

# ASPIRE



## A pleasing and encouraging outcome for Aspen Group's 2011 financial results

Dear Securityholders

We have recently announced Aspen Group's 2011 financial results, which was a very pleasing and encouraging outcome resulting in an increase in operating profit after tax of 4.8% on last year, in line with guidance. The result reflected positively upon the strategies put in place at the beginning of the year, which our team has been busy implementing. We made great inroads into achieving our key imperatives – improving the property portfolio quality, executing on our key funds management initiatives and extending our core debt facilities.

One of our key strategic objectives was to ensure that the portfolio quality continues to be actively maintained. In line with this strategy, the Group selectively sold two of its assets during the year to recycle into the acquisition of the ATO Building in Adelaide, which is currently under development by Aspen Development Fund No 1 Limited (ADF No. 1). In July 2011, the Group announced that it had divested a 50% holding of the project to Telstra Super for \$34 million with Telstra Super also committing to provide the required development debt funding of \$117.6 million. The joint venture with Telstra Super resulted in a more appropriate strategic weighting of the property portfolio, as well as building relationships with a major wholesale investor.

Our funds management operations continue to perform soundly with fee revenue up 18% on the previous year to \$15.0 million. The growth is

pleasing given the challenging conditions encountered in the residential land market, which were centred around buyer's concerns over the direction of interest rates and affordability issues. In the face of this challenging market our Aspen Living business contributed strongly reporting a 258% increase in settlements during the year compared to FY10.

Funds Management initiatives undertaken during the year have been very successful. These included the retail syndication of Enclave at St Leonards which raised \$11.5m, whilst Aspen Parks continues to be one of the country's leading unlisted property options, with funds inflows up 22% during the year. Investment research house Lonsec upgraded its rating on Aspen Parks to "Highly Recommended", their highest rating, which endorses the quality of assets and management of the Fund.

We completed \$469 million of refinancing during FY11 and the year to date across our Group and syndicates. In addition a \$117 million development facility was secured for the ATO Building with an option of a five year investment facility post completion. The extension of the Groups senior debt facility by three years to 2014, provides a solid funding platform, increasing the weighted average debt maturity profile from 0.9 years to 2.5 years.

Finally I bring to your attention details of our 2011 Annual General Meeting for security holders which are included on the back page of this newsletter. This is an excellent opportunity for security holders to come and meet the Board of Directors and our executive team, whilst also seeing details of our 2012 outlook and strategy.



**Gavin Hawkins**  
Managing Director

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# Aspen Group 2011 Full Year Results

On 29 August Aspen announced an operating profit after tax of \$35.2m for the full year ended 30 June 2011, up 4.8% on last year. The result reflected the strong uplift in performance of the funds management business and solid return from the property portfolio which contributed to a significant improvement in operating cashflow.

## The key financial highlights in the results were:

- Increase in operating profit before tax of 11.4% to \$33.4 million (after tax \$35.2 million)
- Increase in statutory profit after tax of 39% to \$17.4million
- Increase in cash flow from operations of 18% to \$36.8 million
- Operating earnings per share of 6.24 cents 1.8% above guidance
- Distributions of 4.2 cents per security in line with previous guidance

## Property Portfolio

The highlights in the Property Portfolio for FY11 included:

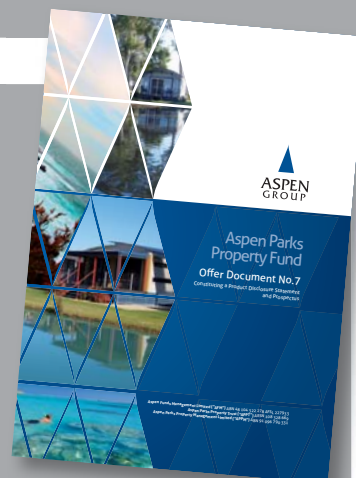
- Net operating income up 4.4% on a like for like basis (i.e. excluding assets sold during the year)
- Weighted average lease expiry (WALE) of 5.0 years on completion of the ATO Building (30 June 2010: 3.1 years)
- Weighted average occupancy of 93% at 30 June 2011 (31 December 2010: 92%)

The property portfolio continues to provide a solid earnings base for the Group and represents 62% of overall earnings. With the sale of two buildings during the year as part of the asset recycling strategy, the net income decreased by 2.6% on the previous corresponding period, however is better positioned moving forward in terms of quality of earnings and length of lease covenant. The reduction in rental income is temporary, ahead of completion of the ATO Building in October 2012 when initial net income of \$7.2 million per annum will be generated.

In addition to the investment portfolio, the Group has non-core asset holdings which were reduced to \$28.4 million during the year following the successful syndication of the Enclave residential land holding for \$12 million. Further syndication and/or sale opportunities are currently being pursued for the remaining non-core assets.

## New Aspen Parks Property Fund Offer Document

The Aspen Parks Offer Document has just completed its seventh year, further strengthening its competitive positioning with consistent monthly income distributions and stable capital growth. The Aspen Parks Offer Document #7 was released in September introducing a suite of new product enhancements which will benefit investors.



