



**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 six months ended  
31 December 2010

## Results for announcement to the market

### Details of reporting periods:

Current period	31 December 2010
Corresponding period	31 December 2009

### Revenue and Net Profit for the six months ended 31 December 2010

		Change		Amount \$'000
Revenue from ordinary activities	Up	7%	to	38,114
Profit after tax	Down	40%	to	7,728
Operating Profit after tax*	Up	6%	to	16,414
Net profit attributable to securityholders of Aspen Group	Down	40%	to	7,728

\* Operating Net Profit after Tax represents net profit after tax excluding non cash items namely movements in fair value of investment properties, equity and hedge instruments and write down of equity accounted investments.

### Distributions

	31 December 2010		31 December 2009	
	Amount per security	Total \$'000	Amount per security	Total \$'000
	(cents)		(cents)	
Interim distribution – Sept Qtr	1.050		1.050	
Interim distribution – Dec Qtr	1.050		1.050	
	2.100	11,708	2.100	11,702

### Payment dates and record dates for determining entitlements to the distributions (dividends)

	Record date	Payment date
-interim distribution (Sept Qtr)	30 September 2010	19 November 2010
-interim distribution (Dec Qtr)	31 December 2010	18 February 2011

Net tangible assets (NTA)	31 December 2010	30 June 2010
-NTA per security (including non dilutive employee shares / options)	\$0.68	\$0.66
-NTA per security (excluding non dilutive employee shares / options)	\$0.68	\$0.69

### Associate entities

Name	Ownership (%)		Share of net profit/(loss) (\$'000s)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Aspen Parks Property Fund	12.5%	13.8%	1,489	982
Aspen Diversified Property Fund	35.8%	35.8%	868	265
Aspen Dunsborough Lakes Ltd	43.2%	44.2%	469	395
Aspen Whitsunday Shores Pty Ltd	42.1%	42.6%	(370)	(81)
West Swan Estate Pty Ltd	13.4%	13.4%	238	16
Fern Bay Seaside Village Ltd	45.4%	45.4%	(7,563)	340
Aspen Development Fund No 1 Ltd	47.3%	48.1%	(961)	(616)
Headline profit from associates			(5,830)	1,301
Adjusted for:				
Change in fair value of investment properties held by associates			(715)	-
Write down of inventory			7,754	-
Changes in fair value of interest rate swaps			(465)	(566)
Profit from associates before significant items			744	735

**Brief explanation of share of profits from associate entities:**

Equity accounted profits from associate entities was (\$5.8 million) for the half year (1H10: \$1.3 million profit). This take up includes fair value adjustments that in the opinion of the directors should be adjusted to enable security holders to obtain an understanding of the results from the underlying operations.

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

Key factors contributing to the movement in revenues and profits were:

Refer to attached ASX announcement for a full commentary on the half year result.

# **Aspen Group**

**ABN: 50 004 160 927**

Interim Financial Report

For the six months ended 31 December 2010

**Interim Financial Report**  
**For the six months ended 31 December 2010**

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## **Company Particulars**

### **Board of Directors**

Reg Gillard	Independent Chairman
Gavin Hawkins	Managing Director
Terry Budge	Non-Executive Director
Seng Fai Chan	Non-Executive Director
Frank Zipfing	Non-Executive Director (appointed 31 January 2011)
Matthew McCann	Non-Executive Director (resigned 30 July 2010)

### **Company Secretary**

Diniz Cardoso (appointed 22 July 2010)  
Gavin Hawkins (resigned 21 July 2010)

### **Registered Office**

Level 8, Septimus Roe Square  
256 Adelaide Terrace  
PERTH WA 6000  
Telephone: (61 8) 9220 8400  
Facsimile: (61 8) 9220 8401  
Email: [homemail@aspengroup.com.au](mailto:homemail@aspengroup.com.au)  
Web Address: [www.aspengroup.com.au](http://www.aspengroup.com.au)

### **Share Registry**

Link Market Services Limited  
Ground Floor  
178 St George Terrace  
PERTH WA 6000  
Australian Telephone: 1300 554 474  
International Telephone: (612) 8280 7111  
Facsimile: (612) 9287 0303

### **Auditor**

KPMG  
235 St Georges Terrace  
Perth WA 6000  
Telephone: (61 8) 9263 7171  
Facsimile: (61 8) 9263 7129

### **Stock Exchange Listing**

Aspen Group Limited's securities are listed on the Australian Securities Exchange through Aspen Group under the ASX code APZ (stapled securities). Each stapled security comprises one share in Aspen Group Limited and one unit in Aspen Property Trust.

## Directors' Report

The directors present their report together with the consolidated financial report of Aspen Group for the six months ended 31 December 2010 and the review report thereon. The consolidated financial report of Aspen Group comprises the financial reports of Aspen Group Limited ("the Company" or "AGL") and its controlled entities and of Aspen Property Trust ("the Trust" or "APT") which form the consolidated entity ("Aspen Group" or "the Group").

The directors of AGL and Aspen Funds Management Limited ("AFM"), the Responsible Entity of APT, at any time during or since the end of the half-year are:

<b>Name</b>	<b>Entity of directorship and date of appointment</b>
<b>Non – Executive Directors</b>	
Reg Gillard	AGL (appointed: 24/12/2001) and AFM (appointed: 4/4/2003)
Terry Budge	AGL (appointed: 5/5/2005) and AFM (appointed: 5/5/2005)
Seng Fai Chan	AGL (appointed: 1/11/2002)
Frank Zipfinger	AGL (appointed: 31/1/2011) and AFM (appointed: 31/1/2011)
Matthew McCann	AGL (appointed: 6/8/2007) and AFM (appointed: 6/8/2007); AGL and AFM (Resigned 30/07/10)
<b>Managing/Executive Director</b>	
Gavin Hawkins	AGL (appointed: 31/10/2001) and AFM (appointed: 4/4/2003)

## Principal Activities

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

## Significant Changes in the State of Affairs

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

## Directors' Report

### Operating and Financial Review

The consolidated entity achieved a profit after tax calculated in accordance with International Financial Reporting Standards ("IFRS") of \$7.7 million for the half-year ended 31 December 2010 (profit of \$13.0 million for the half-year ended 31 December 2009). This profit is after several items, that in the opinion of the directors, need adjustment to enable security holders to obtain an understanding of the results from operations (refer table below).

The net profit after tax before significant items, as assessed by the directors, for the half-year was \$16.4 million (\$15.6 million for the half-year ended 31 December 2009), reflecting a 5.5% increase from the previous corresponding period.

