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## MEDIA RELEASE

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### Aspen Group Records Strong 2008 Financial Result

Aspen Group (ASX:APZ) is pleased to present its full year financial result for the period ending 30 June 2008, highlighted by a record underlying net profit after tax of \$43.82 million.

Key Results Summary	FY08	FY07	Movement
Total Underlying Operating Revenue	\$76.9 m	\$60.0 m	28.2% ↑
Underlying Net Profit After Tax	\$43.8 m	\$33.5 m	30.8% ↑
Underlying Earnings Per Security	17.01 cents	15.62 cents	8.9% ↑
Distributions per security	15.50 cents	12.75 cents	21.6% ↑
Gross assets under management	\$1,447 m	\$1,224 m	18.2% ↑
Net Tangible Assets per security	\$1.41	\$1.32	6.8% ↑
Gearing	33%	31%	6.4% ↑

### Key Highlights:

- ⇒ Continued track record of strong underlying EPS and DPS growth
- ⇒ Strong earnings from multiple revenue streams in property, funds management and investments
- ⇒ Strong uplift in face rents for core office tower properties in Perth and Adelaide CBDs
- ⇒ St.Kilda Rd property secured L'Oreal as major tenant on 10 year lease
- ⇒ Woodside secured as anchor tenant for Aspen Karratha Village development
- ⇒ 47% growth in funds management income
- ⇒ Launch of four new funds – Aspen Villages, Aspen Communities, Aspen Select and Aspen Parks Wholesale
- ⇒ Aspen Parks received 5 star rating from investment research house Morningstar
- ⇒ APZ entry into S&P/ASX 300 index
- ⇒ Further strengthening of management team
- ⇒ Received National Property Council award for “Excellence and Innovation” and first 5 star green star rating for Adelaide CBD office tower developed by ADF No.1 fund

## **Financial Performance**

Aspen has recorded full year underlying EPS growth of 8.9% for the period to 17.01 cents per security, following the sound performance of its property portfolio and continued growth within its funds management division. The result continues the outstanding track record of earnings growth produced by Aspen over the past six years, validating the Group's sound business model.

The underlying rental growth, excluding one off items was up 8%. This was underpinned by the solid performance in the Group's flagship property portfolio, benefiting from the exposure to the strong Perth and Adelaide CBD office markets. Several new leases were completed for the Septimus Roe Square and Currie Street office buildings, resulting in a significant uplift in face rents.

Aspen Group Managing Director Angelo Del Borrello said, "Aspen's active asset management has enabled the Group to capitalise on firm commercial property markets in our core geographical locations".

Funds management income also enjoyed a substantial increase with revenue 47.1% higher at \$35.8 million for the period. The division was boosted by the first full year contribution of its Aspen Development Fund No.1 which was established in May 2007, while the growing asset base of the Group's Aspen Parks and Aspen Diversified funds led to higher management fee income.

Overheads increased in line with the Group's expanding business base, particularly the funds management division. A significant contributor was the incorporation of the Aspen Developments team, which was acquired as part of the ADF No.1 assets in May 2007. Employee costs have also risen to enable future growth in the funds management division with four new funds created during the year. The appointment of a number of senior management has been necessary to establish the framework and drive the operations of these funds with the benefits to be realised in future periods.

Aspen's investment portfolio has again provided a valuable contribution to earnings of \$5.3 million, a 69.6% increase over the previous corresponding period.

Aspen's confidence to increase the distribution rate at the commencement of the period to an annualised 15.5 cents per security was well founded having been maintained throughout the period. This represented an impressive 21.6% increase in full year distribution over the previous corresponding period. Significantly, as per in previous years, distributions were comfortably paid from the Group's underlying earnings reflecting a continuation of Aspen's conservative distribution policy.

"Aspen's ability to maintain its track record of consistent earnings and distribution growth in a more challenging economic climate is sound endorsement of the robust nature of our business," said Mr Del Borrello.

## **Capital Management**

Aspen has maintained a gearing level at the lower end of its target range during the year while achieving moderate growth in assets under management. The Group continues to enjoy sound relationships with its key financiers and has in place a long term core debt facility to October 2011. Approximately 54% of the Group's core debt is hedged, with an average weighted term of 2.6 years at an attractive rate, inclusive of margin, of 6.56%. The Group's total weighted average cost of debt as at year end was 7.46%.

Aspen's growth in size and stature over several years was recognised in March of this year when it was included in the S&P/ASX 300 Index for the first time, a significant milestone for the Group.

## **Property and Investment Portfolio**

Aspen's active property management strategy has proved beneficial to securityholders during the period with solid rental growth across the property portfolio a significant factor in the \$33.67 million uplift in book value of the portfolio.

The Group's two major assets, Septimus Roe Square in Perth and 55 Currie Street in Adelaide, both capitalised on the low vacancy rates in their respective markets. Looking ahead the multi-tenancy nature of both properties is expected to be further rewarded in the coming financial year.

The St Kilda Road office building also enjoyed a valuation uplift following the securing of L'Oreal on a new ten year lease over 51% of the building's net lettable area, mitigating the potential risk created by the departing tenant.

The Group's Alcoa Office building in Booragoon, WA was another property to benefit during the period, as management identified several value-add opportunities for the property.

