



ASPEN GROUP

ASPEN GROUP LIMITED

ABN 50 004 160 927

ASPEN PROPERTY TRUST

ARSN 104 807 767

Responsible Entity: Aspen Funds Management Ltd

ABN 48 104 322 278

Appendix 4D

For the half year ended
31 December 2004

Results for announcement to the market

Revenue and Net Profit for the half year ended 31 December 2004

		Percentage Change (compared to 31 Dec 2003) %	Amount \$'000
Revenue from ordinary activities	Up	47	to 8,918
Profit from ordinary activities after tax attributable to securityholders of Aspen Group	Up	80	to 3,008
Net profit attributable to securityholders of Aspen Group	Up	80	to 3,008

Distributions (Dividends)

	Amount per security	Franked amount per security
Interim distribution – 30 Sept 2004	0.4175	Refer Note 4 of the Aspen Group half year report
Interim distribution – 31 Dec 2004	0.4175	Refer Note 4 of the Aspen Group half year report
	0.8350	

Record date for determining entitlements to the distribution (dividends) was:

-interim distribution (Sept Qtr)	27 September 2004
-interim distribution (Dec Qtr)	31 December 2004

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions):

Key factors contributing to the significant increase in revenues and profits were:

Refer to attached commentary.

Managing Director's Report

It is with great pleasure that I present my review of the half year performance of Aspen Group to 31 December 2004. We have been delighted with the continued growth of the Group during the past six months, achieved through further acquisition of assets and the development of funds management income, with both contributing to a very solid half year result. This Group is well placed to deliver a strong full year result for 2005.

FY 2005 Half Year Highlights

Key achievements during the period include:

- Net Profit after tax increased by 80% from 31 December 2003 to 31 December 2004
- Total revenue up 47% on the corresponding period to \$8.9 million
- Earnings per security increase of 16.7% to 0.867 cents per security
- Distributions per security increase of 17.6% to 0.835 cents per security
- Significant growth in funds management income
- Capital raising of \$30 million to fund additional property acquisitions
- Fully underwritten \$14.5 million one for six entitlements issue completed
- Successful settlement of Noble Park, Rocklea and St Kilda Rd property acquisitions
- Assets under management increased 96% to approximately \$195 million, comprising direct property ownership of \$157 million and \$38 million in funds management assets.
- Refinance of Group debt facilities with NAB resulted in lower borrowing costs
- As at the Report Date, a reduction in Group gearing to 50% (calculated as: interest bearing liabilities – cash / total assets)
- Capital raising of \$22.5 million for Aspen Parks Property Fund closed oversubscribed
- Acquisition by Aspen Parks Property Fund of Exmouth property

Financial Performance

On the back of increased rental income from new acquisitions and funds management income, Aspen Group declared a net profit after tax of \$3.008 million for the six month period. Distributions for the half year were in line with forecasts announced to the market on 29 July 2004, and represented an increase over the corresponding period of 17.6%. Distributions continue to be made quarterly in line with Board policy. It is also pleasing to see an increase in the number of securityholders who are

taking advantage of the Distribution Reinvestment Plan, with the plan now representing 27% of the total distribution.

Group revenue has risen significantly based on the full half year contribution by the Alcoa Office Building and Elders Woolstores site acquired on 5 August 2003. In addition the Noble Park (VIC), Rocklea (QLD) and St Kilda Rd (VIC) properties were acquired during the half year, further boosting revenue during the period with the full impact to be shown in the second half of 2005.

A significant achievement during the half year was the refinance of the Group's debt facilities with the NAB. The growth in Aspen enabled the Group to negotiate a more attractive lending margin that should lead to lower borrowing costs going forward. As interest rates remain on the low side the Directors have taken the view to hedge a substantial portion of the debt by entering into long term interest rate swap arrangements. This will negate the risks associated with higher interest rates in forthcoming years.

Property Acquisitions and Management

The Group maintained its focus on seeking quality property acquisitions during the half year with three outstanding properties being acquired on the east coast of Australia. Given that the existing portfolio consisted of Western Australian properties, the new acquisitions aid in creating greater geographical diversity within the portfolio.

The purchase of 51-63 Heaton Street, Rocklea, Brisbane was settled on 30/9/04 for \$8.8 million. This property is fully leased to Acme Fine Furniture, the largest leather furniture manufacturer in Australia, for a period of eight years on an initial yield of 9.5%.

