notes to the Consolidated Financial Statements

3. Significant accounting policies

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

Certain comparative amounts in the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been reclassified to conform with current year's presentation.

(a) Basis of consolidation

(i) Stapling

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

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 Aspen Group. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Aspen 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 Aspen 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 the Company or the Trust. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Aspen Group.

(v) Loss of control of subsidiaries

Upon the loss of control, Aspen Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Aspen Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. 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 Aspen Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when Aspen 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 Aspen 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 Aspen Group's share of the profit or loss and other comprehensive income of the equity accounted investees, after adjustments to align the accounting policies with those of Aspen Group, from the date that significant influence commences until the date that significant influence ceases.

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

(vii) Investments in joint ventures

Aspen 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. Aspen 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 Aspen Group's interest when preparing the consolidated financial statements.

(viii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Aspen Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees, when the consolidated entity's interest in such entities is disposed of.

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

(i) Derivative financial instruments

Aspen Group uses derivative financial instruments such as interest rate swaps to economically hedge its exposure to interest rate risks arising from financing activities. Hedge accounting is not applied to derivative financial instruments.

(ii) Derivative financial instruments *(continued)*

In accordance with its treasury policy, Aspen Group does not hold or issue derivative financial instruments for trading purposes. Other derivatives include put options which are accounted for as described below.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in the statement of profit or loss and other comprehensive income when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. The fair value of interest rate swaps is the estimated amount that Aspen Group would receive or pay to terminate the swap at the date of the statement of financial position, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(iii) Non-derivative financial instruments

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

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

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

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

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

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

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis.

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(b) Financial instruments *(continued)*

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.

(iv) Non-derivative financial instruments *(continued)*

Included in current liabilities are retirement community resident obligations due to residents of the 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 Profit or Loss and Other 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. Aspen Group accounts for the DMF using the accrual method where the DMF is progressively accrued as the residents occupy the retirement village units.

(v) Available-for-sale financial assets

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

(vi) 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

Aspen Group recognises and measures financial guarantee contracts in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Aspen Group initially recognises and measures a financial guarantee contract at its fair value. At each subsequent reporting date, Aspen Group measures the financial guarantee contract at the higher of the initial fair value recognised, less when appropriate, the cumulative amortisation and the best estimate of the expenditure required to meet the obligations under the contract at the reporting date.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(d) Property, plant and equipment *(continued)*

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

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

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

(iv) Reclassification to investment property

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

(v) Leased assets

Leases where Aspen 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.

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(e) Investment property *(continued)*

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 Aspen 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 Aspen 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 Aspen Group determines whether or not a property qualifies as an investment property. In making its judgement, Aspen 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.

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 Aspen 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.

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(g) Intangible asset *(continued)*

Intangible assets comprise primarily of development rights in relation to an Aspen Group managed development 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.

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

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

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

(ii) Non-financial assets

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(i) Impairment *(continued)*

(ii) Non-financial assets *(continued)*

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

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

(iii) Reversals of impairment

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

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

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

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(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 Aspen Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to Aspen Group as the benefits are taken by the employees.

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

(iii) Long-term service benefits

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

(iv) Security-based payments

Securities may be issued to employees of Aspen Group under the ESSIP or the PRP. The securities issued are accounted for as options in Aspen Group. The fair value of the options granted is recognised as an employee expense by Aspen Group with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of security options that vest, except for those that fail to vest due to market conditions not being met. The fair value is measured at the grant date using an appropriate pricing model, taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period.

(l) Provisions

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(m) Revenue and other income

(i) Rental income

Rental income from investment property is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

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

(ii) Property development services

Revenue from services rendered, including fees arising from the provision of development project management services, is recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to an assessment of costs. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the revenue cannot be measured reliably, the costs incurred or to be incurred cannot be measured reliably, or the stage of completion cannot be measured reliably.

(iii) 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.

(iv) Management and establishment fee income

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

(v) Performance fee income

Performance fees are recognised in the statement of profit or loss and other comprehensive income on an accrual basis when Aspen 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.

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(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 Aspen Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset including loan establishment costs are recognised in profit or loss using the effective interest method.

(p) Segment reporting

Determination and presentation of operating segments

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

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

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

Information regarding these segments is presented in note 6.

(q) Income taxes

(i) The Company

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(q) Income taxes *(continued)*

(i) The Company *(continued)*

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 the Company.

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

As a tax funding agreement has not yet been established within the tax-consolidated group, the tax liability assumed by the Company for the other group members is recognised as an investment in the subsidiaries during the 2013 financial year. The subsidiary entities recognise the corresponding amount as a contribution of equity from the Company.

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies *(continued)*

(q) Income taxes *(continued)*

(iii) The Trust

Under current Australian Income Tax Legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unit holders each year. Tax allowances for building and plant and equipment depreciation are distributed to unit holders in the form of tax deferred components of distributions.

(r) 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.

(s) Earnings per stapled security

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

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 2012 which are summarised below:

Standard(s)	Key requirements	Impact on 30 June 2013 financial report
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax Recovery of Underlying Assets	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 application of this standard has not had a material effect on Aspen Group's financial report.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Makes a number of changes to the presentation of the Statement of Comprehensive Income.	The application of this standard has not had a material effect on Aspen Group's financial report.

Notes to the Consolidated Financial Statements

4. New standards and interpretations not yet adopted *(continued)*

The following standards amendments to standards and interpretations are effective for future financial reporting periods, and are available for early adoption. Aspen Group has not early adopted any of these standards at 30 June 2013:

Standard(s)	**Application date – reporting periods commencing on or after**	**Key requirements**	**Expected impact on future period financial reports**
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.	Aspen Group has determined that ADLL and FBSV, 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 joint venture currently proportionately consolidated will be equity accounted.
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.	Aspen Group expects additional disclosures in relation to consolidated entities per AASB10, the joint venture per AASB11 and disclosures of investments in other entities, such as associates.
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	Aspen Group expects additional disclosures in relation to consolidated entities per AASB10, the joint venture per AASB11 and disclosures of investments in other entities, such as associates.

Notes to the Consolidated Financial Statements

4. New standards and interpretations not yet adopted *(continued)*

Standard(s)	Application date – reporting periods commencing on or after	Key requirements	Expected impact on future period financial reports
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.	Aspen Group expects additional disclosures in relation to fair value measurements of available for sale financial assets and any changes in fair value will be recognised in Other Comprehensive Income.
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.	Aspen Group does not anticipate any significant impact from 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.	Aspen Group does not anticipate any significant impact from this standard.
AASB 9 Financial Instruments (December 2010) (includes financial asset and financial liability requirements) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) AASB 9 Financial Instruments (2009) (Financial asset requirements only) AASB 2009- 11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	Comprises the rewrite of AASB 139 Financial Instruments: Recognition and Measurement in 6 phases.	Aspen Group has not yet quantified the impact of this standard.

Notes to the Consolidated Financial Statements

5. Determination of fair values and areas of estimation uncertainty

A number of Aspen 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.

(a) 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.

(b) 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. The net realisable value of inventories is assessed at each reporting date. Aspen 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.

(c) 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:

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

(ii) 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;

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

(iv) 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

(v) 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 Aspen Group.

(vi) 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.

(vii) 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 Aspen Group and those reported by the market.

The expected future market rentals are determined on the basis of current markets for similar properties in the same location and condition (refer note 31).

Notes to the Consolidated Financial Statements

5. Determination of fair values and areas of estimation uncertainty *(continued)*

(c) Investment property *(continued)*

(vii) At reporting dates occurring between obtaining independent valuations, the Board reviews the carrying value of Aspen 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).

(d) 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 21).

(e) 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 12,13, 18 and 30).

At 30 June 2013, certain associated entities have determined to realise their assets and settle their liabilities through the sale of their development assets on a realisation basis rather than ongoing development activities. The recoverability of Aspen 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 Aspen Group.

(f) 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 Aspen Group and counterparty when appropriate.

During the year ended 30 June 2013 estimates and judgements have been made when valuing Aspen Group's put option commitments.

(g) 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.

(h) 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).

Notes to the Consolidated Financial Statements

5. Determination of fair values and areas of estimation uncertainty *(continued)*

(i) Current assets held for sale

The fair value of current assets held for sale is determined as the amount at which an asset could be exchanged between knowledgeable and willing parties in an arms length transaction less any costs incurred to sell the asset. External and independent valuators with appropriate qualifications and experience are used to value the property assets classified within the assets held for sale balance to approximate market value.

(j) Security-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 security 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 25).

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

Aspen Group 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 Group 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 18.

6. Operating segments

Since 1 July 2012, Aspen Group has revised its segments to reflect the outcome of Aspen Group's strategic review and current debt reduction arrangements. Aspen Group has two reportable segments, as described below, which are Aspen Group's strategic business units. The strategic business units hold different asset classes and offer different products and services, and are based on Aspen Group's management and internal reporting structure. For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The following describes the operations in each of Aspen Group's reportable segments:

- Core - This segment includes net rental income and associated interest expense and other expenditure from all investment properties held by Aspen Group throughout Australia. It also includes Aspen Group's share of net rental income and expenditure from properties held by 12-26 Franklin Street Property Trust ("FSPT") and management fees, equity profits and associated expenditure from Aspen Parks Property Fund ("APPF"); and
- Non-Core – This segment includes all assets that Aspen Group has deemed as held for sale and has commenced divestment strategies on. This includes all development syndicates that Aspen Group manages, its on-balance sheet assets held for sale, ADPF, Aspen Whitsunday Shores Pty Limited ("AWSS") and ADF. Non-core also includes interest from related parties and dividends from investments which cannot be allocated to the core segment noted above.

