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MEDIA RELEASE

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Aspen Group Announces Solid 2010 Financial Result and Positive Outlook

Aspen Group (ASX:APZ) is pleased to present its 2010 full year financial operating profit after tax of \$33.6 million. The profit result reflected a strong increase in net rental income and reduced corporate overheads, with both factors contributing to a significant improvement in operating cashflow.

Aspen Group Managing Director Mr Gavin Hawkins said the 2010 financial performance was an encouraging result, and in line with previously provided market guidance.

“Aspen’s ability to maintain consistent earnings over the past two years, in what is still a challenging economic climate, is a sound endorsement of the Group’s business model. Furthermore we enter the new financial year with a more streamlined executive team and the right platform to pursue earnings growth,” said Mr Hawkins.

Aspen’s final distribution of 1.05 cps, payable on 25 August 2010, brings the total distributions paid for FY10 to 4.20 cps, reflecting a payout ratio of 70% of operating earnings.

Key Highlights

- ⇒ FY10 Operating EPS and DPS in line with previous guidance
- ⇒ Operating profit before tax increased 23% to \$29.9 million
- ⇒ Statutory profit after tax of \$12.6 million (FY09: loss of \$64.7 million)
- ⇒ Cashflow from operations up 107% to \$31.1 million
- ⇒ Distributions of 4.20 cps from operating earnings of 6.04 cps
- ⇒ Net Tangible Assets of \$0.69 per security

Key Results Summary

	FY10	FY09
Total Operating Revenue	\$71.9 m	\$70.2 m
Operating Profit Before Tax *	\$29.9 m	\$24.4 m
Operating Net Profit After Tax*	\$33.6 m	\$33.2 m
Operating Earnings Per Security	6.04 cents	11.91 cents**
Distributions per security	4.20 cents	9.00 cents
Gross assets under management	\$1.4B	\$1.4B
Net Tangible Assets per security	\$0.69	\$0.71
Gearing	34%	30%

* Operating profit reflects statutory profit adjusted to reflect the Directors’ assessment of the results for ongoing business activities

** FY09 EPS prior to the issue of 276m securities following the June 2009 Rights Issue

OPERATIONAL REVIEW

Property Portfolio

Investment Property Portfolio

- ⇒ 14% increase in net rental income
- ⇒ Valuations have stabilised with only a 1.0% downward movement in FY10 carrying values
- ⇒ Weighted average capitalisation rate steady at 9.4% (excl Karratha)
- ⇒ Weighted average lease expiry (WALE) of 3.1 years
- ⇒ Weighted average occupancy of 94%

Aspen's investment property portfolio continues to perform soundly recording a 14% increase in net rental income over the previous corresponding period (9% on a like-for-like basis). The result was in line with expectations, reflecting astute asset management initiatives undertaken over the past 12-24 months including:

- i. the reversion of sub-market leases to market rates for new tenancies at Septimus Roe (WA);
- ii. contracted rental increases at the Karratha Accommodation Village (WA); and
- iii. achievement of 100% occupancy across the Group's industrial portfolio.

Aspen remains conscious of ensuring the carrying values of its investment properties remain current given the disconnect between various sectors of the property market. As a result, updated independent valuations were obtained during the year on the entire investment property portfolio, resulting in a minor 1% downward revaluation of the portfolio. The weighted average capitalisation rate has remained constant at 9.4% (excl Karratha) reflecting a more stable capitalisation rate environment.

"The investment property portfolio continues to provide a stable recurring revenue platform for the Group, underpinned by quality tenants, and we forecast this to continue into FY11," said Mr Hawkins.

Our focus entering FY11 is to pro-actively engage pending lease expiries, in order to lift the portfolio WALE and de-risk future income streams," said Mr Hawkins.

Direct Development Portfolio

The portfolio comprises \$39.4 million of assets held for future development or recycling. A recent strategic review of the portfolio identified limited ability to achieve necessary scale in the short-term, prompting management to pursue a strategy of recycling the assets through sales or syndication.

"The Group remains committed to maximising returns for investors and a recycling program will allow the Group to redirect funds to more specific and accretive opportunities in the Group's direct investment property business or funds management platforms," said Mr Hawkins.

Funds Management

Funds Management remains an integral part of the Group's business model despite a lower contribution to earnings in FY10. The result was flagged at the half year due to the difficulty in predicting the timing of development projects. While this has detracted from FY10 earnings, it will drive growth in FY11 as key development opportunities move closer to commencement.

Fund assets under management were steady at circa \$1 billion, providing a broad asset base from which to deliver revenue through both ongoing fund management fees and project development fees. Recurring management fees decreased 30% to \$11.3 million whilst non-recurring transactional and performance fees decreased 52% to \$1.4 million for the 12 month period.

As a result of the adoption of independent valuations on property assets in underlying Funds, a post-tax impairment of \$4.9 million was recognised against the carrying value of the Group's equity investments in managed funds.

The following key activities within the division occurred during the year:

Aspen Living

Aspen Living has benefited from a rebound in residential property markets during FY10, with lot settlements 120% higher than FY09. Positive contributions were achieved across all estates, leading to an increased contribution to Group earnings of 134%, albeit off a low FY09 base.

