



Aspen Group Limited  
ABN 50 004 160 927

Aspen Property Trust  
ARSN 104 807 767

Level 8, Septimus Roe Square  
256 Adelaide Terrace, Perth  
Western Australia, 6000

Telephone: 08 9220 8400  
Facsimile: 08 9220 8401

Email: [homemail@aspengroup.com.au](mailto:homemail@aspengroup.com.au)

## **ASX ANNOUNCEMENT**

**19 November 2009**

### **Chairman's Address to Annual General Meeting**

When I stood here before you at this point last year, we acknowledged that we were experiencing unprecedented events in global markets. Subsequent to that we saw both equity and direct property markets retreat even further.

The A-REITS index continued to underperform in early 2009 reaching a low in April of this year. Over the same time, property values continued to fall, credit markets contracted further and we saw lenders demand lower levels of gearing from their customers.

The key question many of you no doubt would be asking is how did your Board respond to the market conditions?

The Board took a number of decisive steps early on to address these market conditions. These included:

- In late FY08 we undertook a detailed review of our cost structures and identified a range of cost cutting initiatives, particularly to our largest corporate expense – salaries
- We acted early on reducing our debt levels, through an equity placement in October 2008 and the sale of the Gardentown Shopping Centre asset in January 2009
- By late 2008 we were already speaking to our banks, working with them on ways we could enhance our finance facilities
- Over the course of the next 12 months the executive team tirelessly worked on successfully renegotiating 9 of our debt facilities with our various lenders – mostly on improved terms with longer maturity dates. The Group's core debt funding now has a weighted average debt maturity of 2.8 years and the weighted average debt maturity profile of our Funds under management has increased from 1.5 to 2 years.

We are especially pleased with the strong relationships we have developed over the past year with our banking partners who have supported us through this process.

- We adopted a more conservative distribution policy in December 2008 aimed at preserving cash and ensuring the Group maintained a sustainable level of distributions.

It is worth pointing out that Aspen Group was one of the last LPT's to reduce its distribution levels, and is one of the few remaining groups that retain a quarterly distribution payment, with many reverting to an annual payout.

The decision by the Board to reduce the distribution rate was not taken lightly as we are very cognisant of the reliance by many of our securityholders on receiving distributions. However it was clear given the deteriorating economic climate and focus on debt levels that preservation of cash was of paramount importance.

Our distribution policy is now to pay distributions of around 70% of operating earnings which for FY10 equates to 4.2-4.7 cents per stapled security and still remains very competitive amongst our peers.

- In June 2009 Aspen undertook a 1 for 1.1 rights issue. We conducted a rights issue and not an institutional placement to provide all securityholders the opportunity to participate and this would ensure no dilution to those that participated.

The Board believed the equity raising was a prudent course of action for the following reasons:

- It reduced our gearing and bank debt and allowed us to secure improved facility terms with our lenders
  - It avoided the need for asset sales in a weak market
  - It gave us surplus capacity to take advantage of opportunities that are arising
- We were also successful in recapitalising a number of our Funds under management. We did this by raising new equity as well as through asset sales. These actions have strengthened the balance sheets of the respective entities and will allow us to hold assets as markets recover and undertake future development activity. This will have a positive impact on each respective entity and in turn on Aspen's performance.

So as you can see we have undertaken an exhaustive capital management review over the last 12 months to reposition the Group. This now places us in a sound position moving forward as market conditions start improving.

I'd like to take a moment now to briefly cover the performance of the Group over the past financial year.

- Despite the difficult market conditions, Aspen achieved a satisfactory operating profit of \$33.2 million
- A statutory loss of \$64.7 million was recorded after allowing for accounting standard write downs of \$97.9 million. It is worthwhile noting that 2009 was the first year in your Group's history that double digit earnings growth was not obtained

- Importantly our recurring rental income base continued to grow, and although our funds management business delivered substantially lower profits in 2009, the completion of capital management initiatives now position our funds management business for future growth
- Group gearing has reduced to 30% from a peak of 39% as a result of our capital management initiatives
- We maintained a conservative approach on asset values, independently valuing 100% of investment properties over the 6 month period. We believe this policy reiterates our commitment to ensuring transparency in asset carrying values and addressing investor uncertainty in this regard
- As previously mentioned we've cut costs to ensure we maintain a disciplined cost structure. These initiatives will result in a 20% reduction in general and administrative costs in FY2010 compared to FY2008

I would like to briefly comment on the Group's outlook which Angelo will cover in more detail in his presentation.