Notes to the Consolidated Financial Statements

6. Operating segments *(continued)*

Information about reportable segments

	Core		Non-core		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
External revenues	58,117	45,414	27,218	11,744	85,335	57,158
Interest income	2,152	248	2,570	13,882	4,722	14,130
Total segment revenue	**60,269**	45,662	**29,788**	25,626	**90,057**	71,288
Interest expense	**(14,508)**	(13,269)	**(2,111)**	-	**(16,619)**	(13,269)
Reportable segment profit before income tax and share of profits from investments accounted for using the equity method (and other significant items below)	21,816	10,309	(6,863)	21,930	14,953	32,239
Share of profits from investments accounted for using the equity method (before significant items below)	1,560	2,106	(105)	(1,063)	1,455	1,044
Segment profit/(loss) before significant items below	**23,376**	12,415	**(6,968)**	20,867	**16,408**	33,282
Profit/(Loss) from discontinued operations	-	-	(27,380)	232	(27,380)	282
Funds management revenue	-	-	(151)	(6,833)	(151)	(6,833)
Financial income	-	-	697	(321)	697	(321)
Change in fair value of investment properties	7,380	41,776	-	-	7,380	41,776
Property expenses	226	(2,425)	-	-	226	(2,425)
Termination payments and restructuring costs	(3,571)	(514)	(120)	-	(3,691)	(514)
Administrative expenses	(46)	(3,435)	-	-	(46)	(3,435)
Financial expenses	(2,608)	(221)	-	(1,468)	(2,608)	(1,690)
Other expenses	(1,187)	(392)	(390)	-	(1,577)	(392)
Loss on disposal of investment property	-	(641)	-	-	-	(641)
Change in fair value of assets held for sale	-	(2,002)	(19,348)	(495)	(19,348)	(2,497)
Impairment of financial assets	-	-	(1,142)	(117,560)	(1,142)	(117,560)
Write-down of inventory to recoverable amount	-	-	-	(16,258)	-	(16,258)
Gain/Loss on changes in interest in subsidiaries	-	3,500	-	(3,605)	-	(105)
Impairment adjustments of equity accounted investees	(461)	-	-	(54,436)	(461)	(54,436)
Share of profit/(loss) of equity accounted investees	(2,853)	(461)	233	(4,460)	(2,620)	(4,921)
Segment profit/(loss) after significant items	**20,256**	47,602	**(54,569)**	(184,338)	**(34,313)**	(136,735)
Reportable segment assets	**437,070**	467,531	**173,862**	119,893	**610,932**	587,424
Investments in equity accounted investees	**13,695**	18,790	**961**	18,282	**14,656**	37,071
Reportable segment liabilities	**214,452**	261,889	**110,447**	76,969	**324,899**	338,858

Notes to the Consolidated Financial Statements

6. Operating Segments *(continued)*

Reconciliations of reportable segment revenues, profit or loss and assets

	2013 $ '000	2012 $ '000
Revenues		
Total revenues for reportable segments	90,057	71,288
Elimination of discontinued operations	(25,781)	(8,814)
Consolidated revenue from continuing operations	64,276	62,474
Profit or loss		
Total loss for reportable segments after significant items	(34,313)	(136,737)
Elimination of discontinued operations	31,561	(2,783)
Consolidated loss before income tax from continuing operations	(2,752)	(139,520)
Assets		
Total assets for reportable segments	610,932	587,424
Eliminations of discontinued operations	(136,263)	(119,893)
Total assets from continuing operations	474,669	467,531
Liabilities		
Total liabilities for reportable segments	324,899	338,858
Eliminations of discontinued operations	(91,667)	(76,969)
Total liabilities from continuing operations	233,232	261,889

Geographical segments

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

Major Customers

Revenues from one customer of Aspen Group's property portfolio represent approximately $19.049 million of Aspen Group's total revenues (2012: $16.743 million)

7. Revenue

		2013 $ '000	2012 $ '000
Income from investment properties		51,752	39,155
Funds management	- asset management fees	6,887	7,411
	- establishment fees	-	307
		6,887	7,718

Management fees are tested regularly for impairment. Refer to note 3 (i) and note 33 for further details.

8. Administration expenses

	Note	2013 $ '000	2012 $ '000
Wages and salaries including on-costs		11,321	10,710
Depreciation and amortisation		595	1,027
Contributions to defined contribution superannuation funds		640	668
Equity-settled share based payment transactions	25	(855)	514
Other administration costs		4,429	3,811
		16,130	16,730

Notes to the Consolidated Financial Statements

9. Net finance income / (expenses)

		2013 $'000	2012 $ '000
Finance income			
Interest income	– bank deposits	1,571	249
	– on loans to related parties (1)	2,936	3,326
	– on loans to associates	-	7,973
	– on impaired loans to associates	-	1,269
		4,507	12,817
Dividend income		581	1,302
Change in fair value of interest rate swaps		374	-
		5,462	14,119
Finance expenses			
Change in fair value of interest rate swaps		-	(3,435)
Interest expense on financial liabilities measured at amortised cost		(17,783)	(15,891)
Less amounts capitalised to qualifying assets		1,164	6,057
		(16,619)	(13,269)
Net finance income / (expenses)		(11,157)	850

(1) Relates mainly to interest income earned by FSPT.

10. Income tax expense

	2013 $ '000	2012 $ '000
Recognised in comprehensive income – continuing operations		
Current tax expense		
Current year	-	10,299
Utilised prior year losses	-	(10,299)
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	21,068	(50,374)
Deferred tax not recognised	(21,068)	60,737
	-	10,363
Total income tax expense	-	10,363
Numerical reconciliation between tax expense and pre-tax net profit – continuing operations		
Loss before income tax including discontinued operations	(28,798)	(136,736)
Prima facie income tax calculated at 30%	(8,639)	(41,021)
Less prima facie income tax on profit from Trusts	(16,160)	(18,425)
Increase in income tax expense due to:		
Non-deductible expenses	3,134	175
Taxable income not recognised in profit or loss	597	15,216
Unrecognised temporary differences	21,068	54,418
Income tax expense on pre-tax net profit	-	10,363

Notes to the Consolidated Financial Statements

11. Cash and cash equivalents

	2013 $'000	2012 $'000
(a) Cash at bank and in hand	15,794	3,057
(b) Cash in term deposits:		
Cash in term deposits	19,946	-
Cash held in restricted funds	2,354	-
Total cash in term deposits	22,300	-
Total cash and cash equivalents	38,094	3,057

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

12. Trade and other receivables

	2013 $'000	2012 $'000
Current		
Trade receivables	3,085	8,542
Other receivables	995	721
	4,080	9,263
Non-current		
Amount due from former director	-	2,675
	-	2,675

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

13. Other financial assets

	2013 $'000	2012 $'000
Current:		
Amount due from associates	8,990	1,975
Amount due from former director (refer note 33)	2,827	-
	11,817	1,975
Non-current:		
Loan to TRGP No1 Pty Limited	3,000	3,000
	3,000	3,000

During the year, Aspen Group has recognised an impairment expense of $1.142 million (2012: $117.560 million) in relation to financial assets. Refer to note 33 for further details.

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

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

Notes to the Consolidated Financial Statements

14. Assets classified as held for sale

	2013 $'000	2012 $'000
At 1 July	23,275	4,854
Additions to assets classified as held for sale	283	-
Disposals	(20,755)	(670)
Transfer in from equity accounted investments	-	14,300
Transfer in from other non-current assets	2,079	-
Transfer in from inventories	-	10,270
Transfer in from/(out to) investment properties	40,800	(3,004)
Impairment adjustments	(19,563)	(2,475)
At 30 June	26,119	23,275
Previously classified as:		
Investment property	23,118	-
Other non-current assets	3,001	12,298
Inventories	-	10,977
	26,119	23,275

As part of a review of Aspen 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 (refer note 23).

At 30 June 2013 Aspen Group transferred the Ballina retirement village from investment properties to assets held for sale. As a result of this transfer a downwards revaluation of $17.965 million was required to reflect the estimated realisation value of this asset through an orderly sale process, as whilst held as investment properties the carrying value of the Ballina retirement village was based on the value-in-use method.

15. Prepayments and other current assets

	2013 $'000	2012 $'000
Prepayments	1,279	932
Other	244	546
	1,523	1,478

16. Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Office equipment & fittings $'000	Total $'000
Cost				
Balance at 1 July 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
Additions	37	1,851	115	2,003
Reclassifications	(3)	-	-	(3)
Disposals	(97)	(595)	(156)	(848)
Balance at 30 June 2013	1,396	1,413	2,029	4,838

Notes to the Consolidated Financial Statements

16. Property, plant and equipment *(continued)*

	Plant and equipment $'000	Leasehold improvements $'000	Office equipment & fittings $'000	Total $'000
Depreciation and impairment losses				
Balance at 1 July 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
Depreciation charge for the year	170	167	258	595
Disposals	(45)	(179)	(125)	(349)
Balance at 30 June 2013	720	66	1,625	2,411
Carrying amounts				
At 1 July 2011	996	395	671	2,062
At 30 June 2012	864	79	578	1,521
At 1 July 2012	864	79	578	1,521
At 30 June 2013	676	1,347	404	2,427

17. Investment property

	2013 $'000	2012 $'000
At 1 July	379,125	327,364
Acquisitions and additions	13,833	69,270
Recognition of rent review and other assets	670	-
Disposals	-	(35,572)
Deconsolidation of share of joint venture asset	-	(27,990)
Reclassifications (1)	(40,800)	4,277
Fair value adjustments	7,672	41,776
At 30 June	360,500	379,125

Notes:

1) This includes the transfer of the Ballina retirement village and the vacant site at Morrison Road in Midland to assets held for sale.

Property portfolio revaluations

As at 30 June 2013, Aspen Group revalued 34% of the investment properties and conducted directors' valuations on the remainder. A further 33% was revalued at 31 December 2012. This resulted in a net increase in the carrying value of investment properties of $7.672 million during the year.

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.

Notes to the Consolidated Financial Statements

17. Investment property *(continued)*

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 2013 and having regard to recent market transactions for similar properties in the same location as Aspen Group's investment property.

As at 30 June 2013, the weighted average cap rate for the portfolio (excluding AKV which has a cap rate of 26.0% and has been excluded as it is not indicative of the rest of the portfolio given it is an accommodation asset) was 8.78%. The weighted average lease expiry was 4.05 years.