## Funds Management

Funds under management remained steady at circa \$1.0b for the year however the Group was able to increase its fee income by 18% on the previous year through increased residential settlement activity in the second half of the year and management fees from the development of the ATO Office Building.

The highlights for the Funds Management business for FY11 included:

- Increase in recurring funds management fees of 19% to \$13.3million
- Non recurring transaction and performance fees up 21% to \$1.7million
- Retail equity inflows into Aspen Parks up 22% on prior year to \$24.5 million
- Successful syndication of Enclave residential land estate raised \$11.5million

Aspen Living achieved an excellent result in the face of challenging market conditions through the period. For the first time the business benefited from having planning approvals across all of its syndicated developments, resulting in contributions from four of the five residential estates. This provides a solid foundation for continued growth over the coming periods from all five residential estates.

The major activity for ADF No.1 has centred on the sale and development of the Australian Taxation Office (ATO), which is scheduled for completion in October 2012.

Elsewhere, margins and sales activity across ADF No. 1 have remained subdued in a challenging market for development assets.

Aspen Parks has again provided a significant contribution for the year, contributing \$7.8 million of income through Aspen's equity investment and management fees (FY10: \$7.5 million). Continued strong demand for accommodation at the North West mining parks and solid tourist numbers have underpinned the result. Aspen Park's impressive investment performance and reduced gearing level see it well placed for growth in FY12.

The active management strategy for Diversified continues and resulted in a number of significant leasing outcomes. Heading these was securing Autobarn on a 15 year lease for the Nunawading industrial property, together with improvement to the tenant mix for the Castle Hill retail centre and a reduction in the vacancy of the Mount Street, North Sydney office property.

Securing a strong tenant for the Henderson property allowed the property to be sold for \$10.5m, above its \$10m book value, with settlement occurring in July 2011.



## Enclave at St Leonards project update

Aspen successfully completed the capital raising for the Enclave at St Leonards syndicate in March this year. Since then the project has commenced with the key highlights being:

- The conclusion of advertising for Local Structure Plan 1 (LSP1) with no negative responses;
- Submission of the subdivision approval with the West Australian Planning Commission (WAPC) for the entire Enclave at St Leonards site (181 lots);
- Completion of demolition works and the commencement of earthworks on stage 1; and
- Strong sales with stage 1 being sold out (60 lots), with significant interest from builders and the public in the smaller lots which present as outstanding value to the market.

## Aspen's Sustainability Credentials



Aspen's sustainability credentials are now well established through the application of ground breaking design principles and construction practices on the two completed office buildings in the Adelaide City Central Precinct.

While these commercial developments were progressing, the Adelaide team became increasingly aware that there was more to sustainable design and construction than just the building themselves. Questions of how to better manage the impact of buildings on the city streetscape and conversely how to better manage the impact of the external environment on buildings were brought into sharp focus.

Aspen successfully applied for a funding grant of \$375,000 from the South Australian State Government to joint venture the development of a Living Wall and Green Roof and identify the benefits to the built form and the surrounding city environment.

In May 2011, State Premier Mr. Mike Rann, formally commissioned the completed Living Wall in its initial location on the former Telephone Exchange Building within the City Central Precinct. The Wall has been designed and developed to suit Adelaide's specific climate and uses plants that are native to the local Adelaide and Mount Lofty regions.

## Summary and Outlook

Aspen enters FY12 with a solid platform to pursue earnings growth, underpinned by a revitalised and geographically well positioned investment property portfolio, and a well established funds management business.

The Aspen Living residential estates are well positioned moving forward with the exposures in the north east corridor of Perth, through St Leonards Estate and Enclave at St Leonards, as well as the improving Newcastle market, through Seaside Fern Bay Estate, ensuring that the land development division remains a strong earnings contributor in future financial years. We do however remain conscious of the variable market conditions across the country, with buyers remaining cautious amidst broader global uncertainty.

The property portfolio is well positioned, particularly with respect to the Western Australian assets, where strong tenant demand should result in reduction in vacancies and rental growth.

For FY12, Aspen Group is targeting an increase to its operating earnings before tax of 7% to \$35.75m million, and an operating after tax EPS of 6.43 cents per security. The distribution payout ratio has been revised upwards to between 70% to 75% of operating earnings per security.

To view the full text from the Group year-end announcement including viewing the webcast, see the home page of our website at [www.aspengroup.com.au](http://www.aspengroup.com.au).



## Corporate Calendar

<b>Thursday 27th Oct 2011</b>	<b>Release of Aspen Group Annual Report</b>
<b>Monday 21st Nov 2011</b>	<b>Payment of September Quarter Distribution Payment</b>
<b>Monday 28th Nov 2011</b>	<b>Aspen Group Annual General Meeting</b> 3.45pm registration 4pm commencement Novotel Perth Langley 221 Adelaide Terrace Perth WA 6000

*Dates are indicative and subject to change.*



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