



## ASX/Media Release

14 September 2016

### ANNUAL REPORT 2016

Astro Japan Property Group (ASX: AJA) advises that the attached Annual Report for the year ended 30 June 2016 is being despatched to securityholders today.

The Annual Report is also available on the Astro Group website at <http://www.astrojapanproperty.com/investor-information/publications/annual-reports-annual-review-booklets/>.

The Astro Group also prepares an Annual Review as an online interactive publication which can be accessed at <http://ar2016.astrojapanproperty.com>. The Annual Review includes additional information about the Astro Group, including its properties in an enhanced interactive environment.

Please refer to the ASX announcement following this release for a copy of the Astro Group Corporate Governance Statement 2016 and ASX Appendix 4G.

**ENDS**

Rohan Purdy  
Company Secretary  
Phone: +61 2 8987 3903 (Australia)

### About Astro Japan Property Group (AJA)

Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 29 retail, office, residential and hotel properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website: [www.astrojapanproperty.com](http://www.astrojapanproperty.com).

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#### Astro Japan Property Group

Astro Japan Property Group Limited ABN 25 135 381 663  
Astro Japan Property Management Limited ABN 94 111 874 563 AFSL 283142  
as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

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## Online Annual Review



### Our Annual Review now resides online.

To view all our properties  
in an enhanced interactive  
environment visit:

[www.astrojapanproperty.com/  
investor-information](http://www.astrojapanproperty.com/investor-information)

The Astro Japan Property Group (Astro Group) comprises Astro Japan Property Trust (ARSN 112 799 854) (AJT), and Astro Japan Property Group Limited (ABN 25 135 381 663) (AJCo) and its controlled entity. Astro Japan Property Management Limited (ABN 94 111 874 563) is the Responsible Entity of AJT.

Through our website, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Astro Group. All press releases, financial reports and other information are available on our website: [www.astrojapanproperty.com](http://www.astrojapanproperty.com)

## Properties featured on the cover





## About Astro Japan Property Group

The Astro Japan Property Group ("Astro Group" or "the Group") is a listed property fund that has a strategy of investing solely in the real estate market of Japan.

The Astro Group comprises the Astro Japan Property Trust ("AJT") and Astro Japan Property Group Limited ("AJCo"), with the units in AJT being stapled to the shares in AJCo on a 'one for one' basis. The stapled securities are quoted on the ASX under the code 'AJA'. The Responsible Entity of AJT is Astro Japan Property Management Limited.

AJT was initially established on 31 January 2005, and listed on the ASX on 4 April 2005. The subsequent formation of the Astro Group occurred on 12 November 2009, at which time the units in AJT were stapled to the shares in AJCo. At 31 August 2016, the Astro Group had 2,380 securityholders and a market capitalisation of approximately A\$436.7 million.

At the time of its listing in 2005, AJT raised \$280 million and acquired interests in a diversified portfolio of 12 office and retail properties located in the central and greater Tokyo area for ¥47 billion (approximately A\$600 million). At 30 June 2016, the Astro Group held interests in a portfolio comprising 27 office, retail and residential properties with a book value of ¥83.0 billion (approximately A\$1.08 billion).

Asset management services in Japan are generally undertaken by the Japanese entity Spring Investment Co., Ltd. ("Spring"), in which the Astro Group has a 25% economic interest. Spring has acted as the Japan asset manager for the Astro Group since inception.

Further information about the Astro Group is on the Group's website, [www.astrojapanproperty.com](http://www.astrojapanproperty.com).



# Astro Japan Property Group Financial Report (Consolidated)

## Annual Financial Report 2016

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## Directors' Report for the year ended 30 June 2016

The Directors of Astro Japan Property Management Limited (ABN 94 111 874 563) ("Responsible Entity"), as the Responsible Entity of Astro Japan Property Trust (ARSN 112 799 854) ("AJT"), present their report together with the consolidated financial statements of the Astro Japan Property Group, for the year ended 30 June 2016. The Astro Japan Property Group ("Astro Group") comprises Astro Japan Property Trust, and Astro Japan Property Group Limited (ABN 25 135 381 663) ("AJCo") and its controlled entity.

For the purposes of this Directors' Report:

- references to 'TK Operator' means each or any of the eight Japanese special purpose companies through which the Astro Group invests in Japan, namely JPT Co. Ltd. (JPT), JPT Corporate Co. Ltd. (JPTC), JPT Scarlett Co. Ltd. (JPTS), JPT Newton Co. Ltd. (JPTN), JPT Omega Co. Ltd. (JPTO), JPT Direct Co. Ltd. (JPTD), JPT August Co. Ltd. (JPTA), and Arabesque S Godo Kaisya (JPTGK); and
- references to 'TK' means the contractual relationship between a TK Operator and AJT, which is documented in a 'TK Agreement'.

### The Astro Japan Property Group

The stapled securities of the Astro Group are quoted on the Australian Securities Exchange under the code AJA and each stapled security comprises one unit in AJT and one share in AJCo. AJT and AJCo are separate legal entities under the *Corporations Act 2001* (Cth) so are therefore required to separately comply with the reporting and disclosure requirements under the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The registered office and principal place of business of the Responsible Entity, AJT and AJCo is Suite 4, Level 10, 56 Pitt Street, Sydney NSW 2000.

### Principal activities

The principal activity of AJT is investment in interests in investment properties. The principal activities of AJCo are ownership of Astro Japan Property Management Limited, the Responsible Entity of AJT and ownership of a 25% economic interest in Spring Investment Co., Ltd, ("Spring" or "Japan Asset Manager"), which is the manager of AJT's Japanese property interests.

### Financial and operating review

The following provides a summary of the Astro Group's performance for the year ended 30 June 2016.

#### Financial results

The Astro Group made a profit after income tax of \$132,134,000 for the year ended 30 June 2016 (30 June 2015: \$43,562,000).

Underlying profit is used to provide a better understanding of the Astro Group's financial performance and comparison of performance between the different financial periods. It is a non-IFRS measure which adjusts the balances that are unrelated to the underlying performance of the business to reflect the Directors' assessment of the Astro Group's underlying business activities having regard to the guidance from ASIC's RG 230 Disclosing Non-IFRS information. These principles include providing a clear reconciliation between statutory profit and underlying profit in the Directors' Report, including both positive and negative adjustments and maintaining consistency between reporting periods. The adjustments include non-cash fair value movements within the financial assets at fair value through profit and loss (representing investments in the TKs), and are detailed in the segment reporting disclosure in Note 18. The adjustments between statutory profit after income tax and underlying profit are set out below (this reconciliation has not been audited in accordance with Australian Auditing Standards):

	Year ended 30/06/2016	Year ended 30/06/2015
	\$'000	\$'000
<b>Profit after tax for the year<sup>1</sup></b>	<b>132,134</b>	<b>43,562</b>
Fair value adjustment to unlisted investments	862	(787)
Foreign currency translation impact on the fair value of the TKs	(82,291)	(3,842)
TK operator share of TK distributions	65	73
Fair value adjustments to investment properties	(19,187)	(21,876)
Fair value adjustments to interest bearing debt	3,815	3,232
Loss/(gain) on disposal of investment properties	193	(4,566)
Expenses associated with TK refinancings	779	4,971
Net foreign exchange gain	(8,510)	(1,152)
Impairment of goodwill	-	400
Deferred tax on fair value adjustments	3,600	6,780
<b>Underlying profit after tax</b>	<b>31,460</b>	<b>26,795</b>

<sup>1</sup>All items below are included in the underlying TKs' fair value determination as set out in Note 18 Segment reporting.

Underlying profit after tax has increased by 17.4% compared to the prior year. The increase in underlying profit after tax results from a strengthening of the average A\$/¥ exchange rate from \$1=¥95.55 during the year to 30 June 2015 to \$1=¥84.98 during the year to 30 June 2016 reflected in an increase in net property income of 16.7% (see 'Financial results - portfolio performance and highlights' below), and savings in borrowing costs, partially offset by higher asset management fees.

## Directors' Report for the year ended 30 June 2016

After adjusting for expenses associated with TK refinancings, borrowing costs are 10.2% lower than in the prior financial year as a result of property disposals and a lower weighted average cost of debt for the full year achieved through refinancing of the entire TK debt book during the prior financial year, partially offset by the borrowing costs of JPTGK (\$408,000 after adjusting for expenses associated with refinancing) which has been included as a reportable segment from 1 July 2015.

Asset management fees are 70.7% higher than in the prior financial year. Asset management base fees have increased 13.5% compared to the prior year reflecting the strengthening of the average A\$/¥ exchange rate and inclusion of the JPTGK asset management base fee from 1 July 2015, offset by the property disposals during the current and prior year. The asset management performance fee of \$5,141,000 is higher than the prior year fee of \$1,500,000, the performance fee reflects the 22.3% (2015: 9.7%) outperformance of the Astro Group (on a total return basis) against the benchmark index (S&P/ASX 200 Property Accumulation Index) for the year.

### Financial results - portfolio performance and highlights

The Astro Group had interests in 27 investment properties at 30 June 2016 (30 June 2015: 31 investment properties).

Net property income (after property expenses) from interests in investment properties is set out below:

	Year ended 30/06/2016 \$'000	Year ended 30/06/2015 \$'000
Retail	30,652	25,161
Office	16,773	15,372
Residential	6,333	5,518
<b>Total net property income from interests in investment properties</b>	<b>53,758</b>	<b>46,051</b>

Net property income has increased by 16.7% compared to the prior year. 4.7% of the increase relates to the contribution to net property income of JPTGK, which has been included as a reportable segment from 1 July 2015, the remainder of the increase reflects the strengthening of the average A\$/¥ exchange rate and reduced energy costs, offset by the sale of four properties during the current year along with the sale of three properties during the prior financial year. On a Yen basis, excluding the disposed of properties and JPTGK, net property income increased by 4.9%.

On 4 August 2015, the Astro Group further increased its economic interest in Arabesque S Godo Kaisya (JPTGK), an entity which owns the Musashino Towers property, from approximately 53% to 64% with an additional equity investment of approximately ¥281 million (\$3,067,000 at \$1=¥91.65). The property comprises the lower floor retail and commercial sections of two high-rise residential towers – Skygate Tower and Skycross Tower - located close to Mitaka station, in western Tokyo. From 1 July 2015 JPTGK has been included as a separate segment for segment reporting purposes, please refer to Note 18 Segment reporting.

On 19 February 2016, Sun Ace Tokugawa, an office property owned by JPTS, was sold for ¥1.37 billion (\$17,076,000 at \$1=¥80.23). The sales price represented a 4.58% premium to the ¥1.31 billion Astro Group book value of the asset as at 31 December 2015. After making repayment of approximately ¥742 million (\$9,248,000) of debt principal, and sale related costs, net proceeds available to the Astro Group are approximately ¥474 million (\$5,908,000). After disposal costs the sale resulted in a net gain of \$36,000.

On 29 February 2016, Yamashitacho, an office property owned by JPTN, was sold for ¥2.1 billion (\$26,026,000 at \$1=¥80.69). The sale price was the same as the most recent ¥2.1 billion Astro Group book value of the asset as at 31 December 2015. After making repayment of approximately ¥1.24 billion (\$15,367,000) of debt principal, and sale-related costs, net proceeds available to the Astro Group are approximately ¥778 million (\$9,642,000). After disposal costs the sale resulted in a net loss of \$896,000.

On 29 March 2016, Sapporo Co-op, a retail property owned by JPTS, was sold for ¥1.1 billion (\$12,870,000 at \$1=¥85.47). The sale price is an 8.9% premium to the most recent ¥1.01 billion Astro Group book value of the asset as at 31 December 2015. After making repayment of ¥709 million (\$8,295,000) of debt principal, and sale-related costs, net proceeds available to the Astro Group are approximately ¥206 million (\$2,410,000). After disposal costs the sale resulted in a net gain of \$590,000.