The following table presents individual properties owned by Aspen Group:

Property	Original Acquisition Date	Original Acquisition Cost $ '000	Latest Independent Valuation Date	Latest Independent Valuation $ '000	Book Value at 30 June 2013 $ '000	Book Value at 30 June 2012 $ '000
Commercial and Industrial						
256 Adelaide Terrace, (Septimus Roe) – WA	Oct 2002	29,648	June 2012	105,500	105,500	105,500
Phoenix Rd, Bibra Lake (Woolstores) – WA	Aug 2003	37,483	Dec 2012	82,000	82,000	73,000
215 Browns Rd, Noble Park – Vic	Oct 2004	22,625	June 2013	23,500	23,500	22,100
ATO Building, Adelaide – SA (1)	June 2011	82,744	Nov 2012	99,500	99,500	82,998
Vacant site						
Morrison Rd, Midland – WA (2)	June 2007	5,500	Dec 2010	2,900	-	2,900
Accommodation park						
Aspen Karratha Village – WA	June 2005	28,881	June 2013	50,000	50,000	57,600
Retirement living						
Aspen LV Plus, Ballina – NSW (2)	Nov 2007	12,968	-	-	-	35,027
					360,500	379,125

(1) ATO Building was acquired in June 2011. The value of this property at 30 June 2013 represents Aspen Group's 50% interest in the property which is part of the joint venture assets of FSPT.

(2) These assets were transferred to assets held for sale during the year ended 30 June 2013 (refer to note 14).

(3) At 30 June 2013 all investment properties have been pledged as security against loan facilities with Aspen Group's bankers. Refer to note 23 for further details.

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

	30 June 2013	30 June 2012
Weighted average discount rate	10.15%	10.68%
Weighted average terminal yield	9.14%	9.62%
Weighted average capitalisation rate	8.78%	9.34%
Weighted average vacancy rate	1.78%	4.64%
Weighted average rental growth rate	3.07%	3.17%

Notes to the Consolidated Financial Statements

18. Investments in equity accounted investees

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

		Ownership		Share of associate's net assets equity accounted	
	Principal activities	2013	2012	2013 $'000	2012 $'000
Aspen Parks Property Fund	Tourist park investment	8.5%	10.3%	13,695	18,816
Aspen Dunsborough Lakes Limited	Residential property development	43.2%	43.2%	-	-
Aspen Whitsunday Shores Pty Limited (note 1)	Residential property development	54.1%	42.1%	-	-
Fern Bay Seaside Village Limited	Residential property development	45.4%	45.4%	-	-
St Leonard's Estate Pty Limited (note 2)	Residential property development	-	13.4%	-	4,000
Aspen Development Fund No 1 Limited (note 1)	Diversified property development	75.1%	47.3%	-	-
Enclave at St Leonards Limited	Residential property development	10.0%	10.0%	961	1,038
Total				14,656	23,854

1) These investments are now classified as subsidiaries and were consolidated by Aspen Group at 30 June 2013. Refer to note 35.

2) This investment was sold during the year ended 30 June 2013.

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

	2013 $'000	2012 $'000
Share of associate loss before income tax	(1,152)	(5,273)
Share of income tax expense / benefit	(10)	1,395
Share of associate loss after income tax	(1,162)	(3,878)
Impairment of equity accounted investments	(461)	(54,436)
Share of associates net loss accounted for using the equity method	(1,623)	(58,314)

The carrying value of investments in equity accounted investees was reviewed during the year ending 30 June 2013.

Each investment was treated as a separate cash generating unit and the value-in-use method was used to determine the appropriate impairment for the Enclave at St Leonards Ltd ("EASL") investment. Value-in-use was calculated with reference to independent valuations. The Aspen Dunsborough Lakes Ltd ("ADLL") and Fern Bay Seaside Village Ltd ("FBSV") investments had impairments calculated using a fair value less estimated costs to sell basis.

Notes to the Consolidated Financial Statements

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

	Revenue (100%)	Profit / (loss) (100%)	Share of associates net profit / (loss) recognised (1)	Revaluation/ impairment of equity accounted investment (1)	Total assets (100%)	Total liabilities (100%)	Net assets / (liabilities) as per associates (100%)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013							
APPF	75,153	(11,683)	(1,185)	(461)	311,406	150,035	161,371
ADLL	9,267	(9,367)	-	-	27,166	63,371	(36,205)
AWSS (2)	160	(62)	-	-	-	-	-
FBSV	-	(11,077)	-	-	16,587	56,553	(39,966)
St Leonard's Estate Pty Limited ("STLE") (3)	10,853	588	-	-	-	-	-
ADF (2)	60,810	19,125	-	-	-	-	-
EASL	22,815	232	23	-	13,923	3,992	9,931
	179,058	(12,244)	(1,162)	(461)	369,082	273,951	95,131

	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							
APPF	82,986	14,473	1,646	(94)	309,850	133,903	175,947
ADPF	-	-	(1,748)	-		-	-
ADLL	6,393	(35,788)	(1,104)	(530)	33,176	60,013	(26,837)
AWSS	2,145	(24,884)	(170)	(3,530)	11,716	22,514	(10,798)
FBSV	-	(41,553)	(1,519)	(2,051)	28,917	57,805	(28,888)
STLE	20,033	205	20	(94)	83,295	42,727	40,568
ADF	115,916	(124,649)	(967)	(48,058)	110,454	148,049	(37,595)
EASL	-	(355)	(36)	(79)	16,640	5,941	10,699
	227,473	(212,551)	(3,877)	(54,436)	594,048	470,952	123,096

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

(2) Revenue and expense for the period these entities remained associates – refer to note 35.

(3) For the period this entity was an associate prior to its disposal.

19. Intangible assets

	2013	2012
	$'000	$'000
Carrying amount at the beginning of the year	3,829	5,160
Amortisation	-	(562)
Impairment	(329)	(769)
Disposals	(3,500)	-
Carrying amount at the end of the year	-	3,829

Notes to the Consolidated Financial Statements

19. Intangible assets *(continued)*

Intangible assets of $6.000 million were acquired in 2009 relating to the purchase of the St Leonards Estate land development rights and disposed of in October 2012 for $3.500 million. There was no amortisation in the current year (2012: $0.562 million). Impairments of $0.329 million (2012: $0.769 million) to intangible assets were made during the year.

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Trade and other receivables	-	-	203	164	203	164
Financial assets	(26,390)	(35,954)	368	-	(26,022)	(35,954)
Equity accounted investments	(35,049)	(27,037)	801	2,083	(34,248)	(24,954)
Inventories	-	(6,637)	-	93	-	(6,544)
Assets held for sale	(14,354)	-	2,676	-	(11,678)	-
Investment property	(111)	-	19,721	19,751	19,610	19,751
Trade and other payables	(12,231)	(21,290)	-	-	(12,231)	(21,290)
Provisions	(382)	(1,572)	-	2	(382)	(1,570)
Tax losses carried forward	(24,719)	(2,481)	-	-	(24,719)	(2,481)
	(113,236)	(94,971)	23,769	22,093	(89,467)	(72,878)
Unrecognised deferred tax	77,326	60,737	-	-	77,326	60,737
Net deferred tax assets / (liabilities)	(35,910)	(34,234)	23,769	22,093	(12,141)	(12,141)

At 30 June 2013 a deferred tax asset of $77.326 million (2012: $60.737 million) for deductable temporary differences has not been recognised based on Aspen Group's five year forecast and assessment that it is not probable that future taxable profits would be available against which they can be utilised.

21. Other non-current assets

	2013 $'000	2012 $'000
Loan establishment costs	297	245
Investments in available for sale securities	15	2093
	312	2,338

Refer to note 30 for further information on the determination of fair value for these assets.

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

	2013 $'000	2012 $'000
Trade payables and accrued expenses	7,813	13,965
Unearned rental income	3,067	1,734
Other	580	566
Resident loans – retirement leases (1)	11,903	9,637
	23,363	25,902

(1) The resident loans are deemed as liabilities classified as held for sale and relate to initial lease amounts paid by residents at the Ballina LV Plus Retirement Village. Refer to note 3(b).

Notes to the Consolidated Financial Statements

23. Interest-bearing loans and borrowings

	2013 $'000	2012 $'000
Current liabilities		
Secured bank loans	3,050	136,329
Non-current liabilities		
Share of joint venture loan	58,800	47,024
Share of joint venture convertible note	15,000	-
Secured bank loans	119,893	16,563
	193,693	63,587
	196,743	199,916

Aspen Group's exposure to interest rate risk and liquidity risk is disclosed in note 30.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Maturity	Face value at June 2013 $'000	Carrying amount at June 2013 $'000	Face value at June 2012 $'000	Carrying amount at June 2012 $'000
Secured bank loan (1)	AUD	Aug 2015	10,500	10,500	13,448	13,448
Secured bank loan	AUD	Aug 2015	107,392	107,035	122,881	122,881
Secured bank loan (2)	AUD	Dec 2014	5,408	5,408	11,563	11,563
Secured bank loan	AUD	Dec 2014	-	-	5,000	5,000
Share of joint venture loan	AUD	Dec 2017	58,800	58,800	47,024	47,024
Share of joint venture convertible note	AUD	Sep 2015	15,000	15,000	-	-
			197,100	196,743	199,916	199,916

(1) Amortised at $0.250 million per month.

(2) Subject to future step-downs

Financing arrangements

Secured bank loans

At 30 June 2013, Aspen Group's total bank debt with its primary bank consisted of $118.750 million. The debt facility is split into two tranches being:

- Tranche A – Facility Limit of $108.250 million, currently drawn to $107.035 million; and
- Tranche C – Facility Limit of $10.500 million, currently drawn to $10.500 million.

Both tranches are secured over Aspen Group's commercial investment property portfolio (excluding the ATO Building).

Aspen Group also holds bank debt with another external bank. This debt facility is split as follows:

- $5.408 million construction facility for development of a retirement village (drawn to $5.408 million). Use of funds from this facility is restricted to land and building construction costs.

This facility is secured over the consolidated entity's retirement village investment and other assets held for sale.

In addition to the above, Aspen Group has provided corporate guarantees of $22.563 million in respect of debt facilities on its associates. Refer to note 37 for details.

Notes to the Consolidated Financial Statements

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

Financing arrangements *(continued)*

Joint Venture Loan

During the year ended 30 June 2013, FSPT entered into a 5 year facility with a bank not being Aspen Group's primary bank. This facility is fully drawn at $117.600 million and is secured by the ATO Building.