Whilst one cannot say for certainty that we are over the worst of the global financial crisis, there is very strong evidence of market sentiment improving. There are also signs that credit markets are easing as support and confidence returns for companies with strong balance sheets, and good prospects.

We have made significant progress this year in resetting our business. We have positioned ourselves well and we have a strong balance sheet, low gearing levels and a sound business model generating recurring property rentals and funds management fees.

Moving forward Aspen remains committed to maintaining a conservative capital management strategy. This will include:

- Keeping an adequate level of headroom under our facilities,
- Maintaining lower gearing levels and
- A distribution policy of around 70% of underlying earnings, equating to 4.2 – 4.7 cps for FY10.

At the current security price of \$0.54, we believe our securities still represent good value compared to our NTA of \$0.71 per security. Moving forward we seek to bridge this gap and create further value through growth of the Group and obtaining recognition for the value of our funds management business.

On behalf of the Board I would like to take this opportunity to recognise and thank all Aspen employees for their hard work and the tremendous commitment they have shown over the past year. One cannot underestimate the amount of resources the team has committed over the past year in steering the Group through these challenging times and

we now look forward to diverting our full attention towards further strengthening and growing the business.

Finally, I would like to thank all our securityholders for your continued loyalty and valued support over the past year.

End

*For further information in relation to this announcement please contact:*

Angelo Del Borrello  
Managing Director, Aspen Group  
Phone: (08) 9220 8400  
Mobile: 0419 335 411

John McGlue  
FD Third Person  
Phone: (08) 9386 1233  
Mobile: 0417 926 915

Or visit [www.aspengroup.com.au](http://www.aspengroup.com.au)

### **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 to now be a member of the S&P/ASX 300 index with assets under management 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.