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

	<b>Six months ended 31 December 2010 \$ '000</b>	<b>Six months ended 31 December 2009 \$ '000</b>
<b>Net Profit/(Loss) after tax</b>	7,728	12,993
Add/(Subtract) significant items:		
Net movement in fair value of investment properties	-	2,225
(Profit)/Loss on sale of investment properties	124	-
Change in fair value of interest rate swaps	(2,003)	(583)
Impairment of available for sale investments	6,896	-
Equity settled transactions	357	1,468
Impairment adjustments of investments in equity associates	(1,740)	-
Write down of inventories in associates	5,428	-
Change in fair value of interest rate swaps in associates	(425)	(548)
Other	49	-
<b>Net Profit after Tax before significant items</b>	<b>16,414</b>	<b>15,555</b>
Basic Earnings per security (cents) *	1.378	2.333
Diluted Earnings per security (cents) *	1.378	2.332
Basic Earnings per security before significant items (cents) **	2.928	2.793
Diluted Earnings per security before significant items (cents) **	2.928	2.791
	<b>31 December 2010</b>	<b>30 June 2010</b>
Total Assets	660,522	646,880
Total Equity	388,642	388,615
Net tangible assets per security (cents)	0.68	0.66
Net tangible assets per security - excluding non-dilutive LTI instruments (cents)	0.68	0.69

\* Refer to Note 7 of the accompanying Financial Report for further information regarding earnings per security calculation

\*\* Calculations are as per the Basic and Diluted Earnings per security however adjusted for the significant items listed above

## Directors' Report

### Operating and Financial Review (continued)

Income distributions for the period were as follows:

Quarter Ended	Record Date	Amount Per Stapled Security 31 December 2010	Amount Per Stapled Security 31 December 2009
September	30 September 2010	1.050 cents	1.050 cents
December	31 December 2010	1.050 cents	1.050 cents
<b>Total</b>		<b>2.100 cents</b>	<b>2.100 cents</b>

### Review of principal businesses

#### Investment Property Portfolio

The Group's investment portfolio continues to perform soundly with a 10.4% increase in net rental income over the previous corresponding period to \$18.5 million. Overall, the portfolio has a 92.7% occupancy level and a weighted average lease expiry of 2.4 years.

During the half-year the Group entered into a contract to sell its 564 St Kilda Road investment property for \$33.3 million, with settlement occurring on 11 January 2011.

#### Non-Core Land Assets

Aspen Group is actively pursuing a strategy of recycling non-core, non-income producing assets on its balance sheet, through either their sale or syndication. Aspen has made significant progress in this area through the syndication of land for the Enclave residential development for \$12 million. This leaves \$29.7 million of non-core land assets on balance sheet (post 31 December 2010), a number of which are actively being marketed for disposal with encouraging interest levels on several assets.

#### Funds Management

Funds Management remains an integral part of the Group's business model contributing \$11.4 million to the Group's result, an increase of 5%. The \$11.4 million result comprises the operating contribution from all funds management income streams, including management fees, equity share of profits and interest income on loans.

The full contribution from the funds management business in FY11 is expected to be weighted to the second half, due to commencement of a number of development projects in the second half and the forecast programme of residential lot settlements.

The Aspen Living division has benefited from the continuing improvement in the residential sectors with strong sales interest across a number of developments. Commercial development activities remain challenging although the pipeline for commercial and residential projects is strong and is expected to generate fee income and equity profits in future years.

Key highlights for the period include:

- Strong operating performance from Aspen Parks Property Fund with strong equity inflows and gearing improving to 48.0% (from 54.0%)
- Launch of the \$11.5 million Enclave at St Leonards retail residential syndicate which closed on the 25<sup>th</sup> February 2011 fully subscribed, and with debt facilities secured
- Aspen Group's acquisition of the ATO Building (subject to finance) - refer note 1 (c)
- Continued strong sell down of Norwest medical suites by Aspen Development Fund No 1
- Increase in the Weighted Average Lease Expiry in the Aspen Diversified Property Fund from 2.6 years to 4.6 years and increased occupancy from 81.0% to 94.0% by securing long term tenants in key properties

## Directors' Report

- Achieved 161 settlements at \$36.0 million and 131 new sales contracts valued at \$31.8 million across the Aspen Living developments
- Successfully contracted the sale of a 1.5ha grouped housing site at Dunsborough Lakes Estate for \$2.5 million

### Capital Management and Financial Position

The Group's gearing position currently stands at 35.7%, up from 34.4% at 30 June 2010. Look through gearing has remained constant at 39.0%.

The total cost of drawn debt as at 31 December 2010 for the consolidated entity inclusive of facility fees was 8.7% pa.

Aspen uses interest rate swaps to hedge its exposure to interest rate risks and at 31 December 2010, 71.8% of the senior debt facility was hedged with a weighted average maturity of 2.6 years.

Subsequent to the half-year end the Group has renegotiated its senior debt banking facilities with its primary banker National Australia Bank. The new facility, which has been credit approved but at the date of this report is subject to completion of formal documentation, will see the maturity date extend from February 2012 to February 2014.

The Group's net tangible assets ("NTA") per security at 31 December 2010 was \$0.68.

### Group expenses

As noted in the previous period, the Group has focused on its overhead cost structure and the result is that total overheads (excluding equity settled share-based payment transactions) have decreased by 8% from \$8.3 million for the previous corresponding period to \$7.7 million.

### Events Subsequent to Reporting Date

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

- a) On 11 January 2011 the Group received \$33.3 million in settlement of the sale of 564 St Kilda Road, Melbourne, and as a consequence repaid senior debt of \$15.3 million.
- b) In February 2011 the Group entered into an agreement, which is subject to finance, for the acquisition of the Australian Taxation Office Building ("ATO Building"), within the Central Business District of Adelaide, South Australia. Full details of the transaction were outlined in an announcement to the ASX on 16 February 2011.

Under the agreement to acquire the Building the total funding to be secured by Aspen Group is approximately \$164 million. The external debt component of the total funding requirement is expected to be approximately \$115 million with the remaining \$49 million representing the Group's equity investment. At the date of this report Aspen Group has already loaned \$18 million to ADF towards the construction of the building. Upon securing the external funding and acquiring the Building the \$18 million loan will convert to become Aspen Group's initial equity investment with the remaining \$31 million of equity to be contributed.

While the acquisition is conditional on securing debt funding, Aspen Group has provided guarantees totalling \$70 million that support ADF's obligations with regard to the development of the building. Of these guarantees, \$60 million are to the builder and are required to keep the development timetable on track and will be fully extinguished once debt funding is in place (refer note 1 (c) for additional information).