Joint Venture Convertible Note

In September 2012, Aspen Group secured $15.000 million of funding via redemption of the Trust's units in FSPT. The funding was made available through FSPT entering into a convertible note facility. Aspen Group's portion of the facility is fully drawn at $15.000 million, and the Trust has provided its 50% unit holding in FSPT as security to this facility.

The total cost of all drawn bank debt as at 30 June 2013 for Aspen Group inclusive of facility fees was 8.10% pa (30 June 2012: 8.35% pa).

	2013 $'000	2012 $'000
Financing facilities		
Share of joint venture loan	58,800	58,800
Joint venture convertible note	15,000	-
Secured bank loans	124,158	154,239
	197,958	213,039
Facilities utilised at reporting date		
Share of joint venture loan	58,800	47,024
Joint venture convertible note	15,000	-
Secured bank loans	123,300	152,892
Bank guarantees	815	858
	197,915	200,774
Facilities not utilised at reporting date		
Share of joint venture loan	-	11,776
Joint venture convertible note	-	-
Secured bank loans	43	489
Bank guarantees	-	-
	43	12,265

24. Provisions

	2013 $'000	2012 $'000
Provision – stamp duty	50	2,270
Provision - distribution	8,903	-
Provision - restructuring	2,387	-
Provision - other	166	-
	11,506	2,270
Movement in provisions during the financial year:		
Carrying amount at the beginning of the year	2,270	6,024
Additional provisions recognised	22,109	20,698
Provisions used during the year	(12,873)	(24,452)
Carrying amount at the end of the year	11,506	2,270

Further details of distributions declared and/or paid during the year are set out in note 27.

Notes to the Consolidated Financial Statements

25. Employee benefits

	2013 $'000	2012 $'000
Current		
Salaries and wages accrued	87	35
Liability for annual and long service leave	679	1,029
Total employee benefits	766	1,064

Share based payments

Description of share based payments arrangements

Employee stapled security incentive plan

On 26 November 2004 Aspen Group established the ESSIP, a security option programme that entitles KMP and other employees to purchase stapled securities in the entity. In accordance with this programme instruments are exercisable at the market price of the stapled securities at the date of the grant. There was no issue under the ESSIP in 2013.

Performance rights plan

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

The performance rights form a key component of Aspen Group's LTI remuneration strategy. The PRP aligns the interests of securityholders and Eligible Employees, and the PRP is designed to reward performance and out-performance of Aspen Group's earnings per share growth (against targets) as well as total securityholder return compared to the S&P ASX 300 Property Sector index. The vesting of the PRP awards is subject to EPS as well as 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).

The terms and conditions of the grants are as follows, whereby all 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 2005	1,520,000	2 years of service	30 November 2012	ESSIP	$1.090
	(1,520,000)	Forfeited as vesting conditions not met			
19 December 2006	3,108,042	2 years of service	18 December 2013	ESSIP	$1.767
	(2,898,042)	Forfeited as vesting conditions not met			
11 June 2009 (1)	2,707,404	2 years of service	10 June 2016	ESSIP	$0.321
	(2,018,763)	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
	(4,809,773)	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
	(3,521,413)	Forfeited as vesting conditions not met			
17 January 2013	6,624,093	3 years of service plus performance conditions as above	17 January 2016	PRP	$0.000
	463,392	Additional issue of instruments based upon 3 years of service plus performance conditions as above			
Total	13,790,507				

Notes to the Consolidated Financial Statements

25. Employee benefits *(continued)*

(1) During 2009 the December 2007 grant was modified and reissued (together with securities awarded to employees that have since departed) as part of the June 2009 grant and has been treated as a modification in accordance with AASB 2 *Share-Based Payments*.

Measurement of fair values

The fair value of services received in return for stapled security options granted are measured by reference to the fair value of stapled security options granted. The estimate of the fair value of the services received is measured based on the Black Scholes pricing model for the portion linked to the EPS hurdle and a Monte Carlo simulation for the portion linked to the TSR hurdle. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the option-pricing model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the stapled security options), adjusted for any expected changes to future volatility due to publicly available information.

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

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

Employee expenses

Under AASB 2, the LTII securities are options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in retained earnings. The fair value is expensed on a straight line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

In accordance with AASB2, Aspen Group has assessed the likelihood of the options subject to non-market conditions vesting and therefore the cumulative expense recognised in profit or loss has been adjusted to reflect the actual number of options expected to vest.

Security based payments	Note	2013 $'000	2012 $'000
Employee expenses			
Stapled security options granted in 2011 – equity settled		(763)	199
Stapled security options granted in 2012 – equity settled		(315)	315
Stapled security options granted in 2013 – equity settled		223	-
Total expense before adjustments		(855)	514
Total expense recognised as employee costs	8	(855)	514

Reconciliation of outstanding security options

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

	Weighted average exercise price 2013	Number of LTII 2013	Weighted average exercise price 2012	Number of LTII 2012
Outstanding at 1 July	0.243	16,474,663	0.565	15,548,702
Forfeited during the period	0.367	(9,771,641)	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	-	7,087,485	-	6,682,311
Outstanding at 30 June	0.043	13,790,507	0.243	16,474,663
Exercisable at 30 June	0.659	898,641	1.175	3,412,380

Notes to the Consolidated Financial Statements

25. Employee benefits *(continued)*

Reconciliation of outstanding security options *(continued)*

The options outstanding at 30 June 2013 have an exercise price in the range of $0.000 to $1.767 (2012: $0.000 to $1.767) and a weighted average contractual life of 3.3 years (2012: 3.8 years).

The weighted average security price at the date of exercise for security options exercised in 2013 was nil (2012: $0.434).

26. Other financial liabilities

	2013 $'000	2012 $'000
Current liabilities		
Interest rate derivatives – fair value through profit and loss	376	5,898
Put options	479	26,840
	855	32,738

Aspen Group has accounted for the following put option liabilities at 30 June 2013:

- The ADF put option of $25.315 million was exercised during the year resulting in Aspen Group paying $25.315 million to the option holder. As a result Aspen Group now holds 75.07% of the share capital of ADF. Refer to note 35 for further details;
- During the year ended 30 June 2013, AWSS exercised its put option and converted $1.525 million of debt to equity for 11.93% of its shares and voting interests, which was allotted to Aspen Group. Refer to note 35 for further details; and
- Aspen Group has put option liabilities which exist for ADPF of $2.140 million. The fair value of the units relating to these put options was $1.660 million at 30 June 2013 which results in an impairment of $0.479 million. Accordingly the impairment of $0.479 million was provided for at 30 June 2013. Refer to note 39 for further details.

27. Capital and reserves

	Stapled securities	
Issued capital	**2013 No.**	**2012 No.**
On issue at 1 July	598,500,884	579,826,041
Issued during the year	596,681,195	20,681,285
Cancellation of EDLTIP and ESSIP securities during the year	(2,516,657)	(2,006,442)
On issue at 30 June – fully paid	1,192,665,422	598,500,884

Aspen Group does not have authorised capital or par value in respect of its issued stapled securities. Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to any remaining unpaid amount in relation to a member's subscription for securities.

Unlisted options

At 30 June 2013, nil unlisted options exist (2012: nil).

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

For the year ended 30 June 2013

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

Notes to the Consolidated Financial Statements

27. Capital and reserves *(continued)*

Unlisted options *(continued)*

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

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

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

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 (ii)	5,159	2,217
Stapled securities issued at $0.3846 (ii)	6,099	2,347
Stapled securities issued at $0.4196 (ii)	5,122	2,151
Stapled securities issued at $0.4703 (ii)	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

(ii) Relates to the issue of stapled securities under the DRP.

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

Reserves	**2013 $'000**	2012 $'000
Available for sale reserve	(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 ADPF to non-controlling interests during the year ended 30 June 2012.

Notes to the Consolidated Financial Statements

27. Capital and reserves *(continued)*

Other equity *(continued)*

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

2013	Cents per security	Total amount $'000	Date of payment	Tax deferred %
Aspen Group Limited				
Nil	-	-	-	-
Aspen Property Trust				
July 12 – December 12	0.750	8,903	25 February 2013	58.46
January 13 – June 13	0.750	8,903	23 August 2013	58.46
	1.50	17,806		-
Aspen Diversified Property Fund				
Nil	-	-	-	-

2012	Cents per security	Total Amount $'000	Date of Payment	Tax Deferred %
Aspen Group Limited				
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		100%
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%

Dividends	2013 $'000	2012 $'000
Dividend franking account		
30 per cent franking credits available to securityholders of the Company for subsequent financial years	2,094	2,094

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

Notes to the Consolidated Financial Statements

27. Capital and reserves *(continued)*

Dividends *(continued)*

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

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

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

(d) Franking credits that the Company may be prevented from distributing in subsequent years.