The property at 215 Browns Road, Noble Park, Melbourne was settled on 7/10/04 for \$21.4 million. This industrial property has a combination of leases of varying terms and was purchased on an initial yield of 10.86%.

Finally on 15 December 2004, Aspen acquired the office building at 564 St Kilda Road, Melbourne. This 14 level office building is 76% leased to Hewlett Packard. A significant feature of the building is the 8 levels of car parking, a major attraction in an area where car parking space is limited.

The Group's strategy of identifying and acquiring quality properties remains a focus of the Group.

Asset Structuring and Funds Management

The impact of the Aspen Parks Property Fund was seen in the first half of 2005, with a contribution to revenues of \$1.5 million from funds management fees. Management fee income should be further enhanced through the growth of the Fund assets, while the addition of more properties to the Fund will also see additional income from acquisition fees. In addition a number of the Parks provide an opportunity for expansion through the addition of new sites and/or the addition of Cabin accommodation with Aspen providing the development management role.

Management are continuing to pursue additional opportunities in the areas of asset acquisition and structuring for private syndication purposes. Aspen expects to derive additional income growth through structuring and management fee income from these deals. These assets will remain off balance sheet in line with Aspen's aim to produce quality non-dilutive income to increase return on capital to securityholders.

Outlook

The six month period to 31 December has again been a very active period of achievement. Growth in assets both on balance sheet and under management has been strong, while support from institutional securityholders for the \$30 million placement was very positive. The Aspen Parks Property Fund has been an outstanding success and we look forward to reporting additional growth in this Fund during the second half of the 2005 financial year. The strong foundation Aspen Group established in 2004 has been a key factor in the growth during the first half of 2005 and will enable Aspen to continue developing this very exciting business.

In order to meet and sustain our growth targets we have added additional resources to the executive management team during the first half of 2005. With backgrounds in property, funds management, and corporate services our team is well placed to capitalise on the high number of opportunities the Group are actively and aggressively pursuing.

The Board of Directors and management team remain fully focused and committed to providing securityholders with a strong property investment and management company, maximising return on equity and increasing distributions payable on a quarterly basis.

We look forward to reporting a strong full year result for the 2005 financial year.

Angelo Del Borrello

Managing Director

Aspen Group

Financial Report for the half year ended
31 December 2004

Financial Report for the half year ended 31 December 2004

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Aspen Group

Group Particulars

BOARD OF DIRECTORS

Reg Gillard	(Non-Executive Chairman – Aspen Group Ltd (AGL) and Aspen Funds Management (AFM))
Gavin Hawkins	(Executive Director – AGL)
Angelo Del Borrello	(Executive Director – AGL and AFM)
Peter Hall	(Non-Executive Director– AGL and AFM)
Seng Fai Chan	(Non-Executive Director – AGL)
Stuart Price	(Executive Director – AFM)

REGISTERED OFFICE

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Web Address: www.aspengroup.com.au

GROUP SECRETARY

Gavin Hawkins

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000
Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033

AUDITOR

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St George's Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

Aspen Group's securities are listed on the Australian Stock Exchange Limited under the ASX code APZ (stapled securities) and APZO (stapled options). Aspen Groups' securities comprise of one unit and one share in Aspen Property Trust and Aspen Group Limited respectively.

Aspen Group

Directors' Report

The directors of Aspen Group Limited (AGL) and Aspen Funds Management Limited (AFM) (as the responsible entity for Aspen Property Trust) ("Group") present their combined financial report for the half year ended 31 December 2004. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows.

The names and particulars of the directors of the Group during or since the end of the half year are:

Name

Reg Gillard	(Non-Executive Chairman – AGL and AFM)
Gavin Hawkins	(Executive Director – AGL)
Angelo Del Borrello	(Executive Director – AGL and AFM)
Peter Hall	(Non-Executive Director – AGL and AFM)
Seng Fai Chan	(Non-Executive Director – AGL)
Stuart Price	(Executive Director – AFM)

Principal Activities

The principal activity of Aspen Group for the period was investment and funds management activities in the commercial property sector.