- c) On 16 February 2011 the Group obtained agreement for the extension of its existing senior debt facility. The new facility is subject to formal documentation. Key changes to the existing facility are: a) new 3 year term with a maturity date of February 2014; b) total facility LVR covenant reducing from 70% to 60% from 1 July 2011; and additional short term \$15 million guarantee facility expiring 1 July 2011 (included in the LVR covenant).
- d) In February 2011, Aspen Group provided a corporate guarantee to a maximum of \$30 million in respect of ADF's debt facilities. This guarantee is expected to reduce during the term of the facility as development projects within ADF progress and complete.

## **Directors' Report**

- e) In October 2010 the Group contracted to sell a parcel of land for \$12 million to Enclave at St Leonards Limited, a residential land syndicate established by Aspen Group which is seeking to raise \$11.5 million from retail investors. This sale is subject to the syndicate achieving a minimum subscription level of \$8.0 million and securing debt finance. As at the date of this report both conditions have been met and the sale of the land is unconditional. The syndication is proceeding with allotment expected in early March 2011 after which the land sale will settle.
- f) On 31 January 2011, the Directors of the Company received a request from Entrust Funds Management Ltd and others ("Requisitioning Securityholders") holding at least 5% of the votes that may be cast at a general meeting that the Directors call and hold a general meeting of the Company. At the meeting, which is to be held on the 24<sup>th</sup> March 2011, securityholders will vote on seven resolutions. Four of the proposed resolutions are to remove four existing Directors namely Mr Reginald Gillard (Chairman), Mr Gavin Hawkins (Managing Director), Mr Terry Budge (Non-Executive Director) and Mr Frank Zipfinger (Non-Executive Director). Three of the proposed resolutions are to appoint directors nominated by the Requisitioning Securityholders.

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

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

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 and forms part of the Directors' Report.

## Directors' Report

### Rounding Off

Aspen Group is of the 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 Interim Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



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Gavin Hawkins  
Managing Director  
PERTH, 26 February 2011



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

To: the directors of Aspen Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'K. Smout', written in a cursive style.

Kevin Smout  
*Partner*

Perth

26 February 2011



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

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 entity").

We have reviewed the accompanying interim financial report of Aspen Group, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the Trust and the entities they controlled at the half-year's end or from time to time during the half-year.

### *Directors' responsibility for the interim financial report*

The directors of Aspen Group Limited and the directors of Aspen Funds Management Limited, the Responsible Entity of Aspen Property Trust (collectively referred to as "the directors") are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Aspen Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Aspen Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Aspen Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Aspen Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material uncertainty regarding carrying value of interest in associate*

Without qualification to the conclusion provided above, we draw attention to note 1(c) of the financial report regarding the ability of Aspen Group to recover the carrying value of certain assets related to an associated entity, Aspen Development Fund No 1 Limited ("ADF"). Specifically we note Aspen Group has entered into an agreement, to acquire, conditional on finance, a significant asset from ADF. As a result of the uncertainty in obtaining funding to execute the transaction as set out in note 1(c), should the acquisition not proceed and ADF is unable to source alternative funding or realise the value of its assets such that it is unable to continue as a going concern, a material uncertainty exists which may cast significant doubt about the ability of Aspen Group to recover its loan to ADF, its investment in ADF and related deferred tax balances of \$22.7 million, \$35.1 million and \$1.6 million respectively at 31 December 2010 and any additional funds advanced since that date or paid out under the guarantees. Since the 31 December 2010 a further amount of \$10.2 million has been advanced to ADF.

KPMG

KPMG

Kevin Smout  
*Partner*

Perth

26 February 2011

## Directors' Declaration

In the opinion of the directors of Aspen Group Limited ("the Company") and Aspen Funds Management Limited (as responsible entity for the Aspen Property Trust):

1. the financial statements and notes set out on pages 14 to 32 are in accordance with the Corporations Act 2001 including:
  - a) giving a true and fair view of the financial position of the Group as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. as set out in Note 1(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



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Gavin Hawkins  
Managing Director  
PERTH, 26 February 2011

## Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 December 2010

	Note	31 December 2010 (\$ '000)	31 December 2009 (\$ '000)
<b>Revenue and other income</b>			
Rental income from investment properties	3	27,058	25,110
Funds management revenue	3	6,295	6,680
Financial income	4	4,761	3,939
<b>Total revenue and other income</b>		<b>38,114</b>	<b>35,729</b>
Change in fair value of retirement living assets		1,005	-
Net movement in fair value of investment properties		-	(944)
Impairment of available for sale investments		(7,160)	-
(Loss)/profit on disposal of investment property		(124)	-
Property expenses		(8,747)	(8,530)
Funds management commission expense		(494)	(281)
Administrative expenses	5	(7,769)	(9,200)
Other expenses		(177)	(115)
Financial expenses	4	(6,114)	(5,438)
Impairment of equity account investees	13	2,486	-
Share of profit/(loss) of equity accounted investees	13	(5,830)	1,301
<b>Profit/(Loss) before tax</b>		<b>5,190</b>	<b>12,522</b>
Income tax benefit	6	2,538	471
<b>Profit/(Loss) for the period</b>		<b>7,728</b>	<b>12,993</b>
<b>Total comprehensive income for the period</b>		<b>7,728</b>	<b>12,993</b>
<b>Profit/(Loss) attributable to:</b>			
Security holders of Aspen Group		7,728	12,993
<b>Profit/(Loss) for the period</b>		<b>7,728</b>	<b>12,993</b>
<b>Other comprehensive income</b>			
Net change in fair value of available for sale financial assets		-	(429)
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>(429)</b>
<b>Total comprehensive income for the period</b>		<b>7,728</b>	<b>12,564</b>
<b>Profit/(Loss) attributable to:</b>			
Security holders of Aspen Group		7,728	12,993
<b>Total comprehensive income attributable to:</b>			
Security holders of Aspen Group		7,728	12,564
<b>Total comprehensive income for the period</b>		<b>7,728</b>	<b>12,564</b>
<b>Earnings per Security</b>			
Basic earnings per stapled security	7	1.378	2.333
Diluted earnings per stapled security	7	1.378	2.332