28. Earnings per stapled security

	Note	**2013 cents per stapled security**	2012 cents per stapled security
Basic earnings per stapled security	(a)	(2.84)	(25.31)
Diluted earnings per stapled security	(b)	(2.84)	(25.29)
Continuing operations:			
Basic earnings per stapled security – continuing operations	(a)	(0.27)	(25.64)
Diluted earnings per stapled security – continuing operations	(b)	(0.27)	(25.62)
Discontinued operations:			
Basic earnings per stapled security – discontinued operation	(a)	(2.57)	0.33
Diluted earnings per stapled security – discontinued operation	(b)	(2.57)	0.33

(a) Basic earnings per stapled security

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

Profit/(loss) attributable to ordinary stapled securityholders

			2013			2012
	Continuing operations $'000	**Discontinued operations $'000**	**Total $'000**	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit / (loss) for the year	(2,752)	(31,561)	(34,313)	(149,883)	2,783	(147,100)
Non-controlling interest share of profit / (loss)	-	5,515	5,515	-	(855)	(855)
Profit / (loss) attributable to ordinary stapled securityholders (basic)	(2,752)	(26,046)	(28,798)	(149,883)	1,928	(147,955)

	2013	2012
Weighted average number of securities (basic)	**No. '000**	No. '000
Issued stapled securities 1 July	595,089	573,497
Weighted average number of securities at 30 June[1]	1,015,263	584,670

(1) Excludes non-dilutive LTI instruments

Notes to the Consolidated Financial Statements

28. Earnings per stapled security *(continued)*

(b) Diluted earnings per stapled security

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

Profit/(loss) attributable to ordinary stapled securityholders

	2013			2012		
	Continuing operations $'000	**Discontinued operations $'000**	**Total $'000**	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit / (loss) for the year	(2,752)	(31,561)	(34,313)	(149,883)	2,783	(147,100)
Non-controlling interest share of profit / (loss)	-	5,515	5,515	-	(855)	(855)
Profit / (loss) attributable to ordinary stapled securityholders (diluted)	(2,752)	(26,046)	(28,798)	(149,883)	1,928	(147,955)

Weighted average number of securities	**2013 No. '000**	2012 No. '000
Weighted average number of stapled securities at 30 June	1,015,263	584,670
Effect of stapled security options on issue	-	261
Weighted average number of securities (diluted) at 30 June	1,015,263	584,931

Notes to the Consolidated Financial Statements

29. Reconciliation of cash flows from operating activities

Cash flows from operating activities	**2013** **$ '000**	2012 $ '000
Loss for the year	(34,313)	(147,100)
Adjustments for:		
Income from investment properties	(670)	163
Funds management revenue	-	3,145
Financial income	(153)	(8,507)
Property expenses	-	2,449
Depreciation and amortisation	595	1,027
Wages provision	(299)	-
Financial expenses	849	-
Change in fair value of investment property	(7,672)	(41,776)
Change in fair value of inventory	-	(234)
Change in fair value of interest rate swaps	(376)	3,435
Capitalised coupon interest	(1,296)	(3,050)
Share of profit of equity accounted investees	1,162	5,827
Share-based payment expenses	(855)	514
Write-down of inventory to recoverable amount	-	16,258
Impairment of financial assets	1,142	117,560
Impairment adjustments of equity accounted investees	461	54,436
Impairment of available-for-sale investments	19,563	2,616
Change in fair value of retirement living assets	-	(327)
Stamp duty on exercise of put option	(678)	1,770
Impairment of intangible asset	329	769
Loss on acquisition of subsidiary	17,944	3,605
Gain on sale of subsidiary	-	(3,500)
Loss from disposal of property, plant and equipment	501	392
Loss from disposal of investment properties	-	641
Profit from sale of inventories	-	(74)
Income tax expense	-	10,363
(Profit)/loss from discontinued operation	14,900	(593)
Non controlling interest	-	(855)
Provision – other	2,553	-
Other expenses – ADPF put option liability	479	-
Operating profit / (loss) before changes in working capital and provisions	14,166	18,954
Change in trade and other receivables	5,183	1,148
Change in subsidiary assets held for sale	9,059	(365)
Change in other assets	(93)	2,353
Change in trade and other payables	(794)	(3,265)
Change in subsidiary liabilities held for sale	(19,055)	(349)
Change in other liabilities	(7,042)	(1,054)
Change in provisions and employee benefits	-	109
Net cash from operating activities	1,424	17,531

Notes to the Consolidated Financial Statements

30. Financial instruments

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

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

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

The Board 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 Aspen Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Aspen Group's activities.

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

Credit Risk

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

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

(i) Trade and other receivables

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

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

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

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(ii) Loans to associates

As at 30 June 2013, Aspen Group has a loan portfolio of $8.990 million (after recognising impairments) (2012: $1.975 million) to its funds management entities. Details of the loans and the terms and conditions attaching to these are set out in note 33 and repayment of these loans is expected to occur through future business activities of each respective entity and / or future sales of englobo land.

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Credit Risk *(continued)*

(ii) Loans to associates *(continued)*

As part of the 2013 financial year end review process, a detailed review was performed on the recoverability of all loans to associates. This review was conducted by calculating the net present value of 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 $1.142 million (2012: $89.534 million) was recognised during the year. Refer to note 33 for further details on the impairments taken on each associate.

Liquidity Risk

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

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

Market risk

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

(i) Interest rate risk

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

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

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

Operational risk

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

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

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Operational risk *(continued)*

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

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

Capital management

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

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

The Board can alter the capital structure of Aspen Group by issuing new stapled securities, adjusting the amount of distributions paid to securityholders, returning capital to securityholders, selling assets to reduce debt, adjusting the timing of development and capital expenditure and through the operation of a DRP. Aspen Group also manages capital through its distribution policy. In October 2012 Aspen Group completed a fully underwritten equity raising of $101.436 million ($97.156 million net of transaction costs), to strengthen Aspen Group's capital position, reduce gearing and improve liquidity.

Gearing is a measure used to monitor levels of debt capital used by Aspen Group to fund its operations. This ratio is calculated as interest bearing debt, net of cash and cash equivalents divided by total assets. The gearing ratios as at 30 June 2013 and 30 June 2012 were 40% and 46%, respectively.

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

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

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

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Credit risk

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

	Carrying Amount	
	2013	2012
	$ '000	$ '000
Cash and cash equivalents	15,794	3,057
Cash in term deposits	19,946	-
Cash held in restricted funds	2,354	-
Trade and other receivables	4,080	11,938
Other financial assets	14,817	4,975
Subsidiary held for sale – cash	2,567	417
Subsidiary held for sale – trade and other receivables	1,050	589
	60,608	20,976

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

	Carrying Amount	
	2013	2012
	$ '000	$ '000
Property management receivables (net of provisions)	3,085	8,543
Cash held in restricted funds	2,354	-
Interest receivable on term deposits	674	-
Loan to TRGP No1 (refer note 13)	3,000	3,000
Amounts due from associates (refer note 13 and 33)	8,990	1,975
Amount due from former directors (refer note 33)	2,827	2,675
Dividend receivable	231	460
GST and other receivables	91	261
Subsidiary held for sale – cash	2,567	417
Subsidiary asset held for sale – trade receivables	1,050	589
	24,869	17,920

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

	Gross	**Impairment**	**Net**	Gross	Impairment	Net
	2013	**2013**	**2013**	2012	2012	2012
	$ '000	**$ '000**	**$ '000**	$ '000	$ '000	$ '000
Not past due	24,869	-	24,869	17,920	-	17,920
Past due 0-30 days	-	-	-	-	-	-
Past due 31-120 days	-	-	-	-	-	-
Past due 121 days to one year	70,801	(70,801)	-	117,627	(117,627)	-
More than one year	198	(198)	-	130	(130)	-
	95,868	(70,999)	24,869	135,677	(117,757)	17,920

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

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

	2013 **$ '000**	2012 $ '000
Balance at 1 July	117,757	367
Impairment loss recognised	1,142	117,643
Loans to entities now consolidated	(13,534)	-
Amounts written off	(34,366)	(253)
Balance at 30 June	70,999	117,757

Management has assessed the collectability of all debts and provided for specific provisions for any doubtful debts. Based on historical default rates, Aspen Group believes that no impairment allowance is necessary in respect of trade receivables not past due. Refer to note 33 for further details on the impairments recognised on Aspen Group's financial assets.

Aspen Group requests rental deposit or bank guarantees from new tenants in order to secure the premises and tenants are invoiced in advance. At 30 June 2013, Aspen Group holds $2.379 million (2012: $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:

2013	**Carrying amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Secured bank loans	(196,743)	(230,805)	(7,600)	(7,440)	(20,190)	(195,575)	-
Trade and other payables	(23,363)	(23,363)	(23,363)	-	-	-	-
Put options	(479)	(479)	(479)				
Interest rate swaps	(376)	(567)	(567)	-	-	-	-
Subsidiaries held for sale	(23,987)	(25,865)	(25,865)	-	-	-	-
	(244,948)	(281,079)	(57,874)	(7,440)	(20,190)	(195,575)	-

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 bank loans	(199,916)	(238,677)	(142,879)	(2,254)	(20,480)	(10,643)	(62,420)
Trade and other payables	(25,902)	(25,902)	(25,902)	-	-	-	-
Put options	(26,840)	(26,840)	(26,840)	-	-	-	-
Interest rate swaps	(5,898)	(5,898)	(5,898)	-	-	-	-
Subsidiaries held for sale	(81,445)	(86,579)	(86,579)	-	-	-	-
	(340,001)	(383,895)	(288,098)	(2,254)	(20,480)	(10,643)	(62,420)

Resident loans of $11.903 million (2012: $9.637 million) are classified as current liabilities per note 22 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.

Aspen Group has secured bank loans which contain debt covenants as set out in note 23. The future cashflows on derivative instruments may be different from the amount in the above tables as interest rates change. Except for these liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Refer to note 23 for further information regarding the secured bank loans.

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Interest rate risk

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

Interest rate risk – hedging

Interest rate swap contracts have been recorded on the statement of financial position at their fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the statement of comprehensive income.

During the year Aspen Group restructured it's fixed swap contracts by increasing the maturity term, reducing the hedged amount and reducing the fixed interest rates. Contractually, the swaps have an average maturity of 3.08 years (2012: 2.48 years) and have fixed swap rates ranging from 4.28% to 4.66% (2012: 5.03% to 6.18%). At 30 June 2013 Aspen Group had interest rate swaps with a notional contract amount of $102.000 million (2012: $133.550 million).

The net fair value of interest rate swaps at 30 June 2013 was a liability for $0.376 million (2012: liability of $5.898 million).

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

Carrying amounts	**2013 $'000**	2012 $'000
Fixed rate instruments		
Term deposits	19,946	-
Amounts in restricted funds	2,354	-
	22,300	-
Variable rate instruments		
Cash and cash equivalents	15,794	3,057
Cash and cash equivalents - subsidiaries held for sale	2,567	417
Loan to TRGP No1	3,000	3,000
Amounts due from associates	8,990	1,975
Amount due from directors	2,827	2,675
Interest rate derivatives	(376)	(5,898)
Interest-bearing loans - subsidiaries held for sale	(74,377)	(74,718)
Interest-bearing loans	(196,743)	(199,916)
	(238,318)	(269,408)

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 2012.