On 12 May 2016, FT Nihombashi, an office property owned by JPTS, was sold for ¥541.2 million (\$6,760,000 at \$1=¥80.06). The sales price represented a 7.8% premium to the ¥502 million Astro Group book value of the asset as at 31 December 2015. After making repayment of approximately ¥410 million (\$5,121,000) of debt principal, and sale related costs, net proceeds available to the Astro Group are approximately ¥80 million (\$999,000). After disposal costs the sale resulted in a net gain of \$75,000.

Subsequent to the end of the financial year, on 22 August 2016, the Astro Group announced that it had acquired interests in two Japanese hotels for a combined purchase price of ¥1.47 billion (\$19,091,000 at \$1=¥77). The Astro Group's interest in the hotels is held through a new special purpose, property owning Japanese company, KTS&S Co Ltd (JPKT). The assets have been acquired without debt, using part of the Astro Group's free cash. As part of the acquisitions, the Astro Group's Asset Manager has negotiated new 20 year non-cancellable leases for the hotels with an experienced Japanese hotel operator, Kuretakeko.

## Net assets and fair value of investment properties

The net assets of the Astro Group have increased from \$393,041,000 at 30 June 2015 to \$503,340,000 at 30 June 2016. The increase in net assets results predominantly from a strengthening of the Yen spot rate from A\$1=¥93.99 at 30 June 2015 to A\$1=¥76.67 at 30 June 2016 and upward revaluations of the property portfolio.

In accordance with the Astro Group's valuation policy, the Astro Group assessed the fair value of investment properties in the underlying TKs during the year which resulted in a revaluation upward of \$19,187,000 to \$1,081,951,000 (Year ended 30 June 2015: revaluation upward of \$21,876,000 to \$907,566,000). The investment properties are incorporated in the financial assets carried at fair value through profit and loss. The overall increase in the fair value of investment property from \$907,566,000 (including the 53% economic interest held in JPTGK at 30 June 2015) to \$1,081,951,000 has been driven primarily by the strengthening of the Yen, along with upward revaluations and the acquisition of an additional 11% economic interest in JPTGK, offset by the disposal of four properties Sun Ace Tokugawa, Yamashitacho, Sapporo Co-op and FT Nihombashi.

Gearing of the underlying portfolio (interest bearing debt at face value/investment property value, excluding the impact of excess cash) at 30 June 2016 is 59.4% (30 June 2015: 61.1%).

## Capital management

### *Debt refinancing*

On 4 December 2015, the refinancing of the existing ¥2.575 billion (\$28,668,000 at \$1=¥89.82) loan to JPTGK with a new, ten year, senior loan of ¥3.4 billion (\$37,853,000) was completed. The previous loan was scheduled to mature in May 2018. As at 30 June 2016 the Astro Group has a 64% economic interest in JPTGK, which owns the Musashino Towers property.

The new all-in interest rate is a fixed rate of 1.20%, compared to 1.27% under the previous loan. The level of annual amortisation decreases from approximately 1.85% of the old loan to 1% of the new loan, or for the Astro Group's 64% interest to approximately 0.40 cents per security (cps) compared to 0.58 cps under the previous loan. Following the refinance, a surplus of approximately ¥480 million (\$5,344,000) is available to the Astro Group after the payment of expenses and funding loan reserves.

## Business strategies, likely developments and prospects

Investment in Japanese property offers the advantage of attractive net rental returns together with interest on debt at much lower levels than available in Australia. As an investor in Japanese property, the Astro Group relies heavily on the Japanese Asset Manager Spring Investment Co., Ltd. (in which the Astro Group has a 25% economic interest), majority owned by Mr. Eric Lucas, who is also Senior Advisor to the Astro Group Board. The Astro Group's investments are managed by Spring pursuant to the TK contractual arrangements to which the Astro Group is a party, and under the terms of which the Astro Group receives detailed and regular information and communicates directly with Spring. Australian Directors work closely with Mr Lucas to monitor the interests of Astro Group's investors within the framework of the Japanese economy, the Japanese taxation system and the Japanese real estate market.

The primary advantage of having an interest in properties through TK investments in Japan is the attractive net rental returns (which valuers assessed at an average of 5.1% for the Astro Group's portfolio as at 30 June, 2016), together with low cost of debt, which averaged 1.27% for the Astro Group as at 30 June 2016. Accordingly, the capital structure of the Astro Group will generally operate with higher gearing levels than Australian real estate investment trusts, whilst remaining at prudent levels.

However, there are several negative factors which need to be managed, in particular the historic lack of net rental growth and the currency risk. Apart from corporate expenses in Australia, all other revenues and costs are incurred in Japan and assets and liabilities are held in Japan, so that the Astro Group is exposed to significant currency risk with respect to movements in the AUD/JPY exchange rate.

In the periods prior to 2013, the Astro Group had both capital and distribution hedges in place to mitigate currency risk, but the Board has formed the view that it is no longer in the interests of security holders to maintain a capital hedging programme. However, the Astro Group does hedge short term distribution obligations at opportune times in the market. Currency risk is also mitigated to an extent by all interest bearing debt being denominated in Yen.

Capital management is a strong focus of the Japanese Asset Manager and Directors. Debt funding is structured separately for each of the six TKs. As a result of the Japanese Government's record monetary stimulus leading to a more positive view by Japanese banks, the opportunity arose for the Japanese Asset Manager to renegotiate all of the Astro Group's debt during the 2015 financial year, locking in lower interest costs, longer loan periods and significantly reduced loan amortisation obligations. In December, 2015 the debt in JPTGK was refinanced following the Astro Group's increase to a 64% economic interest in that TK.

The Astro Group will continue to seek opportunities to sell non-strategic assets and continue to restructure its property portfolio to minimise tenancy risks and capitalise on improved market conditions for property.



## Directors' Report for the year ended 30 June 2016

One of the various capital management initiatives open to the Directors is whether a transaction involving the sale of some or all of the property portfolio into a newly established Japanese listed property trust would be viable and deliver value to securityholders beyond that available in the current ASX listed structure. Directors believe that Astro Group's strong liquidity position and both recent and long term outperformance against the ASX REIT Index, require any potential JREIT transaction to be done with an appropriate level of execution, cost and reputational risk. Directors and the Japanese Asset Manager will continue to investigate this option and keep the market informed.

### Distributions

Distributions declared and/or paid during the year ended 30 June 2016 were:

Distribution	Year ended 30/06/2016	Year ended 30/06/2015
Final distribution		
▪ Distribution cents per Stapled Security	18.00¢	16.00¢
▪ Payment date	31/08/2016	31/08/2015
Half year distribution		
▪ Distribution cents per Stapled Security	18.00¢	12.50¢
▪ Payment date	29/02/2016	27/02/2015

Distributions per Stapled Security for the year ended 30 June 2016 were 36.00 cents (year ended 30 June 2015: 28.50 cents).

The Astro Group Distribution Reinvestment Plan (DRP) which was implemented on 6 May 2011 was not activated for the distribution for either the six months ended 31 December 2015 or the six months ended 30 June 2016.

### Significant changes in the state of affairs

In the opinion of the Directors, other than the items already noted in the Directors' Report, there were no changes in the state of affairs of the Astro Group that occurred during the financial year under review.

### Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that the Astro Group has complied with all significant environmental regulations applicable to its operations in the jurisdictions in which it operates.

### Matters subsequent to the end of the financial year

As noted above, on 22 August 2016, the Astro Group had acquired interests in two Japanese hotels for a combined purchase price of ¥1.47 billion (\$19,091,000 at \$1: ¥77). The Directors are not aware of any other matter or circumstances occurring since 30 June 2016 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the Astro Group, the results of those operations, or the state of affairs of the Astro Group in subsequent financial years.

### Interests of the Responsible Entity

At 30 June 2016, the Responsible Entity did not hold any securities in the Astro Group (30 June 2015: nil).

### Responsible Entity and Japan Asset Manager's fees

Set out below are the fees paid or payable to the Japan Asset Manager during the year:

	Year ended 30/06/2016	Year ended 30/06/2015
	\$'000	\$'000
Asset management base fee – Japan Asset Manager	5,121	4,512
Asset management performance fee – Japan Asset Manager	5,141	1,500
Transaction fees – Japan Asset Manager	768	799
TK distributions – TK Operator	65	73
<b>Total fees paid or payable</b>	<b>11,095</b>	<b>6,884</b>
The following amounts are owed to the Japan Asset Manager at balance date relating to Asset Management and Transaction Fees	6,168	2,059

No payments to the Responsible Entity are shown as the Responsible Entity is part of the Astro Group.

### Stapled securities on issue

There were 60,652,466 stapled securities on issue as at 30 June 2016 (30 June 2015: 60,652,466). Each stapled security comprises one unit in AJT and one share in AJCo.

## Astro Group assets

At 30 June 2016 the Astro Group held assets with a total value of \$515,818,000 (30 June 2015: \$403,924,000). The basis of recognition of the assets is disclosed in Note 1 Statement of Significant Accounting Policies to the Consolidated Financial Statements.

## Directors

The Directors of the Responsible Entity and AJCo (Directors) at any time during or since the period end are:

### Name, independence status

### and special responsibilities

### Qualifications and experience

<b>Allan McDonald</b> Independent Non-Executive Chairman Member of the Audit, Risk & Compliance Committee Member of the Remuneration Committee	Allan was appointed as a Director of the Responsible Entity on 19 February 2005 and as a Director of AJCo on 20 March 2009.  Allan has extensive experience in the investment and commercial banking fields and is presently associated with a number of companies as a consultant and company director. Allan holds a Bachelor of Economics Degree from the University of Sydney and is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Governance Institute of Australia, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.
<b>Doug Clemson</b> Independent Non-Executive Director Chairman of the Audit, Risk & Compliance Member of the Remuneration Committee	Doug was appointed as a Director of the Responsible Entity and as a Director of AJCo on 31 December 2011.  Doug has extensive financial and commercial experience as a CFO and senior executive of Australian and international companies in the construction, manufacturing and finance fields. He has over 25 years experience as a Director on various listed company and unlisted company boards and he has been the chairman of the audit, risk and compliance committee of ASX listed companies (most recently Infigen Energy Group) since 2002. He is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.
<b>Kate McCann</b> Independent Non-Executive Director Chairman of the Remuneration Committee Member of the Audit, Risk & Compliance Committee	Kate was appointed as a Director of the Responsible Entity and as a Director of AJCo on 31 December 2011.  Kate has extensive financial and commercial experience, with 15 years at McKinsey & Company, including her role as Principal from 1999-2002. Kate has been a non-executive director of private, global and not-for-profit organisations. She is currently a non-executive Director of General Re Australia Ltd and General Re Life Australia Ltd, and is the Chairman of the Remuneration Committee and a member of the Audit Committee of each of those companies.
<b>John Pettigrew</b> Executive Director and Chief Financial Officer	John was appointed as a Director of the Responsible Entity on 19 February 2005 and as a Director of AJCo on 20 March 2009. John became an Executive Director on 1 January 2011 upon his appointment as Chief Financial Officer.  John has extensive financial and commercial experience with a number of major corporations and 36 years involvement in the property industry. John is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Institute of Secretaries, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors. John was Chief Financial Officer and Company Secretary of the Stockland Group from 1977 and Finance Director from 1982 until March 2004. He has had a significant role in structuring and managing listed property trusts since 1980.