# 2009 Annual General Meeting Presentation

# Agenda

## **Aspen Overview**

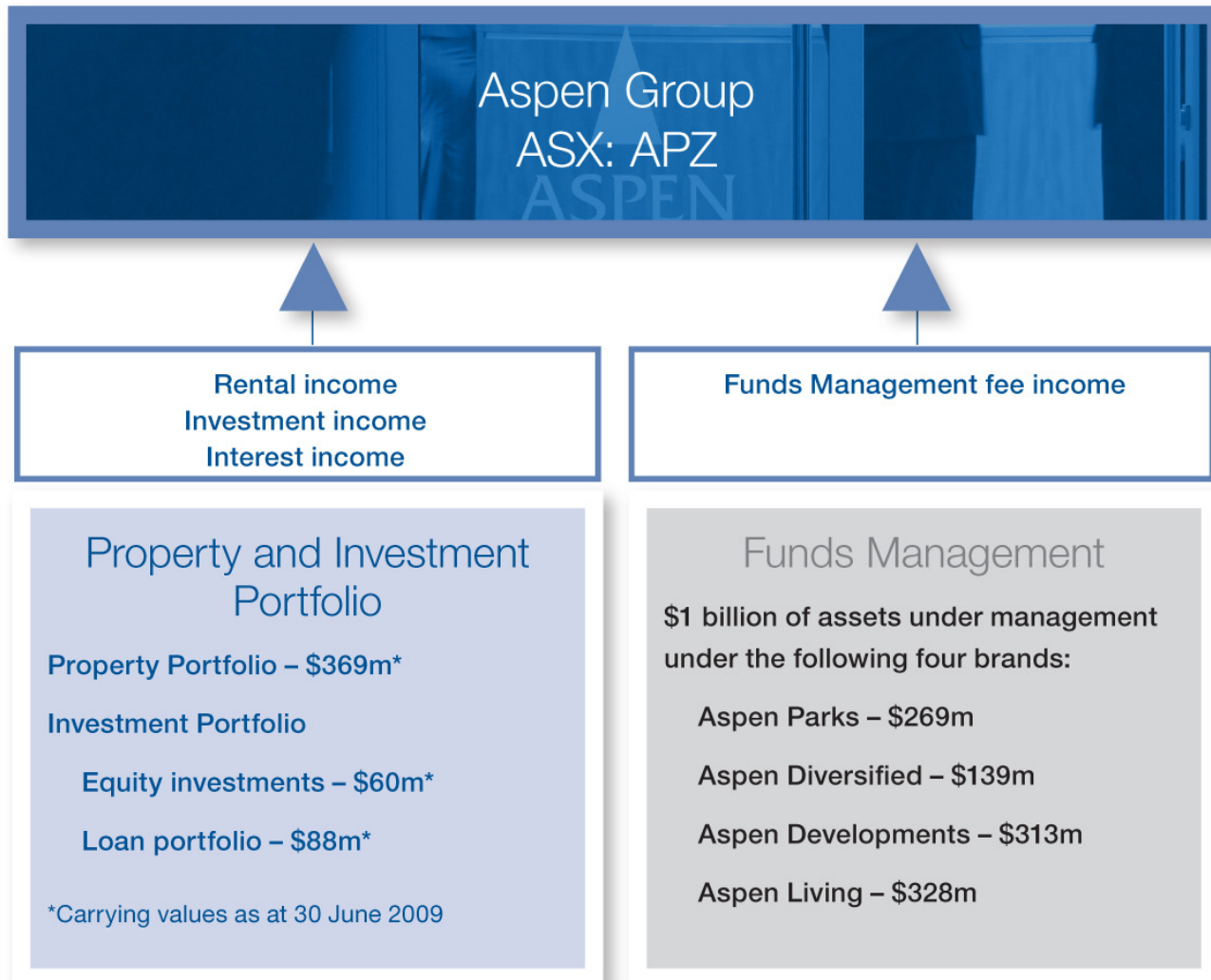
### **Business Fundamentals**

1. 2009 Group Results Summary
2. Financial Summary
3. Capital Management
4. Property Portfolio
5. Funds Management
6. Outlook

### **Questions**

# Aspen Overview

## Corporate Structure



# Aspen Overview

## Business Fundamentals

### Confidence in our asset values



- 100% of headstock assets independently valued Dec 08 – June 09
- Cap rate (excl Karratha) up 220 points to 10.02%
- 89% of AUM independently valued Dec 08 – June 09

### Strengthened balance sheets & long term debt



- Balance sheets strengthened
- Gearing down to 30%, look through gearing 37%
- Enhanced debt facilities across Aspen & Funds
- Funds weighted average debt maturity up to 2 years

### Recurring earnings stream



- Underpinned by a robust property rental portfolio
- Recapitalised funds management business

# 1. 2009 Group Results Summary

- Satisfactory operating profit given difficult market conditions
- Strong operating performance from investment properties
- Funds management income subdued given fewer transactions in funds
- Balance sheet well positioned post June 2009 equity raising
- Gearing reduced to 30% (from a peak of 39%)
- Managed Funds stabilised through successful capital management initiatives
- Up to date independent valuations on 100% of headstock property assets
- APZ has maintained track record of quarterly distributions out of operating profit

## 2. Financial Summary



## 2. Financial Summary

### FY2009 Overview

	FY09	FY08
<b>Financial Performance</b>		
Total revenue	\$70.2m	\$77.3m
Operating profit after tax	\$33.2m	\$43.8m
Statutory profit / (loss) after tax	(\$64.7m)	\$70.8m
Operating earnings per security	11.91 c	18.06 c
Interest Cover (EBITDA / Interest expense)	2.8 times	3.7 times
Distributions per security	9.00 c	15.50 c
<b>Financial Position</b>		
Gearing	30%	33%
Total assets	\$620.8m	\$652.7m
Net tangible assets per security	71 cps <sup>1</sup>	140 cps

<sup>1</sup> NTA excludes non-dilutionary employee securities

# 3. Capital Management



# 3. Capital Management

## Aspen Group Overview

- Completion of capital management initiatives has allowed the Group to negotiate enhanced facility terms with lenders
- Maturity term on senior debt extended to February 2012
- Equity raising reduced bank debt by \$73 million and gearing to 30% (from a peak of 39%)
- FY2010 Interest Cover Ratio +2.5 times on net property income (covenant 1.5 times)
- FY2010 Interest Cover Ratio +3.5 times on an EBIT basis
- Distribution policy of around 70% of operating earnings - paid quarterly
- Disciplined cost structure to deliver c20% cost savings in FY2010 (over FY08)

### 3. Capital Management

#### Summary of Group Facilities

Facility	Facility Limit	Purpose	Maturity	Covenants*
NAB Core Facility	\$213m	Long Term Core Facility	Feb 2012	LVR 69% to maturity
NAB Karratha Facility	\$22.5m	Karratha Village	Dec 2013	LVR as per Core Facility Amortising @ \$250k / month
Westpac	\$7m	Retirement Assets	Dec 2009 <sup>#</sup>	LVR 50%

\* All facilities remain fully compliant with covenants

<sup>#</sup> Currently being renegotiated with a new lender

### 3. Capital Management Managed Funds Overview

- All managed Funds have negotiated enhanced facility terms with lenders
- Weighted average maturity term across all fund facilities extended from 1.5 years to 2.0 years
- All debt facilities remain fully compliant with banking covenants
- Following successful recapitalisation, development funds are in a strong position to advance their respective development projects
- Gearing levels across all managed Funds reduced to more appropriate levels
- Broad range of lenders (Nab, Bankwest, St George, Westpac)