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Cash flow sensitivity analysis for variable rate instruments *(continued)*

	Profit or loss	
	100bp increase	**100bp decrease**
30 June 2013	**$'000**	**$'000**
Variable rate instruments	(2,379)	2,379
Interest rate swap	1,020	(1,020)
Cash flow sensitivity (net)	(1,359)	1,359
30 June 2012	**$'000**	**$'000**
Variable rate instruments	(2,635)	2,635
Interest rate swap	1,336	(1,336)
Cash flow sensitivity (net)	(1,299)	1,299

Equity price risk

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

Fair Values

Estimation of fair value

The 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 Commonwealth government yield curve at the reporting date plus an appropriate credit spread, and were as follows:

	2013	2012
	%	**%**
Derivatives	4.3% - 4.7%	6.6% - 6.9%
Loans to associates:		
ADLL	8.12%	13.50%
AWSS	-	8.75%
FBSV	8.12%	18.00%
ADF	-	11.35%

Fair value hierarchy

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

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

Notes to the Consolidated Financial Statements

30. Financial instruments *(continued)*

Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets	-	-	1,747	1,747
Derivative financial liabilities	-	(376)	-	(376)
	-	(376)	1,747	1,371
30 June 2012				
Available-for-sale financial assets	-	-	2,093	2,093
Derivative financial liabilities	-	(32,738)	-	(32,738)
	-	(32,738)	2,093	(30,645)

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year ended 30 June 2013 (2012: nil transfers).

The following table shows a reconciliation of movements in Aspen Group's financial instruments classified as Level 3 within the fair value hierarchy for the years ended 30 June 2013 and 30 June 2012:

	Available for Sale Assets	
	2013	2012
	$'000	$'000
Opening balance at 1 July	2,093	2,233
Total gains or losses:		
In profit or loss	(314)	(140)
Disposals	(32)	-
Closing balance at 30 June	1,747	2,093

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

Notes to the Consolidated Financial Statements

31. Operating leases

Leases as lessor

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

	2013 $'000	2012 $'000
Less than one year	41,195	15,336
Between one and five years	74,413	59,855
More than five years	112,920	48,346
	228,528	123,537

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2013 $'000	2012 $'000
Less than one year	1,043	830
Between one and five years	4,636	4,413
More than five years	5,729	6,904
	11,408	12,147

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

32. Capital and other commitments

Contracted but not provided for and payable:	2013 $'000	2012 $'000
Investment property	100	19,995
Funding to subsidiary entities held for sale	12,933	-
Funding to associate development syndicates	1,867	-
	14,900	19,995

The commitments in the table above for the year ended 30 June 2013 relate to:

(iii) Aspen Group is a cornerstone investor in its various managed funds, which are classified as associates or subsidiary entities in these financial statements. In this regard Aspen Group has committed $14.800 million of loan funds.

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

Notes to the Consolidated Financial Statements

33. Related party transactions

Key management personnel disclosures

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

Non-executive directors:	F Zipfinger
	H Martin*
	C Appleton
	G Farrands (appointed 26 November 2012)
	T Budge (resigned 23 November 2012)
Executive directors:	C Salwin (appointed 1 July 2013)
	G Hawkins (ceased 23 August 2012)
Senior Executives:	J Smith
	B Acott
	P Barker
	B Fullarton
	C Lewis (resigned 10 October 2012)
	E Lee

**Mr H Martin acted as Interim CEO between 23 August 2012 and 30 June 2013.*

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

	2013 **$ '000**	2012 $ '000
Short-term employee benefits	4,158	3,341
Long-term employee benefits	184	31
Post-employment benefits	158	174
Termination benefits	1,195	-
Equity compensation benefits	441	322
	6,136	3,868

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 ESSIP 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 / PRP

The value of equity remuneration issued to KMP is determined at grant date. Aspen Group 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

33. Related party transactions *(continued)*

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

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

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

Options and rights over equity instruments - unlisted options

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

Notes

(1) Director appointed on 26 November 2012.

(2) Director resigned 23 November 2012.

(3) Director ceased on 23 August 2012.

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Options and rights over equity instruments - unlisted options *(continued)*

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

(5) Relates to rights granted under the PRP.

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

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

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

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 Executive								
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 ESSIP.

(5) Relates to rights granted under the PRP.

(6) Executive was no longer a KMP as at 30 June 2012.

(7) Director ceased on 23 August 2012.

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Listed options

No listed options were granted during the financial year ended 30 June 2013 (2012: nil). No listed options were held by KMP related parties.

Movements in securities

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

	Note	Balance at 01 July 2012	Issued from DRP	Other	Net purchases / (sales)	Balance at 30 June 2013
Directors						
F Zipfinger		211,012	-	-	388,988	600,000
T Budge	*1*	534,809	-	(534,809)	-	-
G Hawkins	*2*	14,622,466	-	(14,622,466)	-	-
Senior Executives						
J Smith		13,637	-	-	13,637	27,274
C Lewis	*3*	-	-	-	-	-
B Acott		47,639	-	-	47,639	95,278
P Barker		-	-	-	-	-
B Fullarton		-	-	-	-	-
E Lee	*4*	-	-	-	-	-
Total		15,429,563	-	(15,157,275)	450,264	722,552

Notes

(1) Director resigned 23 November 2012.

(2) Director ceased on 23 August 2012.

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

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

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

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Movements in securities *(continued)*

	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
R Gillard	*1*	2,673,472	-	-	326,528	3,000,000
G Hawkins	*5*	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	*3*	-	-	-	-	-
S Martin	*1,4*	-	-	-	-	-
Total		17,848,435	61,033	-	520,095	18,429,563

Notes

(1) Director/Executive ceased/resigned during the financial year.

(2) Director appointed on 31 January 2011.

(3) Executive appointed during the financial year.

(4) Executive is no longer a KMP as at 30 June 2012.

(5) Director ceased on 23 August 2012.

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

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

Individual directors' and executives' compensation disclosures

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

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Loans to executive directors

In May 2009, Aspen Group announced a 1 for 1.1 pro rata offer (Entitlement Offer) to all existing securityholders. Aspen Group provided a full recourse $3.600 million loan to the then Managing Director, Mr Gavin Hawkins, to enable him to fully participate in the Entitlement Offer. Key terms of the loan are as follows:

- 5 year term (repayment in May 2014) with allowance for early repayment;
- Interest to accrue at 50 basis points above Aspen Group's senior cost of debt;
- Loan fully secured against Aspen Group shares purchased via the loan, and against shares held by Mr Hawkins in an unlisted property syndicate;
- 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; and
- 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:

	2013 $'000	2012 $'000
Opening balance at 1 July	2,675	2,992
Interest accrued	238	257
Repayments	-	(100)
Distributions received	(86)	(474)
Closing balance at 30 June	2,827	2,675
Maximum balance during the year	2,827	3,016

The loan amount is recorded as a receivable in the Statement of Financial Position of Aspen Group (refer to note 13) and is fully repayable at the end of the loan term.

The loans are fully secured against property backed assets.

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

Aspen Group has a related party relationship with its associates (see note 33) and with its KMP.

Associates

Aspen Group manages the following entities: APPF, ADLL, FBSV, and EASL. Aspen Group provides loan funds to these associates (with the exception of APPF and EASL) to assist their working capital and / or their development funding requirements.

The following unsecured loans are from Aspen Group and are outstanding at year end.

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Associates *(continued)*

Loans to associates	**Average Interest rate**	**Gross 2013 $'000**	**Impairment 2013 $'000**	**Net 2013 $'000**	Net 2012 $ '000
Aspen Living:					
STLE	-	-	-	-	445
Other	-	4	-	4	5
		4	-	4	450

The loans to AWSS and ADF are not included above because these investments are now treated as subsidiaries and therefore the loans are eliminated on consolidation.

The following secured loans are from Aspen Group and are outstanding at year end.

Loans to associates	**Average Interest rate**	**Gross 2013 $'000**	**Impairment 2013 $'000**	**Net 2013 $'000**	Net 2012 $ '000
Aspen Living:					
ADLL	8.12%	45,051	(36,708)	8,343	-
FBSV	8.12%	41,967	(41,324)	643	-
		87,018	(78,032)	8,986	-

Aspen Group holds a second ranking registered mortgage over the project assets of these associates.

During the year, no further impairments to the carrying value of these loans were required (2012: $117.560 million). Whilst impairments of $78.032 million have been made in reporting periods up to and including 30 June 2013, Aspen Group still retains a legal entitlement to the gross value of the loans.

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

Receivables	**2013 $ '000**	2012 $ '000
APPF	310	907
Aspen Living:		
ADLL	16	2
AWSS	-	(6)
FBSV	11	1
STLE	-	3,186
ADF	-	39
FSPT	153	-
Other investments	0	38
	490	4,167

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Associates *(continued)*

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

Management fees	Gross 2013 $'000	Impairment 2013 $'000	Net 2013 $'000	Net 2012 $ '000
APPF	6,312	-	6,312	6,025
ADPF	-	-	-	330
Aspen Living:				
ADLL	596	(747)	(151)	(4,127)
AWSS	-	-	-	196
FBSV	779	(779)	-	1,070
STLE	(814)	-	(814)	2,634
EASL	1,451	-	1,451	1,590
FSPT	89	-	89	-
	8,413	(1,526)	6,887	7,718

Interest income	Gross 2013 $'000	Impairment 2013 $'000	Net 2013 $'000	Net 2012 $ '000
ADPF	1,021	(1,021)	-	670
Aspen Living:				
ADLL	1,812	(1,812)	-	2,295
AWSS (1)	1,080	(1,080)	-	446
FBSV	-	-	-	4,299
STLE (1)	-	-	-	82
Aspen Parks Wholesale Property Fund ("APWPF")	-	-	-	1
ADF (1)	-	-	-	1,449
	3,913	(3,913)	-	9,242

(1) For the period these entities were associates.

Acquisition of ATO Building from ADF

In the 2011 financial year FSPT, an entity 50% owned by Aspen Group (refer note 34), entered into an agreement, to purchase the ATO Building from Caversham Property Developments Pty Limited, a company wholly owned by ADF.

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 ADF was $183.700 million which included holding cost on the development funding provided. The total cash outlay to ADF for the building was $165.489 million. On 6 February 2013 the building was finalised and the transaction completed. Details of amounts paid to date for the land purchase and building construction are as follows:

Notes to the Consolidated Financial Statements

33. Related party transactions *(continued)*

Acquisition of ATO Building from ADF *(continued)*

Payments by FSPT for Land & Building Construction	2013 $'000	2012 $'000
ADF	16,551	106,188

In addition, under the development deed ADF committed to provide rent support to FSPT from 1 November 2012 until 5 February 2015 in respect to unleased office and retail space. During the financial year $3.176 million (2012: nil) of rent support was paid to FSPT by ADF.