Directorships of other listed entities held by Directors during the three years preceding 30 June 2016 are listed below:

Director	Listed Entity	Date appointed	Date ceased
<b>Allan McDonald</b>	Multiplex SITES Trust <sup>1</sup>	22 October 2003	Continuing
	Multiplex European Property Fund <sup>2</sup>	1 January 2010	Continuing
	Brookfield Prime Property Fund <sup>2</sup>	1 January 2010	Continuing
	Brookfield Office Properties Inc. (dual listed on NYSE and TSE)	4 May 2011	3 June 2014
<b>Doug Clemson</b>	-	-	-
<b>Kate McCann</b>	-	-	-
<b>John Pettigrew</b>	Rubicor Group Limited	2 March 2007	22 June 2015

1. Director of the responsible entity, Brookfield Funds Management Limited.

2. Director of the responsible entity, Brookfield Capital Management Limited.

## Directors' Report for the year ended 30 June 2016

### Directors' Meetings

The number of Directors' meetings (including meetings of Committees of the Board) held during the 12 month period ended 30 June 2016, and the number of meetings attended by each Director, are as follows:

Director	Responsible Entity Board		AJCo Board		Audit, Risk & Compliance Committee		Remuneration Committee	
	H	A	H	A	H	A	H	A
Allan McDonald	13	13	13	13	5	5	2	2
Doug Clemson	13	13	13	13	5	5	2	2
Kate McCann	13	13	13	13	5	5	2	2
John Pettigrew	13	13	13	13	-	-	-	-

H – Indicates the number of meetings held while the relevant Director was a member of the Board/Committee

A – Indicates the number of those meetings attended by that Director

### Directors' relevant interests

The names of the Directors in office and the relevant interests of each Director in stapled securities of the Astro Group as at the date of this report are shown below:

Director	Balance at start of year	Change during the year	Balance at end of year
Allan McDonald	40,000	-	40,000
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-
John Pettigrew	-	-	-

### Secretaries

The Company Secretaries of the Responsible Entity and AJCo at any time during or since the 12 month period ended 30 June 2016 are:

<b>Rohan Purdy</b> General Counsel & Company Secretary	Rohan was appointed as Company Secretary of the Responsible Entity on 16 April 2009 and as Company Secretary of AJCo on 20 March 2009. Rohan has extensive experience as a corporate lawyer and company secretary. Rohan previously held positions as a senior lawyer at Babcock & Brown and the Australian Securities Exchange (ASX). Rohan is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. Rohan holds a Master of Laws from the University of Sydney and a Bachelor of Laws degree and Bachelor of Commerce degree from the Australian National University.
<b>John Pettigrew</b> Executive Director, Chief Financial Officer & Company Secretary (alternate)	John was appointed as Company Secretary (alternate) of the Responsible Entity and as Company Secretary (alternate) of AJCo on 1 January 2011.

### Indemnities and Insurance Premiums

Except as set out below, no indemnity was given or insurance premium paid during or since the end of the financial year for a person who is or has been an officer or auditor of the Astro Group.

#### - Indemnities

#### Responsible Entity

The Responsible Entity indemnifies each person who is or has been a Director or Secretary of the Responsible Entity or of a wholly owned subsidiary of the Responsible Entity against any liability incurred by the person in the discharge of their duties as an officer of the Responsible Entity or such other entity (as the case may be), except:

- where the liability arises out of conduct involving a lack of good faith;
- where the liability is owed to the Responsible Entity or a related body corporate; and
- to the extent that the Responsible Entity is precluded by law from indemnifying the officer.

The Responsible Entity also indemnifies each person who is or has been a Director or Secretary of the Responsible Entity or a wholly owned subsidiary of the Responsible Entity for legal costs incurred by the person in obtaining advice for, or conducting or defending an action, or appearing or preparing to appear in that action. This indemnity is also subject to the above exceptions.

The Responsible Entity's Constitution also provides that, to the extent permitted by law, the Responsible Entity indemnifies each person who is or has been a Director or Secretary of the Responsible Entity or of a wholly owned subsidiary of the Responsible Entity against any liability for costs and expenses incurred by that person in defending any proceedings in which judgement is given in that person's favour, or in which the person is acquitted or in connection with an application in relation to any proceedings in which the court grants relief to the person under the law.

## **AJCo**

AJCo indemnifies each person who is or has been a Director or Secretary against any liability incurred by the person in the discharge of their duties as an officer of AJCo, except:

- where the liability arises out of conduct involving a lack of good faith;
- where the liability is owed to AJCo or a related body corporate; and
- to the extent that AJCo is precluded by law from indemnifying the officer.

AJCo also indemnifies each person who is or has been a Director or Secretary for legal costs incurred by the person in obtaining advice for, or conducting or defending an action, or appearing or preparing to appear in that action. This indemnity is also subject to the above exceptions.

AJCo's Constitution also provides that AJCo indemnifies each person who is or has been a Director or Secretary on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the person as an officer of AJCo or of a related body corporate.

No liability has arisen under these indemnities as at the date of this report.

## **- Insurance premiums**

As part of its insurance arrangements, the Astro Group pays insurance premiums in respect of a Directors and Officers Liability insurance contract covering Directors and Officers of the Astro Group and Mr Eric Lucas as Senior Advisor to the Astro Group. Under the terms of the Directors and Officers insurance contract, the Astro Group is prohibited from disclosing the nature of the liabilities indemnified and the amount of the insurance premium paid.

## **Remuneration Report**

Under the *Corporations Act 2001* (Cth) only disclosing entities that are listed companies are required to prepare a Remuneration Report. Accordingly, this report is only required to address remuneration disclosures applicable to AJCo, as AJT is not a listed company. Notwithstanding, this report addresses the remuneration disclosures of the Astro Group, not just AJCo.

This report outlines the remuneration philosophy and framework currently applicable to the Astro Group, in particular how this relates to the Astro Group's senior executives and Directors.

This report relates to the year ended 30 June 2016.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

## **Remuneration Policy & Approach**

The Astro Group aims to attract, retain and motivate highly skilled people to operate the Astro Group in the best interests of its securityholders.

The Astro Group has a formally constituted Remuneration Committee which is currently comprised of the Astro Group's three Independent Non-Executive Directors. Its members during the financial year were Ms Kate McCann (Chair), Mr Allan McDonald, and Mr Doug Clemson. The Remuneration Committee meets annually for the purposes of reviewing and making recommendations to the Astro Group Board on the level of remuneration of the senior executives and the Directors.

The Remuneration Committee endeavours to ensure that the remuneration outcomes strike an appropriate balance between the interests of the Astro Group securityholders, and rewarding, retaining and motivating the Astro Group's executives and the Directors.



# Directors' Report

## for the year ended 30 June 2016

### Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The KMP of the Astro Group for the year ended 30 June 2016 were:

Executive	
Mr J Pettigrew	Executive Director, Chief Financial Officer
Non-Executive Directors	
Mr Allan McDonald	Independent Chairman and Non-Executive Director
Mr Doug Clemson	Independent Non-Executive Director
Ms Kate McCann	Independent Non-Executive Director

### Senior Advisor

The Senior Advisor to the Astro Group, Mr Eric Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Executive Chairman and employs other executives who conduct the asset management activities in Japan. The Japan Asset Manager is not a member of the Astro Group, and as such the remuneration relating to those individuals is not borne by the Astro Group or its securityholders. Mr Lucas and the other executives of the Japan Asset Manager are not considered KMP of the Astro Group.

### Executive remuneration

The executive pay and reward framework has two components:

- Base pay and benefits, including superannuation; and
- Short term incentives.

To determine the total annual remuneration for the executives, the Remuneration Committee conducts an assessment of each executive based on the individual's performance and achievements during the financial year and taking into account the overall performance and achievements of the Astro Group and prevailing remuneration rates of executives in similar positions.

Although the performance of the Astro Group is taken into consideration in the assessment of each executive, the remuneration policy of the Astro Group is more focused on achievement of the Astro Group's internal financial and operational objectives. The Astro Group regards achievement of these objectives as the appropriate criteria for determining remuneration rather than simply measuring relative performance against a market index or an external comparator group.

The following table sets out summary information about the Astro Group's earnings and movements in securityholder wealth for the five years to 30 June 2016:

	2016	2015	2014	2013	2012
Net profit attributable to securityholders of the Astro Group (\$'000)	132,134	43,562	154,820	(12,900)	(44,233)
Earnings per security of the Astro Group (cents)	217.85	65.69	230.35	(20.73)	(75.68)
Underlying profit after tax per security of the Astro Group (cents)	51.87	40.41	40.19	46.53	57.45
Distributions per security of the Astro Group (cents)	36.00	28.50	20.00	17.50	15.00
Security price (\$) as at 30 June	6.87	4.96	4.08	3.00	2.88

#### - Base pay

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience. There are no guaranteed base pay increases in any executive's contracts.

#### - Short term incentive

Any short term incentive (STI) entitlement is entirely at the discretion of the Remuneration Committee and any discretionary STI is determined based on the results of the Remuneration Committee's assessment of each executive having regard to the overall performance of the Astro Group during the financial year. Any STI entitlement is paid in cash. The maximum STI bonus in any year is 30% of base salary. An executive is not entitled to receive an STI bonus if they cease employment with the Astro Group prior to the payment date or provide or receive notice of termination of employment on or prior to the payment date.

## Remuneration of the Executive KMP

**Table 1: Remuneration of the Executive KMP for the period ended 30 June 2016**

Executive	Year	Salary \$	STI \$	Non- monetary benefits \$	Super- annuation \$	Total \$
Mr J Pettigrew	2016	273,777	-	-	19,307	293,084
	2015	267,100	-	-	18,783	285,883
Total remuneration	2016	273,777	-	-	19,307	293,084
	2015	267,100	-	-	18,783	285,883

**Table 2: Remuneration components as a proportion of total remuneration on an annualised basis**

Executive	Fixed remuneration <sup>1</sup> %	STI %	Total %
Mr J Pettigrew	100.00	0.00	100.00

<sup>1</sup> Fixed remuneration consists of salary, non-monetary benefits and superannuation and for the purposes of this table is based on the year ended 30 June 2016.

## Employment Contract for the Executive KMP

The base salary for the executive as at 30 June 2016, in accordance with his employment contract is shown below:

Executive	Base remuneration per employment contract
Mr J Pettigrew	\$ 273,777

The employment contract for Mr Pettigrew contains the following conditions:

<b>Length of Contract</b>	▪ Open-ended
<b>Frequency of base remuneration review</b>	▪ Annual
<b>Benefits</b>	▪ Entitled to participate in Astro Group benefit plans that are made available
<b>Incentive remuneration</b>	▪ Eligible for an award of short term incentive remuneration (if any) as described above
<b>Termination of employment</b>	▪ For Mr Pettigrew, employment can be terminated by either party providing three months' written notice and the Astro Group may elect to pay Mr Pettigrew three months' salary in lieu of notice

## Remuneration of the Non-Executive Director KMP

The following persons were Non-Executive Directors of each of the Responsible Entity and AJCo during the financial year:

Mr Allan McDonald	Independent Chairman and Non-Executive Director
Mr Doug Clemson	Independent Non-Executive Director
Ms Kate McCann	Independent Non-Executive Director

The Astro Group Boards determine the remuneration structure for Non-Executive Directors based on recommendations from the Remuneration Committee. The Non-Executive Directors' individual fees are annually reviewed by the Remuneration Committee taking into consideration the level of fees paid to non-executive directors by companies of a similar size and stature. Fees paid to Non-Executive Directors must fall within the aggregate fee pool approved by securityholders. The current aggregate maximum amount which may be paid to all Non-Executive Directors is \$600,000 per annum, and the aggregate fees currently payable to the Non-Executive Directors per annum is \$329,500 (excluding superannuation). Based on the Remuneration Committee's annual review of Non-Executive Director fees conducted on 18 May 2016, there will be no change to the fees for the 12 month period commencing 1 July 2016.