Review of Operations and Significant Changes

The key combined financial results of the Group for the period are as follows:

	Half year ended 31 December 2004	Period ended 30 June 2004	Half year ended 31 December 2003
	\$ '000s	\$ '000s	\$ '000s
Revenues	8,918	13,015	6,065
Net Profit after tax	3,008	4,038	1,669
Total Assets	167,631	103,735	102,935
Total Equity	65,079	35,897	35,384

Property

On 24 September 2004, a securityholders' meeting was held to approve the issue of up to 176.5 million stapled securities at 17 cents to raise funds for the acquisition of the Rocklea, Queensland and Noble Park, Melbourne properties. Aspen Group announced on 29 September 2004 it had successfully completed its institutional placement of 176.5 million stapled securities to raise \$30 million to acquire the Rocklea and Noble Park properties. Settlement of Rocklea occurred on 30 September 2004, and Noble Park settled on 7 October 2004.

On 15 December 2004, Aspen Group settled on its acquisition of the property 564 St. Kilda Road in Melbourne for \$25 million.

Aspen Parks Property Fund

On 13 June 2004, Aspen Funds Management ("AFM"), a wholly owned subsidiary of Aspen Group Limited, became the responsible entity of the Aspen Parks Property Trust (APPT). APPT, along with Aspen Parks Property Management (APPM), form the unlisted stapled structure, Aspen Parks Property Fund (APPF). AFM has also entered into an agreement with APPF, whereby it provides funds management services.

- On 23 July 2004, APPF settled on three freehold and three leasehold parks. The parks are all located in Western Australia; and
- On 5 October 2004, APPF acquired a seventh caravan park in the Exmouth region for \$3.5 million.

Income distributions paid to members during the financial period were as follows:

Nature	Record Date	Amount Per Security
1/07/04 – 30/09/04	27 September 2004	0.4175 cents
1/10/04 – 31/12/04	31 December 2004	0.4175 cents
Total		0.835 cents

Aspen Group

Directors' Report

Subsequent Events

Capital Raising

On 24 December 2004 Aspen Group issued an Offer Document to eligible Stapled Securityholders to participate in a non-renounceable Entitlement Issue of New Stapled Securities on the basis of one New Stapled Security for every six Stapled Securities held, at an issue price of 20 cents per Stapled Security to raise \$14.9 million. The capital raising was completed in full with the Funds received utilised to reduce the Group's debt position. Allotment and trading of new Stapled Securities occurred on 1 February 2005.

Sale of 50% interest in Aspen Financial Resources

Aspen Group executed a share sale agreement for the sale of its 50% interest in a joint venture Aspen Financial Resources Limited. The sale to the joint venture partner Financial Resources Limited (ASX: FRL), was for consideration of \$150,000. Settlement occurred 17 February 2005.

International Financial Reporting Standards Impact

With the introduction of the Australian equivalent to ("A-IFRS") International Financial Reporting Standards, which applies to reporting periods beginning on or after 1 January 2005, Aspen Group has begun investigations to evaluate the impact that the A-IFRS international accounting standards will have on the Group. Aspen Group believes that the following are likely to impact upon the Group's accounts:

- 2 – Share based payments;
- 3 – Business combinations;
- 112 – Income taxes;
- 116 – Property, Plant and Equipment;
- 119 – Employee Benefits; and
- 136 – Impairment of Assets.

Specifically, under A-IFRS, although the Group can continue to value its investments at fair value, all revaluation movements must be recognised through profit or loss rather than through the asset revaluation reserve.

Rounding off of Amounts

Aspen Group is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

On behalf of the directors



Gavin Hawkins
Executive Director
PERTH, 21 February 2005



Angelo Del Borrello
Executive Director
PERTH, 21 February 2005

Deloitte.

The Board of Directors
Aspen Group
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WA 6000

Deloitte Touche Tohmatsu
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21 February 2005

Dear Board Members

Aspen Group

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aspen Group.

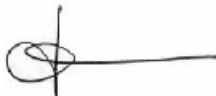
As lead audit partner for the review of the financial statements of Aspen Group for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants



Deloitte Touche Tohmatsu
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Independent review report to the stapled security holders of Aspen Group

Scope

We have reviewed the financial report of Aspen Group for the half-year ended 31 December 2004 as set out on pages 8 to 18. Aspen Group comprises Aspen Property Trust, Aspen Group Limited and the entities controlled by Aspen Group Limited at the end of the financial period.