ADF has also provided guarantees to FSPT as follows:

- A rental support guarantee of $0.240 million in respect of future office and retail vacancy; and
- A 2 year rent guarantee to ensure that the annual net rent achieved by FSPT does not fall below minimum thresholds.

34. Consolidated entities

	Ownership interest 2013 %	Ownership interest 2012 %
Parent entity		
Aspen Group Limited (stapled entity - Aspen Property Trust)		
Subsidiaries		
Aspen (Septimus Roe) Pty Limited	100	100
Aspen Property Developments Pty Limited	100	100
Aspen (Midland Cinemas) Pty Limited (1)	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 (1)	100	100
Aspen Property Management Pty Limited (1)	100	100
Aspen Cliftleigh Pty Limited (1)	100	100
Aspen Search Pty Limited (1)	100	100
Aspen Select Property Fund	100	100
Aspen Communities Property Fund (2)	100	100
Aspen Communities Limited (1)	100	100
Aspen Villages Property Fund (1) & (2)	100	100
Aspen Living Development No. 6 Pty Limited (1)	100	100
Aspen Whitsundays Property Development Pty Limited	100	100
Aspen Communities Development Pty Limited (1)	100	100
Aspen Villages Development Pty Limited (1)	100	100
Aspen Equity Investments Pty Limited	100	100
Midland Property Trust	100	100
Aspen Diversified Property Fund (see note 35)	46.9	43.6
Aspen Whitsunday Shores Limited (see note 35)	54.1	42.1
Aspen Development Fund No1 Limited (2); (see note 35)	75.1	47.3
Joint venture		
12-26 Franklin Street Property Trust	50	50

Notes to the Consolidated Financial Statements

34. Consolidated entities *(continued)*

Notes

(1) Aspen Group anticipates deregistering these entities in the 2014 financial year.

(2) Including controlled entities as listed below:

Aspen Communities Property Fund comprising:

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

Aspen Villages Property Fund comprising:

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

Aspen Development Fund No. 1 Limited comprising:

- Aspen Development Fund No. 1 Limited
- Caversham Property Pty Limited
- Caversham Property Development Pty Limited
- Bradwell Pty Limited
- Electra Hotel Pty Limited

All subsidiary entities were formed / incorporated in Australia.

Notes to the Consolidated Financial Statements

35. Acquisition of subsidiaries and subsidiaries held as discontinued operations

Incorporation of new subsidiary

During the year ended 30 June 2013, the Trust incorporated a new subsidiary company called Aspen Equity Investments Pty Ltd (AEI).

Summary of non-controlling interests

	AWSS	ADF	ADPF	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2012	-	-	15,549	15,549
Share of Comprehensive Income	(479)	(2,698)	(2,338)	(5,515)
Non-controlling interest at date of acquisition	-	(5,959)	-	(5,959)
Distribution to non-controlling interest	-	-	(791)	(791)
Disposal of non-controlling interest	-	-	(757)	(757)
Closing balance at 30 June 2013	(479)	(8,657)	11,663	2,527

As required under AASB 127 *Consolidated and Separate Financial Statements*, Aspen Group has recognised non-controlling interests for AWSS and ADF. AWSS and ADF are limited companies, and there is no ability for Aspen Group to recoup the negative equity attributed to non-controlling interests.

Acquisition of controlling interest in AWSS

On 1 August 2012, Aspen Group obtained control of AWSS by converting $1.525 million of debt to equity for 11.93% of the shares and voting interests in AWSS. As a result, Aspen Group's equity interest in AWSS increased from 43.13% to 54.06%.

The fair value of identifiable assets acquired and liabilities assumed at the consolidation date was as follows:

	2013
	$'000
Cash and cash equivalents	142
Trade and other receivables	61
Assets held for sale	7,351
Prepayments and other assets	16
Trade and other payables	(113)
Interest-bearing loans and borrowings	(6,184)
Provisions	(31)
Deferred consideration	(1,242)
Total net identifiable assets	-

No gain or loss was recognised upon obtaining control of AWSS.

Subsidiary held for sale

As AWSS has resolved to sell its assets, the assets and liabilities of AWSS are recognised as held for sale in the Consolidated Statement of Financial Position of Aspen Group as at 30 June 2013.

Notes to the Consolidated Financial Statements

35. Acquisition of subsidiaries and subsidiaries held as discontinued operations *(continued)*

Acquisition of controlling interest in AWSS *(continued)*

	2013 $'000
Assets classified as held for sale	
Cash and cash equivalents	59
Trade and other receivables	64
Assets held for sale	6,862
Prepayments and other assets	19
	7,004
Liabilities classified as held for sale	
Trade and other payables	45
Interest-bearing loans and borrowings	5,785
Provisions	34
Deferred consideration	1,102
	6,966

In the period from 1 August 2012 to 30 June 2013 AWSS generated revenue of $4.209 million and a loss of $1.042 million to Aspen Group's results, of which $0.479 million is attributable to non-controlling interests who hold 45.94% of AWSS at 30 June 2013.

Loss from discontinued operations for 1 August 2012 to 30 June 2013	2013 $'000
Revenue from sale of development properties	4,209
Cost of goods sold	(4,350)
Management and administration expenses	(336)
Marketing and selling costs	(277)
Finance expenses	(288)
Loss from discontinued operations	(1,042)

Acquisition of non-controlling interest in ADF

On 27 November 2012, Aspen Group obtained control of ADF, by purchasing 27.8% of the shares and voting interests in ADF as a result of a securityholder of ADF exercising its put option held with the Company. The Company paid cash consideration of $25.315 million for this interest. As a result, Aspen Group's equity interest in ADF increased from 47.27% to 75.07%.

The fair value of identifiable assets acquired and liabilities assumed at the consolidation date was as follows:

	2013 $'000
Cash and cash equivalents	1,242
Trade and other receivables	144
Assets held for sale	73,009
Prepayments and other assets	677
Trade and other payables	(3,949)
Interest-bearing loans and borrowings	(70,570)
Provisions	(24,456)
Total net identifiable assets	(23,903)

The re-measurement to fair value of the assets and liabilities of ADF at the consolidation date resulted in an impairment of $17.944 million which has been recognised in the loss on discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of Aspen Group.

Notes to the Consolidated Financial Statements

35. Acquisition of subsidiaries and subsidiaries held as discontinued operations *(continued)*

Acquisition of non-controlling interest in ADF *(continued)*

Subsidiary held for sale

As ADF has resolved to sell its assets, the assets and liabilities of ADF are recognised as held for sale in the Consolidated Statement of Financial Position of Aspen Group as at 30 June 2013.

	2013 $'000
Assets classified as held for sale	
Cash and cash equivalents	211
Trade and other receivables	711
Assets held for sale	48,867
Prepayments and other assets	299
	50,088
Liabilities classified as held for sale	
Trade and other payables	1,363
Interest bearing loans and borrowings	22,450
Provisions	13,009
	36,822

In the period from 27 November 2012 to 30 June 2013 ADF contributed revenue of $14.503 million and loss of $10.823 million to Aspen Group's results, of which $2.698 million is attributable to non-controlling interests who hold 24.93% of ADF by 30 June 2013.

Loss from discontinued operations for 27 November 2012 to 30 June 2013	2013 $'000
Revenue and other development income	14,503
Cost of sales	(13,412)
Write down of assets held for sale to recoverable amounts	(10,019)
Other income	(215)
Other expenses	(246)
Finance income	23
Finance expenses	(1,457)
Loss from discontinued operations	(10,823)

Notes to the Consolidated Financial Statements

35. Acquisition of subsidiaries and subsidiaries held as discontinued operations *(continued)*

Other subsidiaries held for sale

On 2 July 2012, the unitholders of ADPF resolved to wind up ADPF and therefore the assets and liabilities of ADPF are shown as held for sale on the Consolidated Statement of Financial Position of Aspen Group. Details of the assets and liabilities at 30 June 2013 and 30 June 2012 and the profit from discontinued operations for the years ended 30 June 2013 and 30 June 2012 are as follows:

	2013 $'000	2012 $'000
Assets classified as held for sale		
Cash and cash equivalents	2,297	417
Trade and other receivables	275	589
Investment properties	76,500	118,182
Prepayments and other assets	99	705
	79,171	119,893
Liabilities classified as held for sale		
Trade and other payables	643	670
Interest bearing loans and borrowings	46,143	74,718
Provisions	-	113
Other financial liabilities	1,093	1,467
	47,879	76,968

Profit from discontinued operations	**2013 $'000**	2012 $'000
Revenue from investment properties	10,919	8,803
Property expenses	(2,931)	(2,109)
Gain on disposal of investment property	195	-
Change in fair value of investment properties	(5,077)	968
Administration expenses	(213)	(175)
Finance income	458	11
Finance expenses	(5,103)	(4,715)
Loss from discontinued operations	(1,752)	2,783

Acquisition of non-controlling interest

In May 2013, Aspen Group purchased 3.32% in units of ADPF for $1.105 million in cash increasing its ownership from 43.57% to 46.89%.

36. Subsequent events

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

- On 12 July 2013, ADPF sold its portfolio of investment properties for $76.500m and subsequently made full repayment of its debt with its primary bank of $47.200m. Subsequently, on 15 July 2013, ADPF provided notice to unitholders to commence the termination of ADPF.

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

Notes to the Consolidated Financial Statements

37. Consolidated entity guarantees

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

	2013 $'000	2012 $'000
External Parties		
Bank Guarantees issued to third parties (1)	815	858
Insurance bond guarantees	1,523	-
Associate		
AWSS (2)	-	2,100
ADLL	17,640	5,000
ADF (3)	-	55,000
FBSV	4,923	5,351
Subsidiaries		
ADF (3)	5,000	-
	27,563	67,451

(1) These guarantees primarily related to the provision of guarantees to financiers and insurance bond providers for a number of Aspen Group's associates. However Aspen Group has issued bank guarantees to third parties which primarily secure fit out obligations on its new office premises.