The Non-Executive Directors receive a cash fee for service. They do not receive any performance based remuneration or any retirement benefits other than statutory superannuation.

Fees paid to the Non-Executive Directors are in respect of their services provided to the Responsible Entity and AJCo.

## Directors' Report for the year ended 30 June 2016

Fees payable to Non-Executive Directors are set out below:

Board/Committee	Role	Fee per annum
Board	Independent Chair	\$136,500
	Director	\$96,500

**Table 3: Remuneration of Non-Executive Directors for the period ended 30 June 2016**

Directors	Year	Short term - salary and fees \$	Superannuation \$	Total \$
Mr Allan McDonald	2016	136,500	12,967	149,467
	2015	136,500	12,968	149,468
Mr Doug Clemson	2016	96,500	9,167	105,667
	2015	96,500	9,168	105,668
Ms Kate McCann	2016	96,500	9,167	105,667
	2015	96,500	9,168	105,668
Total remuneration	2016	329,500	31,301	360,801
	2015	329,500	31,304	360,804

In addition to the above fees, all Non-Executive Directors receive reimbursement for reasonable travel, accommodation and other expenses incurred while undertaking Astro Group business.

### Proceedings on behalf of AJCo

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of AJCo, or to intervene in any proceedings to which AJCo is a party, for the purpose of taking responsibility on behalf of AJCo for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of AJCo with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

### Auditor's independence declaration

The auditor's independence declaration is included on the page following this Directors' Report.

### Non audit services

The Astro Group may decide to engage the auditor, BDO East Coast Partnership, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Astro Group are important.

During the year no non-audit services were provided by the auditor of the Astro Group, BDO East Coast Partnership, and its related practices.

### Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Astro Group under ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191. The Astro Group is an entity to which the Legislative Instrument applies.

Dated 24 August 2016.

Signed in accordance with a resolution of the Directors pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



F A McDonald  
Director

Astro Japan Property Management Limited in its capacity as Responsible Entity of the Astro Japan Property Trust

## Auditor's Independence Declaration



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### DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF ASTRO JAPAN PROPERTY MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF ASTRO JAPAN PROPERTY TRUST

As lead auditor of Astro Japan Property Trust for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Astro Japan Property Trust and the entities it controlled during the year, including Astro Japan Property Group Limited and its controlled entities.

A handwritten signature in black ink, appearing to read 'Ian Hooper'.

Ian Hooper  
Partner

**BDO East Coast Partnership**

Sydney, 24 August 2016

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.





## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	30 Jun 16 \$'000	30 Jun 15 \$'000
<b>Revenue</b>			
Financing revenue	2	93	141
Distribution revenue	3	17,822	39,723
		<b>17,915</b>	<b>39,864</b>
<b>Other income</b>			
Net gains on financial assets held at fair value through profit and loss	16(e)	109,796	7,445
Net foreign exchange gain		8,510	1,152
Other income		160	-
		<b>118,466</b>	<b>8,597</b>
<b>Total revenue and other income</b>		<b>136,381</b>	<b>48,461</b>
<b>Expenses</b>			
Impairment of goodwill	11	-	(400)
Other operating expenses	4	(2,816)	(2,538)
<b>Total expenses</b>		<b>(2,816)</b>	<b>(2,938)</b>
Profit before tax		133,565	45,523
Income tax expense	5	(1,431)	(1,961)
<b>Profit for the year</b>		<b>132,134</b>	<b>43,562</b>
<b>Profit is attributable to:</b>			
Securityholders of AJT		131,221	42,893
Securityholders of other entities stapled to AJT (non-controlling interests)		913	669
<b>Profit for the year</b>		<b>132,134</b>	<b>43,562</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>132,134</b>	<b>43,562</b>
<b>Total comprehensive income attributable to:</b>			
Securityholders of AJT		131,221	42,893
Securityholders of other entities stapled to AJT (non-controlling interests)		913	669
		<b>132,134</b>	<b>43,562</b>
Basic and diluted earnings per ordinary Security available to securityholders of AJT	7	216.35¢	64.68¢

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Financial Position

as at 30 June 2016

	Note	30 Jun 16 \$'000	30 Jun 15 \$'000
<b>Current assets</b>			
Cash and cash equivalents	16	49,511	3,199
Other receivables	8	34,341	40,735
Other assets		279	326
<b>Total current assets</b>		<b>84,131</b>	<b>44,260</b>
<b>Non-current assets</b>			
Financial assets carried at fair value through profit and loss	9	429,003	357,004
Deferred tax asset	10(a)	43	35
Property, plant and equipment		41	25
Intangible assets	11	2,600	2,600
<b>Total non-current assets</b>		<b>431,687</b>	<b>359,664</b>
<b>Total assets</b>		<b>515,818</b>	<b>403,924</b>
<b>Current liabilities</b>			
Payables		483	306
Employee benefits		73	74
Distribution payable	12	10,918	9,705
Current tax liabilities	13	858	412
<b>Total current liabilities</b>		<b>12,332</b>	<b>10,497</b>
<b>Non-current liabilities</b>			
Employee benefits		29	-
Deferred tax liabilities	10(b)	117	386
<b>Total non-current liabilities</b>		<b>146</b>	<b>386</b>
<b>Total liabilities</b>		<b>12,478</b>	<b>10,883</b>
<b>Net assets</b>		<b>503,340</b>	<b>393,041</b>
<b>Equity</b>			
<b>Equity attributable to securityholders of AJT</b>			
Contributed equity	14	601,854	601,854
Accumulated losses	15	(119,884)	(229,270)
<b>Total equity of securityholders</b>		<b>481,970</b>	<b>372,584</b>
<b>Equity attributable to other stapled securityholders</b>			
Contributed equity	14	26,952	26,952
Accumulated losses	15	(5,582)	(6,495)
<b>Total equity of other stapled securityholders</b>		<b>21,370</b>	<b>20,457</b>
<b>Total equity</b>		<b>503,340</b>	<b>393,041</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	30 Jun 16 \$'000	30 Jun 15 \$'000
<b>Cash flows from operating activities</b>			
Realised foreign exchange gains		4,039	1,147
Other operating expenses paid		(2,622)	(2,431)
Financing income		93	141
Japanese withholding and Australian income tax paid		(1,263)	(2,455)
<b>Net cash from/(used in) operating activities</b>	19	<b>247</b>	<b>(3,598)</b>
<b>Cash flows from investing activities</b>			
Investment in financial assets held at fair value through profit and loss	16(e)	(3,195)	(8,819)
Distributions received		65,208	57,211
Purchase of plant, property and equipment		(23)	-
<b>Net cash from investing activities</b>		<b>61,990</b>	<b>48,392</b>
<b>Cash flows from financing activities</b>			
Payment for stapled securities bought back	14	-	(34,215)
Distributions paid		(20,622)	(15,057)
<b>Net cash used in financing activities</b>		<b>(20,622)</b>	<b>(49,272)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>41,615</b>	<b>(4,478)</b>
Cash and cash equivalents at the beginning of the year		3,199	7,672
Effect on exchange rate fluctuations on cash held		4,697	5
<b>Cash and cash equivalents at the end of the year</b>	16	<b>49,511</b>	<b>3,199</b>

The Consolidated Statements of Cash Flows are to be read in conjunction with the Notes of the Financial Statements.

## Consolidated Statement of Changes In Equity

	Note	Equity attributable to securityholders of AJT			Equity attributable to other stapled securityholders		
		Contributed equity \$'000	Accumulated losses \$'000	Total \$'000	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2014</b>		<b>634,440</b>	<b>(254,122)</b>	<b>380,318</b>	<b>28,581</b>	<b>(7,164)</b>	<b>21,417</b>
Profit for the year		-	42,893	42,893	-	669	669
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>42,893</b>	<b>42,893</b>	<b>-</b>	<b>669</b>	<b>669</b>
<b>Transactions with Securityholders in their capacity as Securityholders:</b>							
Distributions paid or provided for	12	-	(18,041)	(18,041)	-	-	-
Stapled security buy-back, inclusive of cost	14	(32,586)	-	(32,586)	(1,629)	-	(1,629)
<b>Balance at 30 June 2015</b>		<b>601,854</b>	<b>(229,270)</b>	<b>372,584</b>	<b>26,952</b>	<b>(6,495)</b>	<b>393,041</b>
<b>Balance at 1 July 2015</b>		<b>601,854</b>	<b>(229,270)</b>	<b>372,584</b>	<b>26,952</b>	<b>(6,495)</b>	<b>393,041</b>
Profit for the year		-	131,221	131,221	-	913	132,134
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>131,221</b>	<b>131,221</b>	<b>-</b>	<b>913</b>	<b>132,134</b>
<b>Transactions with Securityholders in their capacity as Securityholders:</b>							
Distributions paid or provided for	12	-	(21,835)	(21,835)	-	-	-
<b>Balance at 30 June 2016</b>		<b>601,854</b>	<b>(119,884)</b>	<b>481,970</b>	<b>26,952</b>	<b>(5,582)</b>	<b>503,340</b>

The Consolidated Statements of Changes in Equity is to read in conjunction with the Notes to the Financial Statements.



# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

### 1. Statement of significant accounting policies

On 12 November 2009, the units in AJT were stapled to the shares of AJCo (stapled securities) forming the Astro Japan Property Group ("Astro Group"). It is not possible to trade or deal separately in either the shares or units which comprise the stapled securities.

The entities forming the Astro Group are domiciled in Australia.

AJT has been deemed the parent entity of the Astro Group although it is not the legal owner of AJCo. AJT has been deemed the parent entity of the Astro Group on the basis that it was in existence prior to AJCo and has greater net assets than AJCo.

The consolidated financial report of the Astro Group for the year ended 30 June 2016 comprises AJT, and AJCo and its controlled entity (together referred to as the "Astro Group"). AJT and AJCo are separate legal entities under the *Corporations Act 2001* (Cth) so are therefore required to separately comply with the reporting and disclosure requirements under the *Corporations Act 2001* (Cth), Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report was authorised for issue by the Directors on 24 August 2016. The Responsible Entity has the power to amend and reissue this financial report.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of AJT, and AJCo and its 100% controlled entity, Astro Japan Property Management Limited (AJPML). AJPML is a 100% controlled subsidiary of AJCo with a principal place of business in Australia.

For the purposes of these Notes:

- references to 'TK Operator' means each or any of the eight Japanese special purpose companies through which the Astro Group invests in Japan, namely JPT Co. Ltd. (JPT), JPT Corporate Co. Ltd. (JPTC), JPT Scarlett Co. Ltd. (JPTS), JPT Newton Co. Ltd. (JPTN), JPT Omega Co. Ltd. (JPTO), JPT Direct Co. Ltd. (JPTD), JPT August Co. Ltd. (JPTA), and Arabesque S Godo Kaisya (JPTGK); and

- references to 'TK' means the contractual relationship (not a legal entity) between a TK Operator and AJT, which is documented in a 'TK Agreement'.

#### (a) Basis of preparation

The consolidated financial report for the Astro Group as at 30 June 2016 has been prepared on a going concern basis as the Directors of the Responsible Entity, after reviewing AJT's going concern status, have concluded that AJT has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. The Astro Group is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### *Stapling arrangement*

On the formation of the Astro Group on 12 November 2009, the acquisition method of accounting was applied to account for the "deemed acquisition" of AJCo by AJT. AJT recognised goodwill as the difference between (i) the sum of the consideration transferred and any non-controlling interest and (ii) the acquisition value of the identifiable net assets acquired. Since the Astro Group measures its non-controlling interest in AJCo at the proportionate share of AJCo's identifiable net assets, no goodwill arose. Goodwill arose on the acquisition of the Responsible Entity by AJCo.