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

## Consolidated Interim Statement of Financial Position

As at 31 December 2010

	Note	31 December 2010 (\$ '000)	30 June 2010 (\$ '000)
<b>Current assets</b>			
Cash and cash equivalents		7,093	4,426
Trade and other receivables		10,353	8,837
Other financial assets		7,326	3,504
Income tax receivable		29	29
Assets classified as held for sale	8	163,380	12,238
Prepayments and other current assets		6,880	9,674
<b>Total current assets</b>		<b>195,061</b>	<b>38,708</b>
<b>Non-current assets</b>			
Trade and other receivables		8,869	12,810
Other financial assets		86,812	72,996
Property, plant and equipment		2,097	5,416
Investment property	9	238,879	379,150
Investments in equity accounted investees	13	79,056	83,078
Inventories	10	19,947	27,216
Intangible assets		5,882	5,964
Deferred tax assets		20,386	17,848
Other investments		2,160	2,135
Other assets		1,373	1,559
<b>Total non-current assets</b>		<b>465,461</b>	<b>608,172</b>
<b>Total Assets</b>		<b>660,522</b>	<b>646,880</b>
<b>Current liabilities</b>			
Trade and other payables		20,676	20,365
Interest-bearing loans and borrowings	11	18,320	3,000
Provisions		5,818	5,849
Employee benefits		963	952
Other financial liabilities		2,840	4,843
<b>Total current liabilities</b>		<b>48,617</b>	<b>35,009</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	222,263	222,256
Other financial liabilities		1,000	1,000
<b>Total non-current liabilities</b>		<b>223,263</b>	<b>223,256</b>
<b>Total Liabilities</b>		<b>271,880</b>	<b>258,265</b>
<b>Net Assets</b>		<b>388,642</b>	<b>388,615</b>
<b>Security holders' funds</b>			
Issued capital	12	412,165	408,422
Other equity		(1,855)	(1,855)
Reserves		(8)	(8)
Retained earnings		(21,660)	(17,944)
<b>Total security holders' funds</b>		<b>388,642</b>	<b>388,615</b>

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

**Consolidated Interim Statement of Changes in Equity**

For the six months ended 31 December 2010

	Issued Capital	Other Equity	Available for Sale Reserve	Net Profit/ (Accumulated Losses)	Total Security Holders' Funds
	\$ '000	\$ '000	\$'000	\$ '000	\$ '000
<b>Opening balance at 1 July 2010</b>	408,422	(1,855)	(8)	(17,944)	388,615
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	7,728	7,728
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	7,728	7,728
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Distributions to security holders	-	-	-	(11,708)	(11,708)
Equity issued during the period	3,743	-	-	-	3,743
Share based payment transactions	-	-	-	264	264
Total contributions by and distributions to owners	3,743	-	-	(11,444)	(7,701)
Total transactions with owners	3,743	-	-	(11,444)	(7,701)
<b>Closing balance at 31 December 2010</b>	412,165	(1,855)	(8)	(21,660)	388,642

(The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.)

**Consolidated Interim Statement of Changes in Equity**

**For the six months ended 31 December 2009**

	Issued Capital	Other Equity	Hedge Reserves	Available for Sale Reserve	Net Profit/ (Accumulated Losses)	Total Security Holders' Funds
	\$ '000	\$ '000	\$ '000	\$'000	\$ '000	\$ '000
<b>Opening balance at 1 July 2009</b>	408,397	-	(120)	(539)	(6,829)	400,909
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	12,993	12,993
<b>Other comprehensive income</b>						
Cash flow hedge profit transferred to income statement	-	-	61	-	-	61
Net change in fair value of available for sale financial assets	-	-	-	(429)	-	(429)
Total other comprehensive income	-	-	61	(429)	-	(368)
<b>Total comprehensive income for the period</b>	-	-	61	(429)	12,993	12,625
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Distributions to security holders	-	-	-	-	(11,702)	(11,702)
Share based payment transactions	-	-	-	-	994	994
Total contributions by and distributions to owners	-	-	-	-	(10,708)	(10,708)
Acquisition of non controlling interest	-	(1,855)	-	-	-	(1,855)
Total transactions with owners	-	(1,855)	-	-	(10,708)	(12,563)
<b>Closing balance at 31 December 2009</b>	408,397	(1,855)	(59)	(968)	(4,544)	400,971

(The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.)

**Consolidated Interim Statement of Cash Flows**

**For the six months ended 31 December 2010**

	<b>31 December 2010</b> \$ '000	<b>31 December 2009</b> \$ '000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	33,130	35,734
Cash payments to suppliers and employees	(18,883)	(16,547)
Cash payment in lieu of termination	(1,259)	-
Dividends received	1,192	917
Interest received	2,257	2,155
Interest and other costs of finance paid	(6,162)	(8,370)
<b>Net cash from operating activities</b>	<b>10,275</b>	<b>13,889</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(99)	(102)
Improvements to investment properties	(5,683)	(4,882)
Acquisition of funds management equity investments	(4)	(19,526)
Acquisition of minority interest	-	(1,091)
Proceeds from sale of investment properties	3,114	-
<b>Net cash used in investing activities</b>	<b>(2,672)</b>	<b>(25,601)</b>
<b>Cash flows from financing activities</b>		
Payment for equity securities issue costs	-	(7)
Proceeds from borrowings	15,327	44,711
Repayments of borrowings	-	(18,453)
Loans to associates	(17,726)	(13,672)
Repayments from associates	1,500	14,867
Repayment from other parties	3,467	-
Distributions paid	(7,504)	(11,140)
<b>Net cash from financing activities</b>	<b>(4,936)</b>	<b>16,306</b>
Net increase in cash and cash equivalents	2,667	4,594
Cash and cash equivalents at 1 July	4,426	4,662
<b>Cash and cash equivalents at 31 December</b>	<b>7,093</b>	<b>9,256</b>

(The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.)

## Condensed Notes to the Interim Financial Statements

### 1. Significant accounting policies

Aspen Group was established for the purpose of facilitating a joint quotation of Aspen Property Trust (“the Trust”) and Aspen Group Limited and its controlled entities on the Australian Securities Exchange. Both the Trust, Aspen Group Limited and its controlled entities are domiciled in Australia. The Constitution of Aspen Property Trust and the Articles of Association of Aspen Group Limited ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Corporation shall be equal and that Unitholders and Shareholders be identical. Both the Responsible Entity of the Trust and the Corporation must at all times act in the best interests of Aspen Group.

The stapling arrangement 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.

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

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

The Interim Financial Report of Aspen Group comprises the financial report of Aspen Group Limited (“the Company”) and its controlled entities, and the Trust, which form the consolidated entity (“Aspen Group” or “the Group”).

The Interim Financial Report has been prepared based upon a business combination of the parent entity, the Company, and Aspen Property Trust and their controlled entities, in accordance with Australian Interpretation (“AI”) 1013 “Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements”.

The Interim Financial Report was authorised for issue by the directors on 26 February 2011.

#### (a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Aspen Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### (b) Basis of preparation

The Interim Financial Report is presented in Australian dollars, which is the Group’s functional currency.