(2) Now a subsidiary with effect from 1 August 2012 – see note 35.

(3) Now a subsidiary with effect from 27 November 2012 – see note 35.

38. Auditors' remuneration

	2013 $	2012 $
Audit services:		
Auditors of Aspen Group – KPMG:		
Audit and review of financial reports	409,825	319,470
Other regulatory audit services	41,000	34,600
	450,825	354,070
Other auditors – non-KPMG firms:		
Audit and review of financial reports	40,000	48,938
	490,825	403,008

	2013 $	2012 $
Services other than statutory audit - KPMG:		
Tax advisory services	173,116	245,395
Capital raising and due diligence	194,455	-
Other	57,500	34,184
	425,071	279,579
Other auditors – non-KPMG firms:		
Meeting attendance fees	23,552	-
	448,623	279,579

Notes to the Consolidated Financial Statements

39. Parent entity disclosures

As at, and throughout the financial year ending 30 June 2013 the parent company of Aspen Group was the Company.

	2013 $ '000	2012 $ '000
Result of the parent entity		
Loss for the year	(66,271)	(227,797)
Total comprehensive expense for the year	(66,271)	(227,797)
Financial position of parent entity at year end		
Current assets	136,513	80,214
Total assets	241,912	190,803
Current liabilities	37,281	35,314
Total liabilities	256,400	467,420
Total equity of the parent entity comprising of:		
Share capital	124,131	44,874
Other equity	300,363	50,363
Retained losses	(438,982)	(371,854)
Total equity	(14,488)	(276,617)

As at 30 June 2013 the Company has a loan payable to the Trust of $166.576 million. During the year to 30 June 2013, $250.000 million of the loan was forgiven by the Trust.

The Trust has agreed not to call upon the loan until the Company is in a financial position to repay this loan.

Parent entity contingencies

During the year, the Company had extinguished $1.000 million of the contingent liability through the exercise of put options on 31 May 2013. The remaining contingent liability relates to put options that exist on units within ADPF. Details of this contingent liability are as follows:

Entity	2013 $'000	2012 $'000
ADPF	1,660	2,900

The remaining put options were exercised on 31 July 2013. Accordingly, the fair value of these units was assessed at 30 June 2013 and a provision of $0.479 million has been allowed for, representing the shortfall between the put option value and the net assets in ADPF.

Parent entity guarantees to related parties

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

The Company and its subsidiaries as per note 35 provide an unlimited guarantee and indemnity in favour of the Trust.

Notes to the Consolidated Financial Statements

39. Parent entity disclosures *(continued)*

Parent entity guarantees to related parties *(continued)*

The Company, Aspen (Septimus Roe) Pty Ltd and the Trust have provided guarantees to financiers and insurance bond providers for a number of Aspen Group's associates. Under the terms of the agreements, the Company, Septimus Roe and the Trust will make payments to reimburse the financiers upon failure of the guaranteed entity to make payments when due. Details of the guarantees are as follows:

	2013 **$'000**	Restated 2012 $'000
External Parties		
Guarantees issued to third parties (1)	815	858
Associate		
AWSS (2)	-	2,100
ADLL	2,700	5,000
ADF (3)	-	55,000
FBSV	4,923	5,351
Subsidiaries		
AWSS (2)	2,100	-
ADF (3)	52,527	-
	62,250	67,451

(1) These guarantees primarily related to the provision of guarantees to financiers and insurance bond providers for a number of Aspen Group's associates. However, Aspen Group has issued bank guarantees to third parties which primarily secure fit out obligations on its new office premises.

(2) Now a subsidiary with effect from 1 August 2012 – see note 35.

(3) Now a subsidiary with effect from 27 November 2012 – see note 35.

Directors' Declaration

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

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

      (i) giving a true and fair view of Aspen Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

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

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

2. The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the CEO and CFO for the financial year ended 30 June 2013.

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

Signed in accordance with a resolution of the directors.

Clem Salwin
Managing Director
PERTH, 23 August 2013

Additional Securities Exchange Information

1. 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.

2. Corporate Calendar

Payment of Distributions/Dividends

Record Date	Payment Date
31 December 2012	25 February 2013
30 June 2013	23 August 2013

Other Key Dates

Release of FY13 Half Year Results	25 February 2013
Release of FY13 Full Year Results	26 August 2013
Annual Report sent to Securityholders	September 2013
Annual General Meeting	23 October 2013

3. Distribution Policy

Aspen Group's distribution policy, in effect since July 2012, is to pay distributions on a semi annual basis.

Distributions paid for the 2012/13 financial year totalled 1.5 cents per security.

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

Aspen Group's DRP has been suspended since September 2012.

Prior to suspension, in accordance with the 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.

4. Capital Structure

As at 23 August 2013 Aspen Group had on issue 1,192,665,422 ordinary securities.

(a) Distribution of Securities

Analysis of numbers of holders by size of holding.

Size of Holding	Number of Securityholders
1 - 1,000	765
1,001 to 5,000	571
5,001 to 10,000	420
10,001 to 100,000	1,535
More than 100,001	468
Total	3,759

There were 1,128 holders of less than marketable parcels
(Minimum $500 parcel at $0.16 per stapled security)

(b) Twenty Largest Securityholders of Stapled Securities

The names of the twenty largest holders of stapled securities as at 26 August 2013 are listed below:

Name	23 August 2013	%IC
HSBC Custody Nominees	232,072,112	19.46%
National Nominees Limited	211,637,913	17.74%
J P Morgan Nominees Australia Limited	205,476,847	17.23%
Citicorp Nominees Pty Limited	127,809,345	10.72%
Brispot Nominees Pty Ltd	46,961,510	3.94%
Bnp Paribas Noms Pty Ltd	26,634,695	2.23%
Sandhurst Trustees Ltd	23,267,249	1.95%
JP Morgan Nominees Australia Limited	18,993,439	1.59%
Skiptan Pty Ltd	15,650,000	1.31%
Equity Trustees Limited	11,382,567	0.95%
Mr Gavin Hawkins	11,206,404	0.94%
UBS Nominees Pty Ltd	10,452,779	0.88%
Redbrook Nominees Pty Ltd	8,000,000	0.67%
Buttonwood Nominees Pty Ltd	7,000,000	0.59%
Acres Holdings Pty Ltd	5,840,000	0.49%
Mr Robert Alexander Hoad	5,000,000	0.42%
Citicorp Nominees Pty Limited	4,599,723	0.39%
Slick Solutions Pty Ltd	4,451,520	0.37%
UBS Wealth Management	4,100,000	0.34%
Louis Pierre Ledger	3,250,000	0.27%
TOTAL	983,786,103	82.28%
Balance of Register	211,879,319	17.72%
Grand TOTAL	1,192,665,422	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
7 August 2013	UBS A.G.	65,351,785
23 May 2013	Commonwealth Bank of Australia and its subsidiaries	60,045,588
26 October 2012	BT Investment Management Ltd	95,978,770
25 October 2012	Telstra Super Pty Ltd atf Telstra Superannuation Scheme	83,439,537
25 September 2012	Allan Gray Australia Pty Ltd	230,896,222

(d) Dividend and Distribution History

Period/ Quarter Ended	Date Paid	Aspen Group Ltd		Aspen Property Trust		Total Amount Paid cents
		Dividend Cents per share	Franking %	Distribution cents per share	Tax Deferred%	
March 2003	16/04/03	1.4	-	-	-	1.4
June 2003	29/08/03	1.4	-	-	-	1.4
July 2003	29/08/03	0.4665	-	-	-	0.4665
Aug/ Sept 2003	17/10/03	0.29	71.30	0.9435	47.51	1.235
December 2003	20/01/04	0.4345	71.30	1.4155	47.51	1.85
March 2004	22/04/04	0.4345	71.30	1.4155	47.51	1.85
June 2004	12/08/04	0.337	0.00	1.5130	100.00	1.85
September 2004	30/09/04	-	-	2.0875	57.00	2.0875
December 2004	31/12/04	-	-	2.0875	57.00	2.0875
March 2005	31/03/05	-	-	2.0875	57.00	2.0875
June 2005	15/08/05	-	-	2.0875	57.00	2.0875
September 2005	17/10/05	-	-	2.25	46.70	2.25
December 2005	19/01/06	-	-	2.25	46.70	2.25
March 2006	20/04/06	-	-	2.625	46.70	2.625
June 2006	15/08/06	-	-	2.875	46.70	2.875
September 2006	20/10/06	-	-	2.875	23.00	2.875
December 2006	25/01/07	-	-	2.875	23.00	2.875
March 2007	26/04/07	-	-	3.50	23.00	3.50
June 2007	16/08/07	-	-	3.50	23.00	3.50
September 2007	18/10/07	-	-	3.875	0.70	3.875
December 2007	23/01/08	-	-	3.875	0.70	3.875
March 2008	23/04/08	-	-	3.875	0.70	3.875
June 2008	21/08/08	-	-	3.875	0.70	3.875
September 2008	22/10/08			3.875	1.54	3.875
December 2008	18/02/09	-	-	2.040	1.54	2.040
March 2009	20/05/09	-	-	2.040	1.54	2.040
June 2009	19.08/09	-	-	1.040	1.54	1.040
September 2009	18/11/09	-	-	1.05	-	1.05
December 2009	18/02/10	-	-	1.05	-	1.05

Period/ Quarter Ended	Date Paid	Aspen Group Ltd		Aspen Property Trust		Total Amount Paid cents
		Dividend Cents per share	Franking %	Distribution cents per share	Tax Deferred%	
March 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
Dec 2013 (1)	25/02/13	-	-	0.75	58.35	0.75
June 2013	23/08/13	-	-	0.75	58.35	0.75

(1) From July 2012, distributions paid on a semi annual basis.

(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	Non-Executive Director
Clive Appleton	Non-Executive Director
Guy Farrands	Non-Executive Director
Clem Salwin	Chief Executive Officer and Managing Director

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E-mail: homemail@aspengroup.com.au

Group Company Secretary
Eric Lee

Share Registry
Link Market Services
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Tel: 1300 554 474
Fax: (02) 9287 0303

Auditors
KPMG
235 St Georges Terrace
Perth WA 6000
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Investor Enquiries
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