The consolidated financial information of the Astro Group incorporates the assets and liabilities of AJT and AJCo from the date of the formation of the Astro Group. The results of AJCo have been included in the consolidated statements of comprehensive income of the Astro Group from the date of the formation of the Astro Group. The effects of all transactions between AJCo and other entities within the Astro Group are eliminated in full. The results and equity of AJCo are disclosed separately as a non-controlling interest in the consolidated statements of comprehensive income and consolidated statements of financial position respectively.

#### Financial report

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report is presented in Australian dollars.

The financial report is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Astro Group's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are set out in Note 1(r).

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Astro Group under ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191. The Astro Group is an entity to which the Legislative Instrument applies.

#### **(b) Adoption of new and amended accounting standards**

The Astro Group has adopted all new and amended accounting standards which became effective for annual reporting periods beginning on or after 1 July 2015. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### **(c) Basis of consolidation**

The Astro Group consolidated financial statements comprises the assets and liabilities of all controlled entities and the results of all controlled entities for the financial year. Control is achieved when the Astro Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Astro Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Astro Group are eliminated in full on consolidation.

#### **(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

#### **(e) Foreign currency**

##### **i) Functional and presentation currency**

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Astro Group's functional and presentation currency.

##### **ii) Transactions and balances**

Transactions in foreign currencies are translated at the prevailing foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Australian dollars at the prevailing foreign exchange rate at that date. Foreign exchange differences arising on translation of monetary items are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at prevailing foreign exchange rates at the dates the fair value was determined. Refer to note 16(a)(ii) for details of the Astro Group's foreign exchange hedging policy.

#### **(f) Financial assets held at fair value through profit or loss (FVTPL)**

The Astro Group has designated this group of financial assets and liabilities at FVTPL as the financial instrument is managed and performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Information on the investment is provided internally on that basis to the Astro Group's KMP's.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any capital distribution or interest earned on the financial asset. Fair value is determined in the manner described in note 16(e)(ii).

The Astro Group does not control the TKs as it has neither voting participation nor equivalent contractual rights to direct significant decisions at the TK level. The interests in the TKs are recognised as financial assets carried at fair value through profit and loss. Under the TK Agreements, the Astro Group is entitled to the net assets of the TKs and 99% of the TKs' net profit.

The Astro Group recognises the economic interest in Spring as a financial asset at FVTPL. The determination of fair value requires the Group to apply judgement on significant estimates and assumptions. The valuation methodology has been described in note 16.

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

### (g) Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Astro Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### (h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, and cash on deposit.

### (j) Contributed equity

Stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a security buy-back, those instruments are deducted from equity and the associated securities are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

### (k) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of recoverable goods and services tax (GST).

The Astro Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Astro Group's activities as described below. The Astro Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### i) Distribution revenue

Distribution revenue is recognised in profit or loss on the date the entity's right to receive payment is established.

#### ii) Financing revenue

Interest revenue is recognised in profit or loss on a time proportionate basis, using the effective interest rate method.

All other revenue is recognised on an accruals basis.

### (l) Tax

#### i) Australian income tax - AJT

Under current Australian income tax legislation, AJT is not liable to income tax provided Securityholders are presently entitled to all of the AJT's taxable income at 30 June each year and any taxable gain derived from the sale of an asset is fully distributed to Securityholders. Tax allowances for building, plant and equipment depreciation are distributed to Securityholders in the form of tax deferred components of distributions.

## **ii) Australian income tax - AJCo and other taxable entities**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

## **iii) Tax consolidation - Australia**

AJCo and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity.

## **iv) Japanese withholding tax**

Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20.42% withholding tax on the distribution of profits under TK contracts. The 20.42% withholding tax is the final Japanese tax paid or payable on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have permanent establishment in Japan).

The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20.42% withholding tax described above however, is only imposed on an actual distribution of profit to investors.

On a six monthly basis, once interest bearing debt service costs, required lender reserve payments and retentions for future tenant deposit liabilities have been made, the TK Operator will make cash distributions to the Astro Group. For the most part these distributions can be expected to be taxable income for Japanese tax purposes, and thus subject to withholding tax at a rate of 20.42%, however, the cash available for distribution from the TK may exceed taxable profit for Japanese tax purposes and may therefore be made in part free from Japanese withholding tax as either a return of capital or (if capital has already been fully returned) as a loan from the TK to the Astro Group.

## **v) Deferred tax**

Deferred tax assets and liabilities are recognised for timing differences at the tax rates expected to apply when assets are recovered or liabilities are settled based on the rate which are enacted or substantially enacted for each jurisdiction. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The relevant rate currently enacted in Australia is 30% (2015: 30%).

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the deferred tax provisions in the period in which the determination is made.

## **(m) Distribution payable**

Distributions are paid within three months of each half year end. The half year ends are 30 June and 31 December. Distributions are accrued for when they are declared and no longer at the discretion of the entity, but unpaid at balance date.

## **(n) Other receivables**

Distributions receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## **(o) Earnings per stapled security**

Basic earnings per stapled security is determined by dividing net profit attributable to the Securityholders of the Astro Group by the weighted average number of stapled securities on issue during the reporting period.

Diluted earnings per stapled security is determined by dividing net profit attributable to the Securityholders of the Astro Group by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the financial year.

## **(p) Parent entity financial information**

The financial information for the parent entity, AJT, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements.

## **(q) New accounting standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Astro Group's assessment of the impact of these new standards and interpretations is set out below.



# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

**AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures** (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Astro Group's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The Astro Group is yet to assess its full impact.

**AASB 15 Revenue from Contracts with Customers** (effective from 1 January 2018)

AASB 15 outlines a single comprehensive model to use in accounting for revenue from contracts with customers. It supersedes current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations. The key principle of this Standard is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces more prescriptive and detailed implementation guidance than was included in AASB 118, AASB 111 and the related Interpretations. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Astro Group is yet to assess its full impact.

**AASB 16 Leases** (effective from 1 January 2019)

AASB 16 will replace AASB 117 *Leases*. It requires recognition of a right of use asset along with the associated lease liability where the Astro Group is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting would largely remain unchanged. The standard is not applicable until 1 January 2019 but is available for early adoption for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of the standard. The Astro Group is yet to assess its full impact.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Astro Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The Astro Group does not intend to adopt any of these pronouncements before their effective dates.

### (r) Use of significant estimates and judgements

The Astro Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### i) Cash flow forecasting relating to going concern

The Astro Group has forecast future cash flows for the period of twelve months from the date of authorisation of this financial report in order to support the Astro Group's going concern status. This forecast required the use of assumptions and estimates. Future distributions from the TKs were based on forecasts provided by the Japan Asset Manager. An estimate has been made as to the JPY/A\$ exchange rate prevailing at the date which the distributions will be paid from the TKs.

#### ii) Financial assets held at fair value through profit or loss (FVTPL)

The Astro Group recognises economic interests in TKs as financial assets at FVTPL as per note 1(f). The determination of fair value requires the Astro Group to apply judgement on significant estimates and assumptions. The valuation methodology has been described in note 16(e)(ii).

#### iii) Functional currency

Refer to note 1(e).

Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Astro Group and that are believed to be reasonable under the circumstances.

	30 Jun 16	30 Jun 15
	\$'000	\$'000

## 2. Financing revenue

Interest revenue	93	141
	<b>93</b>	<b>141</b>

	30 Jun 16 \$'000	30 Jun 15 \$'000
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### 3. Distribution revenue

Distribution revenue from TKs	17,822	39,723
	<b>17,822</b>	<b>39,723</b>

### 4. Other operating expenses

#### Other operating expenses includes the following:

Audit fees (Refer Note 6)	167	230
Regulatory and registrar costs	166	147
Employee expenses & Directors fees	1,239	1,216
Superannuation contributions	109	92
Insurance	316	337
Professional fees	141	111
Miscellaneous expenses	89	107
Transaction fees	277	-
Investor and public relations	56	57
Rent & premises expenses	197	195
Travel & accommodation	20	10
Bank charges	39	36
	<b>2,816</b>	<b>2,538</b>

### 5. Income tax expense

#### a) Income tax expense

Current Australian tax	648	467
Current Japanese withholding tax	1,060	1,530
Deferred Australian tax	(277)	(36)
	<b>1,431</b>	<b>1,961</b>

#### b) Reconciliation of tax expense

Profit before income tax	133,565	45,523
Tax expense at the prima facie Australian tax rate of 30%	40,069	13,657
Tax effect of profit attributed to entities not subject to tax	(6,478)	(11,060)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Goodwill impairment	-	120
Fair value adjustments to financial assets held at FVTPL	(32,939)	(2,233)
Distribution income from Spring	(9)	(9)
Overhead costs	5	(8)
	<b>648</b>	<b>467</b>
Japanese withholding tax on distributions from TKs	1,060	1,530
Deferred Australian tax asset on audit accrual	(6)	1
Deferred Australian tax asset on lease incentive	-	1
Deferred Australian tax asset on rent payable	(2)	(3)
Deferred Australian tax asset on employee entitlements	-	(6)
Deferred Australian tax liability on prepayments	(2)	4
Deferred Australian tax liability on fair value movement of financial asset at FVTPL	(267)	(33)
<b>Income tax expense</b>	<b>1,431</b>	<b>1,961</b>

## Notes to the Consolidated Financial Statements

### for the year ended 30 June 2016

	30 Jun 16	30 Jun 15
	\$	\$

#### 6. Auditor's remuneration

##### Audit services:

##### Auditors of the Astro Group

##### BDO East Coast Partnership:

- Audit and review of financial reports	155,996	-
- Australian financial services license audit	4,000	-
- Compliance plan audit	7,000	-
	<b>166,996</b>	<b>-</b>

##### Deloitte Touche Tohmatsu Australia:

- Audit and review of financial reports	-	214,938
- Australian financial services license audit	-	5,356
- Compliance plan audit	-	9,641
	<b>-</b>	<b>229,935</b>

##### Other services<sup>1</sup>:

##### Auditors of the Astro Group

##### Deloitte Touche Tohmatsu:

- Taxation advisory services	-	14,791
- Taxation compliance services	-	37,286
	<b>-</b>	<b>52,077</b>

<b>Total</b>	<b>166,996</b>	<b>282,012</b>
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<sup>1</sup>During the year ended 30 June 2016 there were no fees paid or payable for non-audit services provided by the auditor of the Astro Group, BDO East Coast Partnership, and its related practices.

	30 Jun 16	30 Jun 15
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#### 7. Earnings per stapled security

Basic and diluted	216.35¢	64.68¢
Profit after tax attributable to Securityholders of AJT used in calculating basic and diluted earnings per security (\$'000)	131,221	42,893
Weighted average number of Securities used as denominator in calculating basic and diluted earnings per Security	60,652,466	66,312,686

The weighted average number of Securities used as denominator in calculating basic and diluted earnings per Securities shown above is based on the number of Securities on issue during the period.

The earnings per stapled security measure shown below is based upon the profit attributable to Securityholders of the Astro Group:

Basic and diluted	217.85¢	65.69¢
Profit after tax attributable to Securityholders of the Astro Group used in calculating basic and diluted earnings per security (\$'000)	132,134	43,562
Weighted average number of Securities used as denominator in calculating basic and diluted earnings per Security	60,652,466	66,312,686

The weighted average number of Securities used as denominator in calculating basic and diluted earnings per Securities shown above is based on the number of Securities on issue during the period.