Mr Del Borrello said, "We continue to work our properties aggressively to ensure maximum value is extracted for securityholders across the portfolio".

The year end review of book values has also resulted in a downward adjustment on three properties where rental growth did not match the softening of capitalisation rate in the those particular markets.

In April, Aspen announced an exciting addition to its portfolio through the development of an accommodation village in Karratha, the major oil and gas centre in the north west of Western Australia. The village will be 90% leased to Woodside who have committed to a 5 year term plus 5 year option, providing a sound income stream in the years ahead. The village is expected to fully tenanted by December 2008.

Aspen's cornerstone investment positions in its funds management entities were valued at \$81.9 million at year end. This portfolio continues to provide the group with income and asset diversity as the size and number of Aspen managed funds continues to grow.

## **Funds Management**

The Funds Management division continues to mature as an integral part of the Group's business model and was again a significant contributor to earnings in the 2008 period. Assets under management topped \$1 billion providing a broader asset base and more diverse revenue stream, reducing the impact of weakness in some property sectors during the year.

Aspen's open-ended funds, Aspen Parks and Aspen Diversified, continue to provide a sound level of underlying income from their maturing asset base, with an expectation that this will increase further during the forthcoming year. The creation of a wholesale, platform friendly version of Aspen Parks has enabled greater platform representation for this Fund and in conjunction with recently receiving a five star rating from independent investment research house Morningstar, is expected to open important new sources of inflows in the coming year.

Mr Del Borrello said, "In addition to providing attractive consistent performance, increased platform representation and a strong distribution team remain key fundamentals to achieving new inflows in both of Aspen's open-ended funds and proposed new funds."

Aspen Living experienced difficult trading conditions during the period with higher interest rates and weak residential markets across the board inhibiting lot sales. Despite this, sound progress was made in planning and construction activity, while retirement community sites were identified and successfully sold at two estates during the period.

Aspen Living retains a strong pipeline of over 4000 urban zoned lots, and remains well positioned to benefit from a pick up in market conditions in what is typically a very cyclical business. As we enter FY09 signs are emerging of a lower interest rates environment, providing a more positive backdrop to reinvigorate lot sales once again.

Aspen Developments completed its first full year of trading, concentrating its efforts on the management of Aspen Development Fund No1 ("ADF No1"). This multi-project development fund achieved a number of positive results during the year and was a significant contributor to funds management earnings. There were however delays experienced on some projects resulting in the deferral of some expected FY08 income into the FY09 period.

"From a non-financial perspective we have harnessed and enhanced the skill set acquired with the ADF No1 assets in May 2007, and this has been utilised to great effect within other business segments, while Aspen's existing core property skills have been of value to several assets within ADF No1", said Mr Del Borrello.

Aspen was delighted to announce the creation of its Aspen Villages and Aspen Communities Property funds during the year, once again demonstrating the Group's capacity to seed assets in order to create sufficient scale for a funds management product. Aspen Villages, which focuses on modular accommodation villages, and Aspen Communities which focuses on built form over 55's living, represent property sectors which Aspen believe have outstanding long term growth prospects, and subsequently excellent investment potential.

"Aspen Villages and Aspen Communities are further evidence of Aspen's ability to bring to market niche investment opportunities for investors, a feature of our funds management division as evidenced by the success of Aspen Parks and other funds", said Mr Del Borrello.

Aspen also launched the Aspen Select Property Fund in the second half of the year and while still in its infancy, promises to be valuable source of funds flow going forward.

## **Summary and Outlook**

The 2008 period has been one of success highlighted by growth in underlying income, appreciation in asset values, growth in funds management assets and the creation of several new exciting funds. Our expectation of continued revenue growth, on the back of higher rental income and an increasingly diverse funds management business, coupled with disciplined overhead management has enabled the Group to maintain its current distribution rate into FY09.

The challenges of the 2008 financial year have been well documented and the Board shares the disappointment of all securityholders in the decline in the Group's security price which has been mirrored by the broader market. That said, the Board remains very confident that the quality of the Aspen business model will underpin the continuation of the Group's impressive performance track record.

Aspen's diverse asset base and talented management team provide a sound framework for Aspen to endure the present challenging market conditions and deliver another positive year for securityholders.

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## **About Aspen Group**

Aspen Group is an ASX listed property investment and funds management group, focused on acquiring quality property assets and creating and managing innovative property funds and syndicates.

Formed in 2001, Aspen has progressed rapidly and is now a member of the S&P/ASX 300 index with assets under management now in excess of \$1.4 billion.

Aspen's core strength lies within the Group's broad expertise across property acquisition, development and management enabling the Group to provide leading edge property solutions.

Aspen directly owns and manages a well diversified portfolio of commercial property assets Australia-wide. The portfolio is spread across the office, industrial and retail sectors and has grown through acquisitions and portfolio revaluations of existing properties driven by a strong property management focus.

Aspen also has developed an outstanding reputation for creating unique and successful funds management products and related services. These managed funds have provided investment opportunities across a broad spectrum of property sectors including tourist parks, residential land subdivisions, CBD office developments, private hospital developments and retirement and accommodation villages.

Aspen continues to source acquisition opportunities for both balance sheet and syndication purposes in order to achieve further growth in both assets and earnings for securityholders.

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