## 4. Property Portfolio



## 4. Property Portfolio

### FY2010 Year to Date & Outlook

#### Year to date

- First quarter results in line with budget with investment properties performing strongly
- Aspen Karratha Village at full occupancy and recording strong cashflows
- Encouraging signs from recent leasing activity

#### Outlook

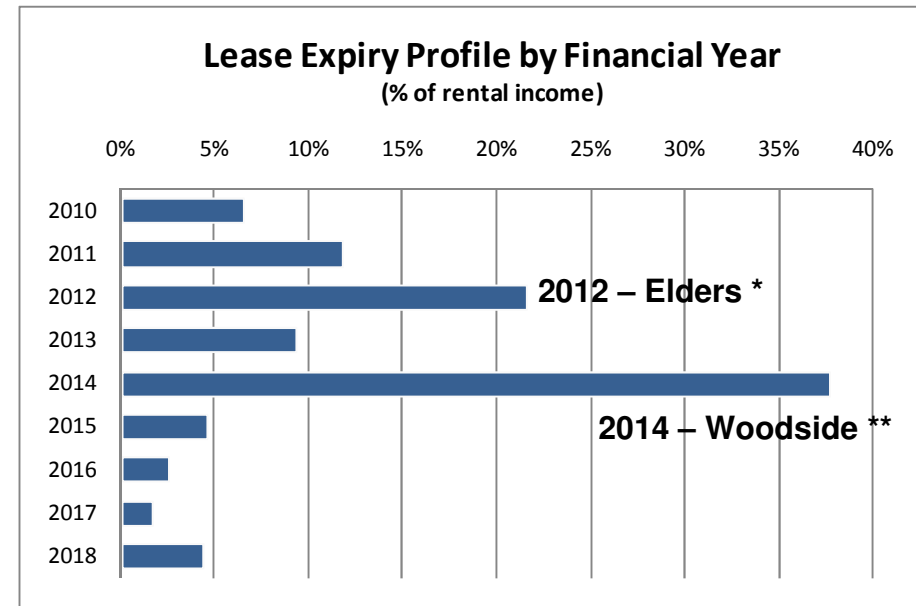
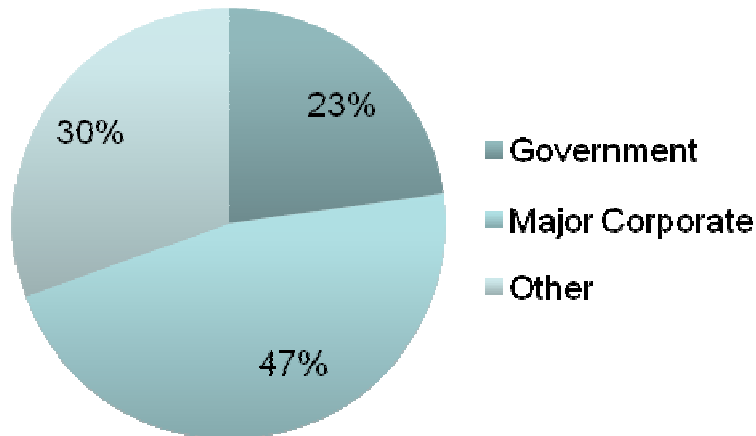
- Investment properties forecast to deliver 8% increase in net rental income in FY2010
- At present, banking covenants can sustain a further 20% fall in investment property values
- Limited lease expiries over next 2 years – being proactively managed by our property team

# 4. Property Portfolio

## Outlook supported by Key Metrics

- Blue Chips account for 70% of tenants
- Occupancy 94%
- WALE 3.6 yrs
- Weighted average cap rate 10.02%

### Income Covenant Profile



\* Key lease expiry mitigated by redevelopment potential of site, being 29 ha's of industrial land 5km from the Fremantle Port