	30 Jun 16	30 Jun 15
	\$'000	\$'000

#### 8. Other receivables

##### Current

Distribution receivable from TKs	34,341	40,735
	<b>34,341</b>	<b>40,735</b>

As at 30 June 2016, the above receivable is not past due or impaired.

	30 Jun 16 \$'000	30 Jun 15 \$'000
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## 9. Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets carried at fair value through profit and loss	429,003	357,004
	<b>429,003</b>	<b>357,004</b>

Astro Group's economic interest in various TKs in Japan are recognised as financial assets carried at fair value through profit and loss. An overview of the valuation methodology relating to financial assets carried at fair value through profit and loss is included in note 16(e)(ii).

## 10. Deferred taxes

### (a) Deferred tax assets

The balance comprises temporary differences attributable to:

Employee entitlements	22	22
Audit accrual	16	10
Rent payable	5	3
	<b>43</b>	<b>35</b>

#### Movements:

Opening balance at beginning of year	35	28
Credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	8	7
<b>Closing balance at the end of the year</b>	<b>43</b>	<b>35</b>
<b>Deferred tax expected to be recovered within 12 months</b>	<b>38</b>	<b>32</b>
<b>Deferred tax expected to be recovered after more than 12 months</b>	<b>5</b>	<b>3</b>

### (b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Prepayments	16	18
Fair value movement of financial asset at FVTPL	101	368
	<b>117</b>	<b>386</b>

#### Movements:

Opening balance at beginning of year	386	415
Credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(269)	(29)
<b>Closing balance at the end of the year</b>	<b>117</b>	<b>386</b>
<b>Deferred tax expected to be settled within 12 months</b>	<b>16</b>	<b>18</b>
<b>Deferred tax to be settled after more than 12 months</b>	<b>101</b>	<b>368</b>

	Software \$'000	Goodwill \$'000	Total \$'000
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## 11. Intangible assets

### Year ended 30 June 2015

Opening balance	-	3,000	3,000
Impairment charge	-	(400)	(400)
<b>Closing net book amount</b>	<b>-</b>	<b>2,600</b>	<b>2,600</b>

### At 30 June 2015

Cost	48	15,000	15,048
Accumulated amortisation and impairment	(48)	(12,400)	(12,448)
<b>Net book amount</b>	<b>-</b>	<b>2,600</b>	<b>2,600</b>

### Year ended 30 June 2016

Opening balance	-	2,600	2,600
Impairment charge	-	-	-
<b>Closing net book amount</b>	<b>-</b>	<b>2,600</b>	<b>2,600</b>

### At 30 June 2016

Cost	48	15,000	15,048
Accumulated amortisation and impairment	(48)	(12,400)	(12,448)
<b>Net book amount</b>	<b>-</b>	<b>2,600</b>	<b>2,600</b>

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

### a) Impairment test for goodwill

All of the goodwill is attributable to AJCo's investment in AJPML and relates to AJPML's management rights with respect to its role as responsible entity of AJT.

Management have deemed there should be no impairment to the carrying value of goodwill as at 30 June 2016 due to the calculated recoverable amount of the goodwill being in excess of the carrying value.

The recoverable amount of the goodwill is based on fair value less costs to sell calculated on a net present value basis, this would be included at level 3 in the fair value hierarchy shown in note 16(e)(i). AJPML operates on a cost recovery basis and is forecast to make nil profit for the foreseeable future. To calculate the net present value of goodwill the management of the Astro Group has adopted a methodology which assumes a "market" level of base fee income to arrive at a theoretical recurring profit after tax level and then calculates the net present value based on a discount rate of 12%, this rate is based upon the ten year risk-free rate plus an equity risk premium. The theoretical "market" value of base fees (27.5 basis points) to calculate the value of goodwill is based upon a reasonable market rate for Responsible Entity fees as evidenced in the market. Budgeted cash flows are projected over a ten year period as management fees are assumed to be receivable for at least that time period. The valuation assumes nil growth in the gross asset value based on a long-term growth trend adjusted for future divestments and an increase in AJPML's overheads of 2.5% per annum based upon budgeted figures.

	30 Jun 16 \$'000	30 Jun 15 \$'000
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### 12. Distribution/dividends paid and payable

Half year distribution paid	10,917	8,336
Final distribution payable at year end	10,918	9,705
	<b>21,835</b>	<b>18,041</b>

#### Ordinary Securities

The final distribution for the year ended 30 June 2016 of 18.0 cents per security (\$10,918,000) (2015: 16.0 cents (\$9,705,000)) is payable on or around 31 August 2016 (2015 – 31 August 2015).

The half year distribution for the year ended 30 June 2016 of 18.0 cents per security (\$10,917,000) (2015: 12.5 cents (\$8,336,000)) was paid on 29 February 2016 (2015: 27 February 2015).

No dividends have been paid or declared for the financial year 2016 from the AJCo Group (2015: \$nil).

#### Franked dividends

The franked portions of any final dividends declared after 30 June 2016 may be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2017.

Franking credits available for subsequent financial years based on a tax rate of 30% (2015 - 30%)	1,021	823
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

### 13. Current tax liabilities

Japanese withholding tax	416	167
Australian income tax	442	245
	<b>858</b>	<b>412</b>

	30 Jun 16 No. of Units	30 Jun 15 No. of Units
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### 14. Contributed equity

Number of securities on issue	<b>60,652,466</b>	<b>60,652,466</b>
<b>Movements in number of securities</b>		
Number at beginning of financial year	60,652,466	67,211,752
Stapled security buy-back	-	(6,559,286)
<b>Number at end of financial year</b>	<b>60,652,466</b>	<b>60,652,466</b>

	AJT \$'000	Other stapled securityholders' interest \$'000	Total \$'000
<b>Movements in contributed equity</b>			
Balance at 1 July 2014	634,440	28,581	663,021
Stapled security buy-back, inclusive of cost	(32,586)	(1,629)	(34,215)
<b>Balance at 30 June 2015</b>	<b>601,854</b>	<b>26,952</b>	<b>628,806</b>
Balance at 1 July 2015	601,854	26,952	628,806
<b>Balance at 30 June 2016</b>	<b>601,854</b>	<b>26,952</b>	<b>628,806</b>

The Astro Group's securities are classified as equity and issue costs are recognised as a reduction of the proceeds of issues.

The Astro Group's securities have no par value and the Astro Group does not have a limited amount of authorised capital.

In accordance with the Constitution of each of AJT and AJCo each securityholder is entitled to receive distributions as declared from time to time. In accordance with AJT's Constitution, each unit in AJT represents an undivided interest in AJT and does not extend to a right to the underlying assets of the AJT.

It is generally expected that General Meetings of securityholders of AJT and General Meetings of securityholders of AJCo will be held concurrently where proposed resolutions relate to the two entities. Voting rights of securityholders at General Meetings are outlined below.

At General Meetings of securityholders of AJT:

- on a show of hands each securityholder who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a securityholder has one vote; and
- on a poll, each securityholder who is present in person has one vote for each dollar of the value of securities in AJT held by the securityholder. Also, each person present as proxy, attorney or duly appointed corporate representative of a securityholder has one vote for each dollar of value of the securities in AJT held by the securityholder that the person represents.

At General Meetings of securityholders of AJCo:

- on a show of hands each securityholder who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a securityholder has one vote; and
- on a poll, each securityholder who is present in person has one vote for each security they hold. Also, each person present as a proxy, attorney or duly appointed corporate representative of a securityholder has one vote for each security held by the securityholder that the person represents.

	AJT \$'000	Other stapled securityholders' interest \$'000	Total \$'000
<b>15. Accumulated losses</b>			
Balance at 1 July 2014	(254,122)	(7,164)	(261,286)
Net profit for the year	42,893	669	43,562
Distributions paid and payable to stapled securityholders	(18,041)	-	(18,041)
<b>Balance at 30 June 2015</b>	<b>(229,270)</b>	<b>(6,495)</b>	<b>(235,765)</b>
Balance at 1 July 2015	(229,270)	(6,495)	(235,765)
Net profit for the year	131,221	913	132,134
Distributions paid and payable to stapled securityholders	(21,835)	-	(21,835)
<b>Balance at 30 June 2016</b>	<b>(119,884)</b>	<b>(5,582)</b>	<b>(125,466)</b>

## 16. Financial risk management

The Astro Group's principal financial instruments comprise cash, receivables, financial assets carried at fair value through profit and loss, payables, and distributions payable.

The Astro Group's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk and liquidity risk.



## Notes to the Consolidated Financial Statements for the year ended 30 June 2016

This note presents information about the Astro Group's exposure to each of the above risks, the Astro Group's objectives, policies and processes for measuring and managing risk and the Astro Group's management of capital. Further quantitative disclosures are included through these consolidated financial statements.

The Astro Group Boards have overall responsibility for the establishment and oversight of the Astro Group's risk management framework. The Boards have established an Audit, Risk & Compliance Committee (ARCC), which is responsible for monitoring the identification and management of key risks to the business. The ARCC meets regularly and reports to the Boards on its activities.

The Board has established Treasury Guidelines outlining principles for overall risk management and policies covering specific areas, such as mitigating foreign exchange, interest rate and liquidity risks.

The Astro Group's Treasury Guidelines provides a framework for managing the financial risks of the Astro Group with a key philosophy of risk mitigation.

The Astro Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, ageing analysis for credit risk and cash flow forecasting for liquidity risk.

Previously the Astro Group had a policy of hedging future JPY distributions back to AUD, however the Board views the benefits of this policy – providing medium term predictability as to the AUD level of distributions despite short-term exchange rate movements – to have been outweighed by the cost of hedging and market uncertainty as to potential hedge terminations. The Board continues to review the hedging policy to achieve a balance between these considerations and is constrained by the absence of banks or investment banks prepared to take counter-party positions.

There have been no other significant changes in the types of financial risks or the Astro Group's risk management program (including methods used to measure the risks) since the prior year.

### a) Market Risk

Market risk refers to the potential for changes in the value of the Astro Group's financial instruments or revenue streams from changes in market prices. There are various types of market risks to which the Astro Group is exposed including those associated with interest rates, currency rates and equity market price.

#### (i) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.

	30 June 2016		30 June 2015	
	Weighted avg interest rate %	Balance \$'000	Weighted avg interest rate %	Balance \$'000

As at reporting date, the Astro Group had the following interest bearing assets:

#### Assets

Cash and cash equivalents

- Balances held in Australia <sup>1</sup>	0.12%	49,511	1.86%	3,199
<b>Total cash and cash equivalents</b>		<b>49,511</b>		<b>3,199</b>

<sup>1</sup>The equivalent of \$46,726,000 (2015: \$195,000) was held in Japanese Yen.

#### Interest Rate Sensitivity

At reporting date if Australian interest rates had been 50bps higher/lower and all other variables were held constant, the impact on the Astro Group would be:

	Increase by 50 bps		Decrease by 50 bps	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Net profit/(loss)</b>				
Cash and cash equivalents	14	15	(14)	(15)
<b>Impact on total net profit/(loss)</b>	<b>14</b>	<b>15</b>	<b>(14)</b>	<b>(15)</b>

At reporting date if Japanese interest rates had been 20bps higher/lower and all other variables were held constant, the impact on the Astro Group would be:

	Increase by 20 bps		Decrease by 20 bps	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Net profit/(loss)</b>				
Cash and cash equivalents	84	-	(84)	-
<b>Impact on total net profit/(loss)</b>	<b>84</b>	<b>-</b>	<b>(84)</b>	<b>-</b>

## (ii) Currency risk

The Astro Group's principal activity is investing in interests in Japanese real estate. As a result, the Astro Group is exposed to significant currency risk with respect to movements in the AUD/JPY exchange rate.