The directors of Aspen Group Limited and the directors of Aspen Funds Management Limited (as responsible entity for Aspen Property Trust) are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for Aspen Group to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aspen Group is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of Aspen Group's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karanfiles
Partner
Chartered Accountants
Perth, 21 February 2005

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Member of
Deloitte Touche Tohmatsu

Aspen Group

Directors' Declaration

The directors of Aspen Group declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the combined entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Gavin Hawkins
Executive Director
PERTH 21 February 2005



Angelo Del Borrello
Executive Director
PERTH 21 February 2005

Aspen Group

Combined Statement of Financial Performance for the Half Year ended 31 December 2004

	Note	31 Dec 2004 \$ '000	31 Dec 2003 \$ '000
Revenue from ordinary activities	2	8,918	6,065
Property expenses		(1,669)	(1,605)
Administration expenses		(1,049)	(688)
Funds management commissions paid		(457)	-
Borrowing costs		(2,540)	(2,000)
Profit from ordinary activities before income tax expense		3,203	1,772
Income tax expense relating to ordinary activities		(195)	(103)
Net profit attributable to securityholders of Aspen Group		3,008	1,669
Total revenue, expense and valuation adjustments attributable to securityholders of Aspen Group recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		3,008	1,669
 Earnings per stapled security:			
Basic (cents per stapled security)	3	0.867	0.743
Diluted (cents per stapled security)	3	0.867	0.743

Notes to the financial statements are included on pages 12 to 18

Aspen Group

Combined Statement of Financial Position

as at 31 December 2004

	Note	31 Dec 2004 \$ '000	30 June 2004 \$ '000
Current Assets			
Cash assets		2,273	1,301
Receivables		1,303	1,473
Other financial assets		1,683	1,292
Other		802	70
Total Current Assets		6,061	4,136
Non-Current Assets			
Other financial assets		187	127
Property, plant and equipment		174	145
Investment properties	5	157,230	98,802
Other investments		3,000	-
Other		979	525
Total Non-Current Assets		161,570	99,599
Total Assets		167,631	103,735
Current Liabilities			
Payables		366	693
Current tax liabilities		105	111
Interest bearing liabilities	6	-	1,800
Provisions		1,907	1,002
Other		974	882
Total Current Liabilities		3,352	4,488
Non-Current Liabilities			
Interest bearing liabilities	6	99,200	63,350
Total Non-Current Liabilities		99,200	63,350
Total Liabilities		102,552	67,838
Net Assets		65,079	35,897
Equity			
Contributed equity	7	91,747	62,679
Retained losses	8	(26,668)	(26,782)
Total Equity		65,079	35,897

Notes to the financial statements are included on pages 12 to 18

Aspen Group

Combined Statement of Cash Flows for the Half Year ended 31 December 2004

	Inflows (Outflows)	
	31 Dec 2004 \$ '000	31 Dec 2003 \$ '000
Cash flows from operating activities		
Receipts from customers	7,158	6,247
Payments to suppliers and employees	(2,935)	(1,785)
Interest received	130	62
Dividends Received	18	-
Interest and other costs of finance paid	(2,398)	(2,000)
Income tax paid	(201)	(546)
Net cash provided by operating activities	<u>1,772</u>	<u>1,978</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(78)	(440)
Payments for investment in securities	(3,000)	-
Payments for investment properties	(58,406)	(55,818)
Net cash used in investing activities	<u>(61,484)</u>	<u>(56,258)</u>
Cash flows from financing activities		
Proceeds from issues of equity securities	30,448	20,237
Payment for equity securities issue costs	(1,381)	(2,455)
Recoupment of issue costs	-	858
Proceeds from borrowings	60,100	38,600
Loans issued	-	(274)
Repayments of borrowings	(26,050)	-
Payment for arrangement of borrowings	(581)	(452)
Dividends paid	(1,852)	(1,100)
Net cash provided by financing activities	<u>60,684</u>	<u>55,414</u>
Net increase in cash held	972	1,134
Cash at the beginning of the financial year	<u>1,301</u>	<u>201</u>
Cash at the end of the half year	<u><u>2,273</u></u>	<u><u>1,335</u></u>

Notes to the financial statements are included on pages 12 to 18

Notes to the Financial Statements

1. Summary of Accounting Policies

Financial Reporting Framework

The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, AASB 1029 "Interim Financial Reporting" and UIG Abstracts 13 "The Presentation of the Financial Report of Entities whose Securities are 'Stapled'".