All four residential estates have seen improved sales activity following greater inventory levels and a return to more normalised residential property market conditions. St Leonard's Estate was a standout performer in its first year of release, amassing contracted sales in excess of \$36.6 million since December 2009, with the outlook remaining very promising for this estate.

"Aspen Living is well placed to further improve its earnings contribution in FY11, with over 60% of forecast lot settlements secured by pre-sales, and each estate now better positioned to release new stock to meet growing market demand," said Mr Hawkins.

Aspen Development Fund No.1 Ltd (ADF No.1)

The earnings contribution from ADF No.1 remained lower than prior periods due to new development projects largely going through their planning or pre-development phases. This is set to change in FY11 with imminent construction of two large scale development projects, the Tower 8 development in Adelaide and the Currumbine retirement village in Perth.

The securing of the Australian Taxation Office (ATO) for a 30,000 sqm tenancy within ADF No.1's Adelaide City Central Tower 8 development was a major achievement. This commitment underwrites construction of this building, and significantly unlocks further development opportunities for the remaining sites within this valuable precinct. Construction of Tower 8 is scheduled to commence in the first half of FY11. Planning has also progressed on the Currumbine retirement village with a market tender process for construction of the first stage of independent living units concluded and construction also expected to commence in the first half of FY11.

Aspen Parks Property Fund (APPF)

APPF, which owns and manages 25 properties in the holiday and accommodation park sector, has continued its impressive track record of strong securityholder returns. Strong demand for accommodation at APPF's North West mining parks and solid tourist numbers have underpinned increased earnings for APPF in FY10. In conjunction with a stable asset base, APPF has remained one of the few unlisted property funds in the market to achieve net equity inflows from retail and wholesale investors through the GFC.

Aspen's cornerstone investment position in APPF plus its asset management and performance fee income contributed \$7.5 million in income to the Group. In addition APPF's strong operating cash flow enabled full repayment of the \$20.3 million loan to Aspen Group by the third quarter of the financial year.

APPF's strong earnings and cashflow outlook has resulted in an increased monthly distribution rate from July 2010, equating to a current earnings yield of 8.8% pa, being very competitive against other unlisted property funds.

"APPF's improving capital capacity in FY11 will enable management to seek acquisitive acquisitions at the right price or alternatively execute high value identified development opportunities currently pending within the portfolio," said Mr Hawkins.

Aspen Diversified Property Fund (ADPF)

Aspen has been actively implementing a revised hold/reposition strategy for ADPF during FY10, with significant leasing outcomes achieved. Agreement for a 15 year lease has recently been secured with a new tenant at the Nunawading industrial property, while the Castle Hill retail complex has undergone a major tenant re-mix bringing that property close to full occupancy. Looking ahead management are cognisant of the remaining key leasing risks, most significantly the vacant Henderson industrial property, and hope to mitigate these during the first half of FY11.

The sale of the office building at 2 Bagot Road, Subiaco in June, at above book value, as well as the settlement of two unconditional sales (contracted in the prior year), resulted in a \$26 million net reduction in ADPF's debt level.

A full independent valuation of the portfolio was undertaken in June 2010 resulting in a 2% decline to the value of investment properties. The portfolio's single exposure to soft secondary Sydney office markets was a key factor in the write-down, with the remaining portfolio recording a 0.4% increase in value.

Capital Management

Capital management has remained at the forefront of the Group's priorities. Following a recapitalisation in 2009, the Group has maintained a disciplined approach to cashflow management which has assisted in maintaining an appropriate gearing level throughout the year.

In the short-term, the Group will focus on keeping an appropriate level of gearing within the business, with the Group's target level currently 25-35%.

Weighted average borrowing costs increased by 1% over the corresponding prior period as a result of higher base interest rates. In order to reduce exposure to interest rate risk, Aspen entered into further interest rate swaps during the year, lifting the hedged debt position to 71%.

Summary and Outlook

The 2010 financial year has highlighted the strength of Aspen's business model to deliver sound earnings and distributions for securityholders within subdued market conditions.

Aspen has commenced FY11 well positioned to pursue measured earnings growth. The investment property portfolio will provide a stable revenue platform, APPF is generating strong cash flow and growth opportunities, while strong stock capacity within Aspen Living is set to capitalise on revitalised residential markets. In addition the two significant development projects about to commence within ADF No.1 will generate further growth in funds management income in the years ahead.

Importantly, Aspen has the capacity to grow earnings through the development of its current businesses and greater utilisation of existing assets, thereby presenting valuable and identifiable growth opportunities.

“While we have consolidated during FY10 we will not ignore acquisitions or corporate opportunities that clearly demonstrate an ability to add value to the Group, with our senior executive team encouraged to present all opportunities to the table for vigorous assessment,” said Mr Hawkins.

Aspen’s diverse asset base, organic growth opportunities and strong in-house capabilities provide a sound framework to deliver another positive year for securityholders.

Aspen Group is targeting operating earnings before tax of \$34m in FY11, operating EPS of 6.13 cents per security and a distribution payout ratio of around 70%.

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For further information please contact:

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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 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 holiday and accommodation 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.

Website www.aspengroup.com.au