The Interim Financial Report has been prepared on a going concern basis using historical cost except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 Interim Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of financial statements 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.

## **Condensed Notes to the Interim Financial Statements**

### **(b) Basis of preparation (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.

These accounting policies and key sources of estimation uncertainty have been consistently applied by Aspen Group and are in line with the policies as at and for the year ended 30 June 2010.

### **(c) Carrying value of associates**

Subsequent to the half year, Aspen Group has entered into an Agreement, to acquire, conditional on finance, the ATO Commercial Office project ("the Building") from an associated entity, Aspen Development Fund No 1 Limited (ADF), of which Aspen Group is a major shareholder and Fund Manager.

Aspen Group, as part of this Agreement has provided guarantees totalling \$70 million that support ADF's obligations with regard to the development of the Building and a \$30 million corporate guarantee. Of the \$70 million the maximum amount of the guarantee to the builder is \$60 million however this is limited to outstanding construction payments and will be fully extinguished on Aspen Group securing debt finance for the development. A guarantee of \$10 million has been provided to the Head Tenant of the Building. Aspen Group has provided the \$30 million corporate guarantee to ADF's senior debt provider in support of ADF's obligations to its primary financier.

Under the agreement to acquire the Building the total funding to be secured by Aspen Group is approximately \$164 million. The external debt component of the total funding requirement is expected to be approximately \$115 million with the remaining \$49 million representing the Group's equity investment. At the date of this report Aspen Group has already loaned \$18 million to ADF towards the construction of the building. Upon securing the external funding and acquiring the Building the \$18 million loan will convert to become Aspen Group's initial equity investment with the remaining \$31 million of equity to be contributed.

Ultimately should the acquisition not proceed due to the funding condition not being satisfied, Aspen Group can terminate that part of the agreement relating to the building acquisition, which results in the following implications for ADF:

- Requires ADF to return to Aspen Group all funding provided to that time plus interest,
- Leaves ADF with the commitment to fund the ongoing development of the Building. To meet this commitment (and return monies owed to Aspen Group), ADF would need to source alternative funding, or secure an alternative purchaser for the Building,
- Should these alternatives not be available, ADF may need to terminate the construction contract, and may not be able to continue as a going concern and meet its liabilities as they fall due.

In these circumstances the guarantees provided by Aspen Group may also be called upon.

The Directors are confident in the ability to secure a senior finance facility to fund the Building and to proceed with the acquisition.

Should the Aspen Group decide not to continue with the acquisition it is the Director's opinion that there are a number of feasible options available to Aspen Group to meet its funding and cash flow obligations arising as a result of not proceeding with the acquisition.

Options available include the sale of either selected investment properties, or non-core land assets, which were previously earmarked for residential or retirement living development. These assets are considered saleable at amounts that approximate their carrying values and the Group has received recent offers on a number of these assets.

Should the acquisition not proceed and ADF is unable to source alternative funding or realise the value of its assets including the part completed Building such that it is unable to continue as a going concern, a material uncertainty exists which may cast significant doubt about the ability of Aspen Group to recover its loan to ADF, its investment in ADF and related deferred tax balances of \$22.7 million, \$35.1 million and \$1.6 million respectively at 31 December 2010 and any additional funds advanced since that date or paid out under the guarantees. Since 31 December 2010 a further \$10.2 million has been advanced to ADF.

## **Condensed Notes to the Interim Financial Statements**

### **2. Operating Segments**

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units hold different asset classes and offer different products and services, and are based on the consolidated entity's management and internal reporting structure. For each of the strategic business units, the Executive Director 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 the Group's reportable segments:

- **Property Portfolio** - This segment includes net rental income and associated interest expense and other expenditure from all properties held by Aspen Property Trust throughout Australia, and Aspen Communities and Aspen Villages operations and land held for development.
- **Funds Management** - Property funds management includes fees, interest income, equity profits and associated expenditure from unlisted property funds and syndicates that Aspen Group manages.

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

## Condensed Notes to the Interim Financial Statements

### 2. Operating Segments (continued)

	Property Portfolio		Funds Management		Other		Total	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	27,058	25,106	6,295	6,680	11	38	33,364	31,824
Interest Income	25	31	4,378	3,539	347	335	4,750	3,905
<b>Total segment revenue</b>	<b>27,083</b>	<b>25,137</b>	<b>10,673</b>	<b>10,219</b>	<b>358</b>	<b>373</b>	<b>38,114</b>	<b>35,729</b>
Interest Expense	5,201	3,557	2,950	2,464	-	-	8,151	6,021
Reportable segment profit before income tax and share of profits from investments accounted for using the equity method (and other significant items below)	12,732	11,133	1,716	1,095	387	348	14,836	12,576
Share of profits from investments accounted for using the equity method (before significant items below)	-	-	745	735	-	-	745	735
<b>Segment Profit/(Loss) before significant items below</b>	<b>12,732</b>	<b>11,133</b>	<b>2,461</b>	<b>1,830</b>	<b>387</b>	<b>348</b>	<b>15,580</b>	<b>13,311</b>
Change in fair value of investment properties	-	(944)	-	-	-	-	-	(944)
Gains/(Losses) on Available for sale investments	(7,160)	-	-	-	-	-	(7,160)	-
Profit/(loss) on sale of investment properties	(124)	-	-	-	-	-	(124)	-
Impairment adjustments of investments in associates	-	-	2,486	-	-	-	2,486	-
Change in fair value of interest rate swaps	1,220	344	783	239	-	-	2,003	583
Change in fair value of interest rate swaps in associates	-	-	465	566	-	-	465	566
Writedown of inventory in associates	-	-	(7,754)	-	-	-	(7,754)	-
Other	-	-	(42)	-	-	-	(42)	-
<b>Segment Profit/(Loss) after significant items</b>	<b>6,668</b>	<b>10,533</b>	<b>(1,601)</b>	<b>2,635</b>	<b>387</b>	<b>348</b>	<b>5,454</b>	<b>13,516</b>
<b>Reportable segment assets</b>	<b>421,983</b>	<b>434,649</b>	<b>191,286</b>	<b>174,806</b>	<b>47,253</b>	<b>37,450</b>	<b>660,522</b>	<b>646,905</b>
<b>Investments in associates</b>	<b>-</b>	<b>-</b>	<b>79,056</b>	<b>89,522</b>	<b>-</b>	<b>-</b>	<b>79,056</b>	<b>89,522</b>

## Condensed Notes to the Interim Financial Statements

### 2. Operating Segments (continued)

#### Reconciliations of reportable segment revenues, profit or loss and assets

	31 December 2010 \$ '000	31 December 2009 \$ '000
<b>Revenues</b>		
Total revenues for reportable segments	37,727	35,356
Other revenue	387	373
Consolidated revenue	38,114	35,729
<b>Profit or loss</b>		
Total profit/(loss) for reportable segments after significant items	5,067	13,168
Other profit and loss	387	348
Equity settled transactions	(264)	(994)
Consolidated profit/(loss) before income tax	5,190	12,522
Income tax benefit	2,538	471
Consolidated profit/(loss) after income tax	7,728	12,993
<b>Assets</b>		
Total assets for reportable segments	613,269	609,455
Other assets	47,253	37,450
Consolidated total assets	660,522	646,905

#### Geographical segments

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

#### Major Customers

Revenues from one customer of the Group's Property Portfolio represent approximately \$8 million of the Group's total revenues.