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2004 annual financial report of Aspen Group.

The Aspen Group – Stapling of Securities

The Aspen Group was formed by the stapling of securities of two entities comprising Aspen Group Limited and Aspen Property Trust.

The resulting Aspen Group Stapled Securities, quoted and traded together on the Australian Stock Exchange, comprise one Aspen Group Limited share and one Aspen Property Trust unit. The stapled securities cannot be traded or dealt with separately.

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

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

The stapled security structure will cease to operate on the earlier of:

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

The Australian Stock Exchange reserves the right (but without limiting its absolute discretion) to remove one or more entities with stapled securities from the official list if any of their securities cease to be 'stapled' together, or any equity securities of the same class are issued by one entity which are not stapled to equivalent securities in the other entity.

Notwithstanding the above, Aspen Group is considered to be the reporting entity. Accordingly the combined financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being Aspen Group and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts", and Aspen Property Trust. Consistent accounting policies are employed in the preparation and presentation of the combined financial statements.

The combined financial statements include the information and results of each controlled entity from the date on which the Group obtains control and until such time as the Group ceases to control such entity.

These financial statements for Aspen Group present the combined results of Aspen Group Limited and Aspen Property Trust for the period from 1 July 2004 to 31 December 2004.

In preparing the combined financial statements, all inter Group balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

Significant Accounting Policies

The accounting policies adopted in the preparation of the half-year report are consistent with those adopted and disclosed in the 2004 annual financial report.

Aspen Group

Notes to the Financial Statements (continued)

	Half year 31 Dec 2004 \$ '000	Half year 31 Dec 2003 \$ '000
2. Profit from Ordinary Activities		
(a) Operating Revenue		
Profit from ordinary activities before Income tax includes the following items of revenue and expense:		
Sales revenue:		
- Rental income	7,267	6,003
Other Income		
-Interest received	130	62
-Funds Management fees from Aspen Parks Property Fund	1,503	-
-Dividends	18	-
	8,918	6,065
	Half year 31 Dec 2004	Half year 31 Dec 2003
3. Earnings Per Stapled Security		
Basic earnings per stapled security (cents)	0.867	0.743
Diluted earnings per stapled security (cents)	0.867	0.743
	Half year 31 Dec 2004 No.'000	Half year 31 Dec 2003 No.'000
Weighted average number of stapled securities used as the denominator in calculating basic EPSS	347,156	224,490
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted EPSS	347,156	224,490
Option to purchase stapled securities which are not dilutive		
Listed Options	24,926	24,931
Unlisted Options	19,711	19,711
	44,637	44,642

Aspen Group

Notes to the Financial Statements (continued)

3. Earnings Per Stapled Security (continued)

Reconciliation of earnings used in calculating basic and diluted earnings per stapled security

	Half year 31 Dec 2004 \$ '000	Half year 31 Dec 2003 \$ '000
Net profit after tax	3,008	1,669
Earnings used in calculating basic and diluted earnings per stapled security	3,008	1,669

4. Dividends/Distributions

Aspen Group Limited

Period	Cents per Stapled Security	Total \$ '000	Tax rate for franking credit %
July – Sep 04	0 cents	-	-
Oct – Dec 04	0 cents	-	-
	<u>0 cents</u>	<u>-</u>	

Aspen Property Trust

Period	Cents per Stapled Security	Total \$ '000	Tax Deferred %
July – Sep 04	0.4175 cents	1,076	62%
Oct – Dec 04	0.4175 cents	1,818	62%
	<u>0.835 cents</u>	<u>2,894</u>	

Combined

Period	Cents per Stapled Security	Total \$ '000
	<u>0.835</u>	<u>2,894</u>

Aspen Group

Notes to the Financial Statements (continued)