\*\* 5 year option exists post 2014



## 5. Funds Management



# 5. Funds Management

## Divisions Summary

<b>Branding</b>	<b>Aspen Parks</b>	<b>Aspen Diversified</b>	<b>Aspen Living</b>	<b>Aspen Developments</b>
<b>Sector</b>	Tourism and Accommodation	Core Income	Residential Estates	Development Fund Series
<b>Asset value</b>	\$269 million	\$139 million	\$328 million	\$313 million
<b>Aspen ownership</b>	16.7%	35.8%	39% (w. average)	42.5%
<b>GRV</b>	n/a	n/a	\$1.2 billion	\$1.0 billion
<b>Gearing</b>	55%	57%	38%	41%
<b>No of assets</b>	25	10	4	16
<b>Structure (Investors)</b>	Unlisted Stapled (Retail)	Unlisted Trust (Retail)	Unlisted Company (W/sale/ Sophisticated)	Unlisted Company (W/sale/ Sophisticated)
<b>Bank</b>	St George	Nab	Nab & Bankwest	Nab

## 5. Funds Management

### FY2010 Year to Date

- Key recapitalisation initiatives within a number of managed Funds completed in first quarter
- Development funds now well positioned to progress their respective development projects
- Aspen Living syndicates have delivered a significant increase in lot sales (on previous corresponding period)
- Aspen Parks Fund generating strong cashflows from both operations and new equity inflows (inflows up 240% on previous corresponding period)
- Diversified Fund recommenced paying monthly distributions
- The Aspen Development Fund achieved a major milestone with the completion of the Norwest Private Hospital, settlement of the hospital component for \$61m and \$14m of suite sales significantly reducing debt within the Fund

# 5. Funds Management Outlook

## General

- Nil acquisition fees included in FY2010 guidance – so upside exists if any transactional activity
- Funds management fees expected to be skewed to the second half on the back of further development activity in that period

## Aspen Parks

- With easing credit markets, acquisition opportunities are arising
- Conservative level of development activity forecast – continued strong cashflows potentially provide upside to development fees earned
- Seeking further opportunities in resource locations to provide worker accommodation similar to the Aspen Karratha Village

## Aspen Diversified

- Valuation outlook stabilising
- Focus on active management of tenancy leases to maximise property values until investment conditions normalise, valuations improve and the ability to sell assets at valuation returns

# 5. Funds Management Outlook

## Aspen Living

- Stronger contribution expected in FY2010 from Aspen Living as a result of execution of Stage 1 of St Leonards Estate and a revitalised residential sector
- FY2010 will see all 4 residential land developments in development and sales mode
- Additional working capital will allow development of more stock – to meet expected market shortages as a result of low production rates in early FY2009

## Aspen Development Fund

- Pre-tenant being sought for new tower development in Adelaide (Tower 8)
- Development of Currambine retirement village set to commence in 2H FY2010
- Byford residential estate also benefitting from improved residential markets



# 6. Outlook



## 6. Outlook

### Aspen well positioned

- We certainly see some early signs of a recovery across most property markets
- Return of more normalised property fundamentals expected to see less pressure on market values
- Landmark resource projects (Gorgon, Pluto, Iron-Ore projects, Olympic Dam Expansion) expected to benefit the Group as a result of our asset weightings in WA & SA
- Property and investment portfolio performing well, in line with forecast – we continue to focus on asset management and leasing to add value
- Development Funds now well positioned to progress their development projects
- The current security price offers investors competitive returns:
  - At a \$0.52 security price:
    - Earnings yield of between 12% and 13%
    - Distribution yield of between 8% - 9%
  - A 28% discount to NTA of \$0.71

## 6. Outlook

- Operating Earnings guidance for FY2010 remains 6.00 cps to 6.70 cps
- Distribution guidance for FY2010 unchanged - around 70% of operating earnings
- Our focus is on growth in areas where we have a demonstrated track record at generating strong returns
- Potential for return of transactional based fee income – now in a position to prudently review development and acquisition opportunities
- Growth areas include:
  - Progression of development activity within our Funds management business, specifically Aspen Living and Aspen Developments
  - In FY2010 we will now have all 4 residential land developments in development and sales mode
  - Growth in our property portfolio will be underpinned by exposure to the strong outlook for the WA & SA economies
  - Significant development and acquisition opportunities in the Parks Fund
  - The Group will prudently review acquisition opportunities of investment properties at a headstock level as well as new assets for our managed funds



# Questions



# Disclaimer

**This presentation has been prepared by Aspen Group (“Aspen”) and should not be considered in any way to be an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, and neither this document nor anything in it shall form the basis of any contract or commitment. Prospective investors should make their own independent evaluation of an investment in Aspen. Nothing in this presentation constitutes investment, legal, tax or other advice. The information in this presentation does not take into account your investment objectives, financial situation or particular needs. The information does not purport to constitute all of the information that a potential investor may require in making an investment decision.**

**Aspen has prepared this presentation based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Aspen, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.**

**All references to dollar amounts are in Australian currency unless otherwise stated.**