## Condensed Notes to the Interim Financial Statements

### 3. Revenue

	31 December 2010 (\$'000)	31 December 2009 (\$'000)
<b>Revenue from trading activities</b>		
Revenue from property investments	27,058	25,110
Funds management fees – asset management fees	6,295	6,325
– asset disposal fees	-	355
	<b>6,295</b>	<b>6,680</b>

### 4. Net financing costs

	31 December 2010 (\$'000)	31 December 2009 (\$'000)
<b>Financial income</b>		
Interest income – bank deposits	77	127
– on loans to associates	4,378	3,494
– on loans to related parties	295	285
Dividend income	11	33
	<b>4,761</b>	<b>3,939</b>
<b>Financial expenses</b>		
Net change in cash flow hedge transferred to profit and loss	-	(61)
Net change in fair value of financial assets through profit and loss	-	(61)
Interest expense on financial liabilities measured at amortised cost	(11,088)	(8,124)
Less amounts capitalised to qualifying assets	2,971	2,164
Change in fair value of interest rate swaps	2,003	583
	<b>(6,114)</b>	<b>(5,438)</b>
<b>Net Financing Costs</b>	<b>(1,353)</b>	<b>(1,499)</b>

### 5. Administration expenses

	31 December 2010 (\$'000)	31 December 2009 (\$'000)
Wages and salaries including on-costs	5,285	5,442
Contributions to defined contribution superannuation funds	390	460
Equity-settled share based payment transactions	264	994
Other administration costs	1,830	2,304
	<b>7,769</b>	<b>9,200</b>

## Condensed Notes to the Interim Financial Statements

### 6. Income tax expense

<b>Numerical reconciliation between tax expense and pre-tax net profit</b>	<b>31 December 2010 (\$'000)</b>	<b>31 December 2009 (\$'000)</b>
Profit/(loss) before income tax	5,190	12,522
Prima facie income tax calculated at 30%	1,557	3,757
Less prima facie income tax on profit from Trust	(4,340)	(4,954)
<b>Increase in income tax expense due to:</b>		
Non-deductible expenses	245	726
<b>Decrease in income tax expense due to:</b>		
Income tax (benefit)/expense on pre-tax net profit	(2,538)	(471)

### 7. Earnings per stapled security

		<b>31 December 2010 (cents)</b>	<b>31 December 2009 (cents)</b>
Basic earnings per security	(a)	1.378	2.333
Diluted earnings per security	(b)	1.378	2.332

#### (a) Basic earnings per stapled security

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

<b>Profit attributable to ordinary stapled security holders (basic)</b>	<b>31 December 2010 (\$'000)</b>	<b>31 December 2009 (\$'000)</b>
Profit/(loss) attributable to stapled security holders (basic)	7,728	12,993

<b>Weighted average number of securities (basic)</b>	<b>31 December 2010 (No. '000)</b>	<b>31 December 2009 (No. '000)</b>
Weighted average number of securities as at 31 December <sup>(1)</sup>	560,670	556,885

(1) Excludes non-dilutive LTI instruments

#### (b) Diluted earnings per stapled security

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

<b>Profit attributable to ordinary stapled security holders (diluted)</b>	<b>31 December 2010 (\$'000)</b>	<b>31 December 2009 (\$'000)</b>
Profit/(loss) attributable to stapled security holders (diluted)	7,728	12,993

<b>Weighted average number of securities (diluted)</b>	<b>31 December 2010 (No. '000)</b>	<b>31 December 2009 (No. '000)</b>
Weighted average number of securities (diluted) as at 31 December	560,670	557,241

## Condensed Notes to the Interim Financial Statements

### 8. Assets classified as held for sale

	31 December 2010 (\$'000)	30 June 2010 (\$'000)
At 1 July	12,238	-
Acquisition and additions	553	-
Transfer in from inventories	12,000	9,238
Transfer out to inventories	(3,001)	-
Transfer in from investment properties	141,590	3,000
At 31 December	163,380	12,238
Previously classified as:		
Investment property	141,590	3,000
Inventories	21,790	9,238
	163,380	12,238

### 9. Investment property

	31 December 2010 (\$'000)	30 June 2010 (\$'000)
At 1 July	379,150	368,563
Acquisition and additions	314	6,793
Transfer in from inventories	-	15,055
Reclassifications	(141,590)	(6,200)
Fair value adjustments	1,005	(5,061)
At 31 December	238,879	379,150

## Condensed Notes to the Interim Financial Statements

### 9. Investment property (continued)

Property	Original Acquisition Date	Original Acquisition Cost \$ '000	Latest Independent Valuation Date	Latest Independent Valuation \$ '000	Book Value at 31 Dec 2010 \$ '000	Book Value at 30 June 2010 \$ '000
<b>Commercial and Industrial</b>						
256 Adelaide Tce (Septimus Roe) – WA	Oct 2002	29,648	Dec 2009	87,000	87,068	87,000
Phoenix Rd, Bibra Lake (Woolstores) – WA	Aug 2003	37,483	Dec 2009	52,000	52,000	52,000
Davy St, Booragoon (Alcoa) – WA	Aug 2003	18,329	Dec 2009	28,000	-(2)	28,000
51 Heaton St, Rocklea – Qld	Oct 2004	9,184	June 2010	10,500	10,512	10,500
215 Browns Rd, Noble Park – Vic	Oct 2004	22,625	June 2010	19,300	19,349	19,300
564 St Kilda Road – Vic	Dec 2004	26,426	Dec 2009	33,400	-(3)	34,000
55 Currie St – SA	June 2006	66,980	Dec 2009	84,000	-(4)	81,000
<b>Vacant site</b>						
Morrison Rd, Midland – WA	June 2007	5,500	Dec 2010	2,900	-(1)	-(1)
<b>Accommodation park</b>						
Karratha Village – WA	June 2005	1,000	June 2010	44,000	44,178	44,000
<b>Retirement living</b>						
Aspen LV Plus Ballina, Ballina – NSW	Nov 2007	3,809	-	-	25,772	23,350
					<b>238,879</b>	<b>379,150</b>

(1) Reclassified as assets held for sale 30 June 2010, then reclassified to inventory 31 Dec 2010

(2) Reclassified as assets held for sale 31 December 2010

(3) Reclassified as assets held for sale 31 December 2010 and subsequently sold in January 2011

(4) Reclassified as assets held for sale 31 December 2010

#### Property portfolio revaluations:

At 30 June 2010, the Group completed independent valuations on 89% (by value) of all investment properties. At 31 December 2010, the Directors re-assessed the value of the entire investment property portfolio, resulting in no change in the carrying values of the investment properties.