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Astro Group's functional currency, AUD, and from net investments in foreign operations. The risk is measured using cash flow forecasting and sensitivity analysis.

## Capital hedges

Under the revised Treasury Guidelines hedging is to be undertaken for a maximum individual term of 10 years with no minimum proportion of the Astro Group's net investment in JPY denominated assets.

At balance date the Astro Group had no cross currency hedges with an Australian dollar notional principal.

## Currency sensitivity

At reporting date if the AUD/JPY foreign exchange rate had been 10% higher/lower and all other variables were held constant, the impact on the Astro Group would be:

	Increase by 10%		Decrease by 10%	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Net profit/(loss)</b>				
Cash and cash equivalents	(4,248)	(18)	5,192	22
Trade and other receivables	(3,122)	(3,703)	3,816	4,526
Financial assets carried at fair value through profit and loss	(39,000)	(32,455)	47,667	39,667
<b>Impact on total net profit/(loss)</b>	<b>(46,370)</b>	<b>(36,176)</b>	<b>56,675</b>	<b>44,215</b>

## b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

## Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 Jun 16	30 Jun 15
	\$'000	\$'000
Cash and other cash equivalents	49,511	3,199
Distribution receivable from TKs	34,341	40,735
	<b>83,852</b>	<b>43,934</b>

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the consolidated financial statements on a net basis. Details of the Astro Group's contingent liabilities are disclosed in Note 17.

At balance date there were no significant concentrations of credit risk, other than all cash being held with a single institution, however the institution has a Standard & Poor's AA long-term credit rating.

No allowance has been recognised for the distribution receivable from related parties. Based on historical experience, there is no evidence of default from these counterparties which would indicate that an allowance was necessary.

## Impairment losses

The ageing of trade and other receivables at reporting date is detailed below:

	30 Jun 16	30 Jun 15
	\$'000	\$'000
Not past due	34,341	40,735
Past due 0-30 days	-	-
Past due 31- 60 days	-	-
Past due 61+ days	-	-
<b>Total</b>	<b>34,341</b>	<b>40,735</b>

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

### c) Liquidity risk

The Astro Group manages liquidity risk by maintaining sufficient cash including working capital and other reserves.

The following are the undiscounted contractual cash flows of derivatives and non derivative financial liabilities shown at their nominal amount.

2016 - \$'000						
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Contractual cash flows	Carrying amount
<b>Non derivative financial liabilities</b>						
Payables	(483)	-	-	-	(483)	(483)
Distribution payable	(10,918)	-	-	-	(10,918)	(10,918)
	<b>(11,401)</b>	-	-	-	<b>(11,401)</b>	<b>(11,401)</b>

2015 - \$'000						
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Contractual cash flows	Carrying amount
<b>Non derivative financial liabilities</b>						
Payables	(306)	-	-	-	(306)	(306)
Distribution payable	(9,705)	-	-	-	(9,705)	(9,705)
	<b>(10,011)</b>	-	-	-	<b>(10,011)</b>	<b>(10,011)</b>

### d) Capital risk management

The Astro Group maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for Securityholders and to maintain an optimal capital structure. The capital structure of the Astro Group consists of equity as listed in Note 14.

To achieve the optimal capital structure, the Board may use the following strategies: amend the distribution policy of the Astro Group; issue new securities through a private or public placement; activate the Distribution Reinvestment Plan (DRP); issue securities under a Security Purchase Plan (SPP); conduct an on-market buyback of securities; acquire debt; or dispose of investment properties.

#### *Australian Financial Services License*

The Responsible Entity is licensed as an Australian Financial Services Licensee.

Under licence condition 5, the Responsible Entity must:

- (a) be able to pay its debts as and when they become due and payable; and
- (b) show in its most recent statement of financial position lodged with ASIC that its total (adjusted) assets exceed total (adjusted) liabilities; and
- (c) have no reason to suspect that its total (adjusted) assets would not exceed total (adjusted) liabilities on a current statement of financial position; and
- (d) meet the cash needs requirement by complying with Option 1

Under licence condition 6, the Responsible Entity must maintain net tangible assets (NTA) of not less than 0.5% of AJT's total assets.

Under licence condition 9, the Responsible Entity must maintain at least \$50,000 in surplus liquid funds.

The Responsible Entity has satisfied all capital requirements of the licence, during the year.

The Responsible Entity had at all times a cash flow projection of at least 12 months showing its ability to meet debts as and when they fall due.

In order to comply with the NTA requirement and to maintain or adjust the capital structure, the Responsible Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### e) Fair values of financial instruments

The Astro Group recognises the following financial assets and liabilities at fair value on a recurring basis:

- Financial assets and liabilities carried at fair value through profit and loss

#### (i) Fair Value Hierarchy

The Astro Group has adopted the classification of fair value measurements into the following hierarchy as required by AASB 13 *Fair Value Measurement* and AASB 7 *Financial Instruments: Disclosures*:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Astro Group's interests in the TKs are recognised as financial assets at fair value through profit and loss, and represents the Astro Group's interest in the net assets of the TKs. The Astro Group has determined that the classes of financial assets are the underlying TKs. The information below aggregates the TKs into a single balance, as the fair value movements are materially consistent across the TKs. The following tables present the Astro Group's financial assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015:

30 Jun 2016 - \$'000				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets carried at fair value through profit and loss				
Unlisted investments	-	-	429,003	429,003
<b>Total assets</b>	-	-	<b>429,003</b>	<b>429,003</b>

30 Jun 2015 - \$'000				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets carried at fair value through profit and loss				
Unlisted investments	-	-	357,004	357,004
<b>Total assets</b>	-	-	<b>357,004</b>	<b>357,004</b>

The Astro Group holds no Level 1 or Level 2 financial assets or liabilities. The carrying amounts of payables and other receivables are assumed to approximate their fair values due to their short-term nature.

#### (ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in Level 3 instruments for the periods ending 30 June 2016 and 30 June 2015 for recurring fair value measurements:

	Unlisted investments <sup>1</sup> \$'000	Total \$'000
<b>Level 3 fair value movement</b>		
Balance at 1 July 2014	390,526	390,526
Investments in TKs	8,819	8,819
Capital returns from TKs	(49,786)	(49,786)
Net fair value gain through profit and loss	7,445	7,445
<b>Balance at 30 June 2015</b>	<b>357,004</b>	<b>357,004</b>
Balance at 1 July 2015	357,004	357,004
Investments in TKs	3,195	3,195
Capital returns from TKs	(40,992)	(40,992)
Net fair value gain through profit and loss	109,796	109,796
<b>Balance at 30 June 2016</b>	<b>429,003</b>	<b>429,003</b>

<sup>1</sup>The fair value of the unlisted investments with investment properties has been determined by reference to the fair value of the underlying assets and liabilities of the TKs. There is no premium or discount allocated to the TK itself. The main driver of fair value is investment property where the fair value is determined by a discounted cash flow model. The key unobservable inputs of the model have been identified as discount rate and terminal yield, the range of discount rates used was 4.0% to 6.3% and the range of terminal yields used was 4.4% to 7.7%. The fair value of the unlisted investment with no underlying investment properties is based on a discounted cash flow analysis. The fair value of the unlisted investments is determined in Japanese Yen and translated to Australian Dollar at the relevant period end foreign exchange rate. The sensitivity on changes to these key unobservable inputs is presented below. Other material drivers of the fair value of the unlisted investments include debt, tax and working capital balances. The fixed interest portion of debt is carried at fair value, determined by a discounted cash flow model, carrying value of floating rate debt is determined to be approximately equal to its fair value, as the TKs are financed at market rates. The carrying value of tax and working capital balances are a close approximate to fair value, given the nature of those balances.

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

### Sensitivity on changes in fair value of Level 3 financial instruments

The table below summarises the impact of an increase/decrease in significant unobservable inputs on the Astro Group's profit for the periods ending 30 June 2016 and 30 June 2015:

Description	Change in unobservable input	30 Jun 16 \$'000	30 Jun 15 \$'000
<b>Fair value of Level 3 Unlisted investments</b>		<b>429,003</b>	<b>357,004</b>
	Increase of 0.1% in Discount rate	(7,104)	(6,168)
	Decrease of 0.1% in Discount rate	7,429	5,966
	Increase of 0.1% in Terminal yield	(12,579)	(8,511)
	Decrease of 0.1% in Terminal yield	12,500	8,907
	Increase of 10% in AUD/JPY foreign exchange rate	(39,000)	(32,455)
	Decrease of 10% in AUD/JPY foreign exchange rate	47,667	39,667

### 17. Contingencies

#### Contingent Assets

In the opinion of the Directors of the Responsible Entity there were no contingent assets at end of the reporting period (30 June 2015: nil).

#### Contingent Liabilities

In the opinion of the Directors of the Responsible Entity there were no contingent liabilities at end of the reporting period, other than those disclosed in the Parent Entity Financial Information at note 23(c).

### 18. Segment reporting

Management has determined the operating segments based on the reports reviewed by the 'chief operating decision maker' that are used to make strategic decisions. The chief operating decision maker has been determined to be the Board of the Responsible Entity. The chief operating decision maker considers the business from a business unit perspective and has identified seven reportable segments. The individual TK's are considered more appropriate segments than retail, office and residential as each of the TK's (which constitute the majority of the Astro Group results) are monitored on an TK-by-TK basis, (each TK contains investment properties that are secured against specific borrowings) and the residual business unit includes the operations of AJT, AJCo, and the Responsible Entity, as well as consolidation adjustments. These operating segments are consistent with the classes of unlisted investments as discussed in Note 16(e)(ii).

The chief operating decision maker assesses the performance of each operating segment based on an adjusted operating cash flow basis. This measure excludes non-operating and non-cash items such as unrealised fair value adjustments on investment properties and unrealised derivative & foreign exchange gains/losses, but includes items such as capital expenditure on investment properties. Gearing is considered within each of the business units due to the non-recourse nature of debt contained within each TK. This approach is considered more appropriate than the method used to reconcile operating profit to statutory profit set out in the Directors' Report.

The information presented in this segment reporting includes disclosures around the Astro Group's interests in unconsolidated structured entities, being the TKs.