5. Investment Properties

Property	Original Acquisition Date	Original Acquisition Costs \$ '000	Latest Independent Valuation Date	Latest Independent Valuation \$ '000	Latest Directors Valuation	Book Value at 31 Dec 2004 \$ '000	Book Value at 30 June 2004 \$ '000
Septimus Roe – WA	Oct 2002	29,648	Sept 2004	30,000	30,190	30,190	30,144
Midland Cinema – WA	Nov 2002	5,258	Sept 2004	6,150	5,312	5,312	5,258
Champion Centre – WA	Nov 2002	7,588	Sept 2004	7,500	7,612	7,612	7,588
Elders Woolstores – WA	Aug 2003	37,483	Sept 2004	37,500	37,493	37,493	37,483
Alcoa Office – WA	Aug 2003	18,329	Sept 2004	18,300	18,383	18,383	18,329
Rocklea – QLD	Oct 2004	9,184	May 2004	8,800	9,189	9,189	-
Noble Park – VIC	Oct 2004	22,625	July 2004	21,400	22,625	22,625	-
564 St Kilda Road – VIC	Dec 2004	26,426	Nov 2004	25,000	26,426	26,426	-
		156,541			157,230	157,230	98,802

Land and Buildings are measured on the fair value basis. Fair value is determined on the basis of either an independent valuation prepared by external valuation experts as at the balance sheet date, or directors' valuation. Independent valuations of property investments are obtained at intervals of not more than three years. Independent valuations were performed on the above mentioned properties by FPD Savills, Burgess Rawson, Knight Frank and CB Richard Ellis. Recently acquired properties such as Noble Park, Rocklea and St Kilda Road, have been assessed by the Directors on fair value on the basis of open market valuations for the best use of the respective properties. Any differences between the original acquisition price and the independent valuation of the properties arise through acquisition costs such as stamp duty, and any items such as fixtures and fittings capitalised since acquisition.

6. Interest bearing liabilities

	31 Dec 2004 \$ '000	30 June 2004 \$ '000
Bank loans – Current (i)	-	1,800
Bank loans – Non Current (i)	99,200	63,350
	99,200	65,150

- (i) In October 2004, Aspen refinanced the Group's finance facilities with the National Australian Bank (NAB) for a 5 year term. The facility is held by Aspen Property Trust on behalf of the Group. Subsequent to the half year end, \$14.5 million was paid off the bank loan facility through capital raised via a 1 for 6 Entitlement Issue. As at the date of this report, the Group had an unused credit facility of \$23.75 million.

Aspen Group

Notes to the Financial Statements (continued)

	31 Dec 2004 \$ '000	30 June 2004 \$ '000
7. Contributed Equity		
435,534,705 fully paid stapled securities (June 2004: 256,512,641 stapled securities)	91,747	62,679
	91,747	62,679

	31 December 2004		30 June 2004	
	No. '000	\$ '000	No. '000	\$ '000
Fully Paid Ordinary Stapled Securities				
Balance at beginning of financial year	256,513	62,679	129,058	44,858
Ordinary Stapled Securities issued at 16 cents	-	-	126,483	20,237
Stapled Securities issued for 15.05 cents (i)	-	-	972	146
Stapled Securities issued at 15.24 cents (i)	1,198	182	-	-
Stapled Securities issued at 17 cents	176,500	30,005	-	-
Stapled Securities issued at 19.13 cents (i)	1,319	253	-	-
Stapled Securities issued at 25 cents (ii)	5	1	-	-
Less: Stapled Securities issue costs	-	(1,373)	-	(2,562)
Balance at end of half year	435,535	91,747	256,513	62,679

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

- (i) Relates to the issue of Stapled Securities under the Distribution Reinvestment Plan (DRP).
- (ii) 5,000 options exercised at 25 cents on 23 December 2004.

Stapled Securities Options

Number of Options Granted	Type of Option	Number of stapled securities under Option	Expiry Date of Option	Exercise Price
19,711,000	Unlisted	19,711,000	From 2 Nov 2005 to 15 Oct 2007	From \$0.1875 to \$0.25
24,925,764	Listed	24,930,764	10 Oct 2005	\$0.25

5,000 options at an exercise price of \$0.25 cents were exercised on 23 December 2004.

Aspen Group

Notes to the Financial Statements (continued)

	31 Dec 2004 \$ '000	30 June 2004 \$ '000
8. Retained profits/(losses)		
Opening balance at beginning of financial year	(26,782)	(27,229)
Net profit attributable to members of the group	3,008	4,038
Dividends provided for or paid	(2,894)	(3,591)
Balance at end of the half year	<u>(26,668)</u>	<u>(26,782)</u>

9. Segment Information

The Group has operated only in the commercial property sector within Australia in the period ending 31 December 2004.