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 balance sheet date, or directors' valuation.

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

Fair values were determined in accordance with the Accounting Policy set out in Note 1(g) of the Financial Report for the year ended 30 June 2010 and having regard to recent market transactions for similar properties in the same location as the Group's investment property.

## Condensed Notes to the Interim Financial Statements

### Property portfolio revaluations (continued)

As at 31 December 2010, the weighted average cap rate for the office and commercial portfolio (excl Karratha), including those rental producing assets classified as held for sale, was 9.40%. The cap rate for Karratha was 18.5%. The weighted average lease duration (excluding the Ballina property) was 2.41 years

### 10. Inventories – Non Current

	31 December 2010 (\$'000)	30 June 2010 (\$'000)
<b>Property Development</b>		
Land – residential and retirement	19,947	27,216

### 11. Interest-bearing loans and borrowings

	Notes	31 December 2010 (\$'000)	30 June 2010 (\$'000)
<b>Current liabilities</b>			
Current portion of secured bank loans	(1)	18,320	3,000
		18,320	3,000
<b>Non-current liabilities</b>			
Secured bank loans	(1)	222,263	222,256
		222,263	222,256
		240,583	225,256

(1) Under the terms of the new banking facility should any of the assets referred to in note 8 be sold, a percentage of the proceeds will be used to immediately repay the Group's senior debt facility. On the basis that assets classified as held for sale are sold within the next 12 months it is expected that approximately \$86 million of non-current senior debt would become due and payable in line with the percentage of net proceeds the financier is entitled to receive.

### Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

#### Consolidated

	Currency	Maturity	Face value at Dec 2010 \$ '000	Carrying amount at Dec 2010 \$ '000	Face value at Jun 2010 \$ '000	Carrying amount at Jun 2010 \$ '000
Secured bank loan <sup>(1)</sup>	AUD	Dec 2013	18,000	18,000	19,500	19,500
Secured bank loan	AUD	Feb 2012	209,592	209,592	197,000	197,000
Secured bank loan	AUD	Dec 2012	7,960	7,960	8,756	8,756
Secured bank loan	AUD	Dec 2012	5,031	5,031	-	-
			240,583	240,583	225,256	225,256

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

### Financing arrangements

At 31 December 2010, the Group's total debt consisted of:

- (i) \$227.8 million including its Tranche A senior debt facility (\$209.8 million) and debt drawn under its Tranche C facility (\$18.0 million). These facilities are with National Australia Bank.
- (ii) \$13 million under its facility with Bendigo and Adelaide Bank.

## Condensed Notes to the Interim Financial Statements

### Financing arrangements (continued)

#### Tranche A – Key Terms

- Facility Limit of \$227.8 million.
- Loan to Value covenant (relating to Tranche A & C) of 69% to maturity.
- Interest coverage ratio covenant of at least 1.5 times investment property net rental income.
- Maturity date of 28 February 2012.

#### Tranche C – Key Terms

- Project specific facility for the Karratha Accommodation Village.
- The facility is fully drawn and has been amortising at \$250,000 per month from January 2009.
- Maturity date of 31 December 2013.

All Tranches are secured over the consolidated entity's investment property portfolio, excluding retirement assets. Refer to note 16 for amendments to this facility that have occurred subsequent to the half year end.

The total cost of drawn debt as at 31 December 2010 for the consolidated entity inclusive of facility fees was 8.70% pa.

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

- \$12 million construction facility for development of the Ballina retirement village (drawn to \$8.8 million). Use of funds from this facility is restricted to land and building construction costs for the Ballina retirement village.
- \$8.5 million facility for partial reimbursement of equity (nil drawn). Release of this facility is contingent on achieving 48 settlements at the Ballina retirement village.
- Loan to Value (LVR) covenant of 50% to maturity.
- Maturity date of December 2012.

Aspen uses interest rate swaps to hedge its exposure to interest rate risks and at 31 December 2010, 71.8% of the senior debt facility was hedged with a weighted average maturity of 2.56 years.

	31 December 2010 (\$'000)	30 June 2010 (\$'000)
<b>Financing facilities</b>		
Secured bank loans	248,320	253,000
<b>Facilities utilised at reporting date</b>		
Secured bank loans	240,583	225,256
Bank guarantees	228	1,221
	240,811	226,477
<b>Facilities not utilised at reporting date</b>		
Secured bank loans	7,509	26,523

## Condensed Notes to the Interim Financial Statements

### 12. Issued Capital

	31 December 2010 (\$'000)	30 June 2010 (\$'000)
Issued capital	412,165	408,422
	No. '000	(\$'000)
Movements in ordinary units on issue		
At 1 July 2010	579,980	408,422
Distribution Reinvestment Plan	8,289	3,743
Share buy back (employee shares)	(16,767)	-
Securities on issue at 31 December 2010 <sup>(1)</sup>	571,502	412,165

<sup>(1)</sup> Included in this balance are 6.3 million securities issued under the Employee Stapled Security Incentive Plan and Executive Director's Long Term Incentive Plan. Their securities are treated as options under AASB 2.

### 13. Investments in equity accounted investees

The consolidated entity accounts for investments in associates using the equity method. The consolidated entity has the following investments in associates using the equity method:

Principal activities		Ownership		Share of associate's net assets equity accounted	
		31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010
Aspen Parks Property Fund	Tourist park investment	12.5%	13.3%	16,986	15,731
Aspen Diversified Property Fund	Commercial property investment	35.8%	35.8%	12,087	11,664
Aspen Dunsborough Lakes Limited	Residential property development	43.2%	43.2%	3,613	3,144
Aspen Whitsunday Shores Pty Ltd	Residential property development	42.1%	42.1%	2,385	2,755
Fern Bay Seaside Village Ltd	Residential property development	45.4%	45.4%	5,045	4,855
St Leonard's Estate Pty Ltd	Residential property development	13.4%	13.4%	3,824	3,585
Aspen Development Fund No 1 Ltd	Diversified property development	47.3%	47.3%	35,116	41,344
				79,056	83,078

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

	31 December 2010 (\$'000)	31 December 2009 (\$'000)
<b>Consolidated</b>		
Share of associate profit/(loss) before income tax	(9,338)	1,413
Share of income tax benefit/(expense)	3,508	(112)
Share of associates' net profit accounted for using the equity method	(5,830)	1,301
Net reversal of impairments of equity accounted investments	2,486	-

## Condensed Notes to the Interim Financial Statements

### 13. Investments in equity accounted investees (continued)

The carrying value of investments in equity accounted investees was reviewed during the half-year ending 31 December 2010. Each investment was treated as a separate cash generating unit and the value-in-use method was used to determine the appropriate impairment. Value-in-use was calculated with reference to independent valuations, and internal management modelling for properties within the associate investments using the fair value principles set out in the accounting policies in the 30 June 2010 financial report, and on the basis that financing requirements will be met to enable the projects to be maintained or completed in accordance with the underlying valuation assumptions.

The pre-tax discount rates used to determine the “value in use” which supports the carrying value of the following investments in associates as at 31 December 2010 are set out below:

<b>Associate</b>	<b>Discount Rate</b>
Aspen Dunsborough Lakes Limited	20%
Fern Bay Seaside Village Ltd	20%
Aspen Development Fund No 1 Ltd	20%

The result of the review is that there was an impairment loss of \$5.3m booked in relation to Aspen Group’s investment in Aspen Development Fund No 1 and a \$7.7m reversal of impairment loss in Fern Bay Seaside Village. At 30 June 2010 Fern Bay Seaside Village had not completed its assessment of its carrying value of inventory, Aspen Group assessed its recoverability and recognised an impairment of the carrying value of its investment in the associate. During the period the associate has recognised an impairment of its Assets. At 31 December 2010 Aspen Group has reversed its previous impairment and now recognised its share of the associate’s loss arising from the impairment. There was no change to the carrying value of investments in any of the other equity accounted associates during the half year ended 31 December 2010 (2009: \$nil).

### Loans to associates

The loan portfolio of \$94.1 million consists of loans to Aspen Group’s funds management entities. A detailed review was performed on the recoverability of all loans to associates. Subsequent to the carrying value assessments at each syndicate level as noted above, all associates were in net asset positions and therefore any loans outstanding are considered fully recoverable at period end. The following at call loans are from the Group and are outstanding at 31 December 2010. These loans have been classified \$7.3 million as current and \$86.8 million as non-current (\$3.5 million current and \$73.0 million non-current at 30 June 2010).

	<b>31 December 2010 (\$'000)</b>	<b>30 June 2010 (\$'000)</b>
Aspen Diversified Property Fund	21,192	21,192
<i>Aspen Living</i>		
Aspen Dunsborough Lakes Ltd	20,749	19,798
Aspen Whitsunday Shores Pty Ltd	12,912	12,300
Fern Bay Seaside Village Ltd	13,074	9,430
St Leonards Estate Pty Ltd	3,264	3,264
Aspen Development Fund No.1 Ltd	22,709	10,513
Other	238	3
	<b>94,138</b>	<b>76,500</b>

## **Condensed Notes to the Interim Financial Statements**

### **14. Related party transactions**

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the Financial Report for the year ended 30 June 2010.

### **15. Financial risk management**

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2010.

### **16. Events subsequent to reporting date**

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

- a) On 11 January 2011 the Group received \$33.3 million in settlement of the sale of 564 St Kilda Road, Melbourne, and as a consequence repaid senior debt of \$15.3 million.
- b) In February 2011 the Group entered into an agreement, which is subject to finance, for the acquisition of the Australian Taxation Office Building ("ATO Building"), within the Central Business District of Adelaide, South Australia. Full details of the transaction were outlined in an announcement to the ASX on 16 February 2011.

The agreement provides for Aspen Group to purchase the land from Aspen Development Fund No.1 ("ADF") and fund the construction of the building that will be developed by ADF. The total cost to Aspen Group on completion of the ATO Building is approximately \$183.7 million, incorporating holding costs calculated at a rate of 9.0% pa on funds provided to ADF for the development. The total net cash outlay for Aspen Group is approximately \$164 million, of which Aspen has already provided \$18 million. The debt component of the total funding requirement is expected to be around \$115 million.

While the acquisition is conditional on securing debt funding, Aspen Group has provided guarantees totalling \$70 million that support ADF's obligations with regard to the development of the building. Of these guarantees, \$60 million are to the builder and are required to keep the development timetable on track and will be fully extinguished once debt funding is in place (refer note 1 (c) for additional information).

- c) On 16 February 2011 the Group obtained agreement for the extension of its existing senior debt facility. The new facility is subject to formal documentation. Key changes to the existing facility are: a) new 3 year term with a maturity date of February 2014; b) total facility LVR covenant reducing from 70% to 60% from 1 July 2011; and additional short term \$15 million guarantee facility expiring 1 July 2011 (included in the LVR covenant).
- d) In February 2011, Aspen Group provided a corporate guarantee to a maximum of \$30 million in respect of ADF's debt facilities. This guarantee is expected to reduce during the term of the facility as development projects within ADF progress and complete.
- e) In October 2010 the Group contracted to sell a parcel of land for \$12 million to Enclave at St Leonards Limited, a residential land syndicate established by Aspen Group which is seeking to raise \$11.5 million from retail investors. This sale is subject to the syndicate achieving a minimum subscription level of \$8.0 million and securing debt finance. As at the date of this report both conditions have been met and the sale of the land is unconditional. The syndication is proceeding with allotment expected in early March 2011 after which the land sale will settle. Based on applications received to date the Group expects to retain a maximum of 25% interest in the syndicate.
- f) On 31 January 2011, the Directors of the Company received a request from Entrust Funds Management Ltd and others ("Requisitioning Securityholders") holding at least 5% of the votes that may be cast at a general meeting that the Directors call and hold a general meeting of the Company. At the meeting, which is to be held on the 24th March 2011, securityholders will vote on seven resolutions. Four of the proposed resolutions are to remove four existing Directors namely Mr Reginald Gillard (Chairman), Mr Gavin Hawkins (Managing Director), Mr Terry Budge (Non-Executive Director) and Mr Frank Zipfinger (Non-Executive Director). Three of the proposed resolutions are to appoint directors nominated by the Requisitioning Securityholders.

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