10. Subsequent Events

Capital Raising

On 24 December 2004 Aspen Group issued an Offer Document to eligible Stapled Securityholders to participate in a non-renounceable Entitlement Issue of New Stapled Securities on the basis of one New Stapled Security for every six Stapled Securities held, at an issue price of 20 cents per Stapled Security to raise \$14.5 million. Funds received were utilised to reduce the Groups debt position. Allotment and trading of new Stapled Securities occurred on 1 February 2005.

The financial impact of this subsequent event has not been recognised in these Financial Statements.

Sale of 50% interest in Aspen Financial Resources

Aspen Group executed a share sale agreement for the sale of its 50% interest in a joint venture Aspen Financial Resources Limited. The sale to the joint venture partner Financial Resources Limited (ASX: FRL), was for consideration of \$150,000. Settlement occurred on 18 February 2004.

11. Impact of Adopting AASB Equivalents to IFRS

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to IFRS ("A-IFRS") for application to reporting periods beginning on or after 1 January 2005. The Company has commenced reviewing the transition from its current policies to A-IFRS. The Company has allocated internal resources and engaged expert consultants to review, identify and conduct business impact assessments to isolate key areas that will be affected by this transition. The Company's audit committee is being regularly kept up to date with the results of both the internal review and the external consultant's reports and assessments. The adoption of A-IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. At this stage the Company has not been able to reliably quantify the impacts on the financial statements.

Under A-IFRS the combined entity, in complying with A-IFRS for the first time, is required to restate its comparative financial statements to amounts reflecting the application of Australian equivalents to IFRS to that comparative period. Most adjustments required on transition to Australian equivalents to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Key areas where accounting policies are likely to change and may impact on the financial statements of the Aspen Group include the following.

Income Tax

In accordance with Australian Standard AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of the combined entity's assets and liabilities in the statement of financial position and their associated tax bases. This represents a fundamental change to the way the combined entity currently calculates its tax balances, where deferred tax balances are determined using the income statement method. The impact of this change is not yet possible to determine.

Notes to the Financial Statements (continued)

11. Impact of Adopting AASB Equivalents to IFRS (continued)

Share Based Payments

Under Australian Standard AASB 2 Share-based Payment, the combined entity will be required to determine the fair value of options issued to employees. For options on issue on the application of AASB 2 an adjustment for their recognition will be made against opening retained earnings. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown; however where share based payments are made, net profit is expected to decrease by the fair value of such payments.

Investment properties

AASB 140 *Investment Property* requires entities to measure investment property using:

the fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in profit or loss; or

the cost model specified in AASB 116 *Property, Plant and Equipment* under which an investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). An entity that chooses the cost model discloses the fair value of its investment property;

The standard also permits a property interest that is held by a lessee under an operating lease to be classified and accounted for as investment property provided that:

- the interest meets the rest of the definition of investment property;
- the operating lease is accounted for as if it were a finance lease in accordance with AASB 117 Leases;
- the lessee uses the fair value model set out in this Standard for the asset recognised; and
- once this alternative is selected for one such property, all property classified as investment property is to be accounted for consistently on a fair value basis;

AASB 140 *Investment Property* permits an entity with investment property in a 'pool' backing liabilities that pay a return linked to the fair value of assets in the pool to choose between the cost and fair value models for all investment property in the pool and choose between the cost and fair value models for all other investment property not in the pool; and requires an entity to make a range of disclosures, including whether it applies the fair value or cost model.

Business combinations

The IASB and AASB are both proposing to amend the scope of the business combinations standards to include business combinations between mutual entities and combinations by contract alone, i.e. stapling arrangements and dual-listed entities.

ED 133 *Request for Comment on IASB ED of Proposed Amendments to IFRS 3 Business Combinations – Combinations by Contract Alone or Involving Mutual Entities* proposes to include these combinations within the scope of AASB 3 *Business Combinations* with effect from 1 January 2005, i.e. in Aspen's first A-IFRS compliant report. Any revisions to AASB 3 are not expected before late 2004.

There are proposed transitional provisions under ED 133, which may be relevant to Aspen Group due to the stapling business combination that occurred in July 2003. The full impact of ED 133 and AASB 3 will not be known until the Group has assessed the risk and benefits of the final drafts of these standards.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above these are expected to be the material areas of impact for the combined entity that have been identified.