The segment information provided to the chief operating decision maker for the reportable segments for the year ended 30 June 2016, and reconciliation to Profit Before Tax, are as follows:

30 June 2016	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK <sup>1</sup> \$'000	Australia, Consolidation adjustments and JPTD & JPTA TKs \$'000	Total \$'000
<b>Income statement:</b>								
<b>Revenue</b>								
Property rental income	13,612	13,845	21,580	15,879	4,125	2,620	-	71,661
Financing income	3	2	3	6	1	1	93	109
Distribution income	-	-	-	-	-	-	2,090	2,090
Fair value adjustments to investment properties	15,237	4,329	7,612	(10,649)	1,213	1,445	-	19,187
Net foreign exchange gain	-	-	-	-	-	-	8,510	8,510
Other income	3	8	2	12	-	-	161	186
<b>Total revenue</b>	<b>28,855</b>	<b>18,184</b>	<b>29,197</b>	<b>5,248</b>	<b>5,339</b>	<b>4,066</b>	<b>10,854</b>	<b>101,743</b>
<b>Expenses</b>								
Property expenses	(1,733)	(4,257)	(5,733)	(5,119)	(616)	(441)	(4)	(17,903)
Asset management fees	(2,282)	(1,791)	(3,471)	(1,968)	(612)	(138)	-	(10,262)
Financing costs	(2,235)	(1,527)	(2,785)	(1,257)	(239)	(1,187)	(34)	(9,264)
Gain/(loss) on disposal of investment property	-	703	-	(896)	-	-	-	(193)
Fair value adjustment to interest bearing debt	(1,018)	(10)	(1,273)	(406)	-	(1,108)	-	(3,815)
Other operating expenses	(95)	(282)	(607)	(270)	(98)	(33)	(2,853)	(4,238)
<b>Total expenses</b>	<b>(7,363)</b>	<b>(7,164)</b>	<b>(13,869)</b>	<b>(9,916)</b>	<b>(1,565)</b>	<b>(2,907)</b>	<b>(2,891)</b>	<b>(45,675)</b>
<b>Segment profit before tax</b>	<b>21,492</b>	<b>11,020</b>	<b>15,328</b>	<b>(4,668)</b>	<b>3,774</b>	<b>1,159</b>	<b>7,963</b>	<b>56,068</b>
Income tax benefit/(expense)	(3,282)	(307)	(1,288)	1,743	(544)	(189)	(1,431)	(5,298)
<b>Segment profit/(loss) after tax</b>	<b>18,210</b>	<b>10,713</b>	<b>14,040</b>	<b>(2,925)</b>	<b>3,230</b>	<b>970</b>	<b>6,532</b>	<b>50,770</b>
<b>Reconciliation to Astro Group PAT:</b>								
Fair value adjustment to unlisted investments								(862)
Foreign currency translation impact on the fair value of the TKs								82,291
TK operator share of TK distributions								(65)
<b>Profit for the year</b>								<b>132,134</b>
<b>Adjusted operating cashflow:</b>								
Net operating cash flows from investment properties	12,090	9,359	15,889	10,187	3,456	2,113	-	53,094
Capital expenditure on investment properties	(456)	(949)	(546)	(2,809)	-	-	-	(4,760)
Asset management fees paid	(1,327)	(1,304)	(2,252)	(1,405)	(375)	(138)	-	(6,801)
Interest payment	(2,158)	(1,322)	(2,689)	(1,167)	(210)	(280)	-	(7,826)
Accounting and administration	(95)	(255)	(597)	(227)	(99)	(27)	(2,720)	(4,020)
Realised forex gains	-	-	-	-	-	-	4,039	4,039
<b>Adjusted operating cashflow</b>	<b>8,054</b>	<b>5,529</b>	<b>9,805</b>	<b>4,579</b>	<b>2,772</b>	<b>1,668</b>	<b>1,319</b>	<b>33,726</b>
Fair value adjustment to investment properties	15,237	4,329	7,612	(10,649)	1,213	1,445	-	19,187
Fair value adjustments to interest bearing debt	(1,018)	(10)	(1,273)	(406)	-	(1,108)	-	(3,815)
Unrealised forex gain	-	-	-	-	-	-	4,471	4,471
Movements in accruals and prepayments	(1,160)	(317)	(1,266)	15	(175)	60	(4)	(2,847)
Amortisation of borrowing costs	(77)	(163)	(96)	(120)	(36)	(906)	-	(1,398)
Depreciation	-	-	-	-	-	-	(6)	(6)
Financing income	-	-	-	-	-	-	93	93
Capital expenditure on investment properties	456	949	546	2,809	-	-	-	4,760
Gain/(loss) on disposal of investment property	-	703	-	(896)	-	-	-	(193)
Distribution income	-	-	-	-	-	-	2,090	2,090
<b>Segment profit before tax</b>	<b>21,492</b>	<b>11,020</b>	<b>15,328</b>	<b>(4,668)</b>	<b>3,774</b>	<b>1,159</b>	<b>7,963</b>	<b>56,068</b>



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for the year ended 30 June 2016

30 June 2015	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTD & JPTA TK \$'000	Australia and Consolidation adjustments \$'000	Total \$'000
<b>Income statement:</b>								
<b>Revenue</b>								
Property rental income	16,005	13,334	18,564	10,860	3,559	1,435	-	63,757
Financing income	4	2	3	1	1	1	141	153
Distribution income	-	-	-	-	-	-	2,023	2,023
Gain/(loss) on disposal of investment property	(16)	1,793	-	-	-	2,773	16	4,566
Fair value adjustments to investment properties	8,257	3,364	13,128	(3,307)	1,595	(1,145)	(16)	21,876
Net foreign exchange gain	-	-	-	-	-	-	1,152	1,152
Other income	8	3	2	2	-	-	-	15
<b>Total revenue</b>	<b>24,258</b>	<b>18,496</b>	<b>31,697</b>	<b>7,556</b>	<b>5,155</b>	<b>3,064</b>	<b>3,316</b>	<b>93,542</b>
<b>Expenses</b>								
Property expenses	(3,499)	(3,803)	(5,598)	(3,329)	(506)	(971)	-	(17,706)
Asset management fees	(1,459)	(1,224)	(1,998)	(922)	(316)	(93)	-	(6,012)
Financing costs	(3,707)	(4,435)	(3,720)	(1,805)	(725)	-	(25)	(14,417)
Fair value adjustment to interest bearing debt	(1,216)	(225)	(1,524)	(267)	-	-	-	(3,232)
Impairment of goodwill	-	-	-	-	-	-	(400)	(400)
Other operating expenses	(207)	(282)	(583)	(155)	(97)	(158)	(2,513)	(3,995)
<b>Total expenses</b>	<b>(10,088)</b>	<b>(9,969)</b>	<b>(13,423)</b>	<b>(6,478)</b>	<b>(1,644)</b>	<b>(1,222)</b>	<b>(2,938)</b>	<b>(45,762)</b>
<b>Segment profit before tax</b>	<b>14,170</b>	<b>8,527</b>	<b>18,274</b>	<b>1,078</b>	<b>3,511</b>	<b>1,842</b>	<b>378</b>	<b>47,780</b>
Income tax benefit/(expense)	(5,593)	2,781	(2,013)	114	(581)	(1,521)	(1,961)	(8,774)
<b>Segment profit/(loss) after tax</b>	<b>8,577</b>	<b>11,308</b>	<b>16,261</b>	<b>1,192</b>	<b>2,930</b>	<b>321</b>	<b>(1,583)</b>	<b>39,006</b>
<b>Reconciliation to Astro Group PAT:</b>								
Fair value adjustment to the unlisted investments in Spring and JPTGK								787
Foreign currency translation impact on the fair value of the TKs								3,842
TK operator share of TK distributions								(73)
<b>Profit for the year</b>								<b>43,562</b>
<b>Adjusted operating cashflow:</b>								
Net operating cash flows from investment properties	12,350	8,921	13,108	8,567	3,614	11	-	46,571
Capital expenditure on investment properties	(1,529)	(657)	(77)	(1,052)	(2)	(6)	-	(3,323)
Asset management fees paid	(1,895)	(1,499)	(2,313)	(955)	(370)	(138)	-	(7,170)
Interest payment	(1,749)	(3,301)	(2,225)	(1,254)	(222)	(1)	-	(8,752)
Accounting and administration	(210)	(282)	(571)	(181)	(35)	(153)	(2,431)	(3,863)
Realised forex gains	-	-	-	-	-	-	1,147	1,147
<b>Adjusted operating cashflow</b>	<b>6,967</b>	<b>3,182</b>	<b>7,922</b>	<b>5,125</b>	<b>2,985</b>	<b>(287)</b>	<b>(1,284)</b>	<b>24,610</b>
<b>Reconciliation to segment PBT:</b>								
<b>Adjusted operating cashflow</b>	<b>6,967</b>	<b>3,182</b>	<b>7,922</b>	<b>5,125</b>	<b>2,985</b>	<b>(287)</b>	<b>(1,284)</b>	<b>24,610</b>
Fair value adjustment to investment properties	8,257	3,364	13,128	(3,307)	1,595	(1,145)	(16)	21,876
Fair value adjustments to interest bearing debt	(1,216)	(225)	(1,524)	(267)	-	-	-	(3,232)
Unrealised forex gain	-	-	-	-	-	-	4	4
Movements in accruals and prepayments	546	1,274	89	(930)	(557)	495	(101)	816
Amortisation of borrowing costs	(1,897)	(1,518)	(1,418)	(595)	(514)	-	-	(5,942)
Depreciation	-	-	-	-	-	-	(5)	(5)
Financing income	-	-	-	-	-	-	141	141
Capital expenditure on investment properties	1,529	657	77	1,052	2	6	-	3,323
Gain/(loss) on disposal of investment property	(16)	1,793	-	-	-	2,773	16	4,566
Impairment of goodwill	-	-	-	-	-	-	(400)	(400)
Distribution income	-	-	-	-	-	-	2,023	2,023
<b>Segment profit before tax</b>	<b>14,170</b>	<b>8,527</b>	<b>18,274</b>	<b>1,078</b>	<b>3,511</b>	<b>1,842</b>	<b>378</b>	<b>47,780</b>

The amounts provided to the chief operating decision maker with respect to the total assets and liabilities are consistent with that of the financial statements at a net asset level and as such no reconciliation is required.

30 June 2016	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK <sup>1</sup> \$'000	Australia, Consolidation adjustments and JPTD & JPTA TKs \$'000	Total \$'000
<b>Segment balance sheet:</b>								
<b>Segment assets</b>								
Cash and cash equivalents	6,759	20,165	8,865	9,788	1,867	716	58,860	107,020
Restricted cash	10,868	2,713	11,047	14,103	6,616	2,932	-	48,279
Trade and other receivables	222	298	927	92	-	1,038	1,753	4,330
Financial assets at FVTPL	-	-	-	-	-	-	3,781	3,781
Investment properties	273,121	157,742	353,726	182,357	69,102	45,903	-	1,081,951
Deferred tax asset	550	4,539	-	1,938	-	233	43	7,303
Intangible assets	-	-	-	-	-	-	2,600	2,600
Other assets	16	56	128	331	2	35	329	897
<b>Total segment assets</b>	<b>291,536</b>	<b>185,513</b>	<b>374,693</b>	<b>208,609</b>	<b>77,587</b>	<b>50,857</b>	<b>67,366</b>	<b>1,256,161</b>
<b>Segment liabilities</b>								
Payables and other liabilities	(6,696)	(18,756)	(8,029)	(7,486)	(2,260)	(830)	23,366	(20,691)
Tenant deposits	(10,454)	(7,535)	(9,382)	(12,101)	(5,837)	(2,678)	-	(47,987)
Distribution payable	-	-	-	-	-	-	(10,917)	(10,917)
Interest bearing debt at fair value	(171,559)	(85,530)	(213,801)	(107,603)	(40,378)	(28,874)	-	(647,745)
Current tax liabilities	-	-	-	-	-	-	(858)	(858)
Deferred tax liabilities	(12,369)	(58)	(6,511)	-	(1,860)	(3,708)	(117)	(24,623)
<b>Total segment liabilities</b>	<b>(201,078)</b>	<b>(111,879)</b>	<b>(237,723)</b>	<b>(127,190)</b>	<b>(50,335)</b>	<b>(36,090)</b>	<b>11,474</b>	<b>(752,821)</b>
<b>Net segment assets</b>	<b>90,458</b>	<b>73,634</b>	<b>136,970</b>	<b>81,419</b>	<b>27,252</b>	<b>14,767</b>	<b>78,840</b>	<b>503,340</b>

30 June 2015	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK <sup>1</sup> \$'000	Australia, Consolidation adjustments and JPTD & JPTA TKs \$'000	Total \$'000
<b>Segment balance sheet:</b>								
<b>Segment assets</b>								
Cash and cash equivalents	7,504	6,639	6,514	33,316	1,423	518	4,236	60,150
Restricted cash	8,010	2,652	8,524	13,701	5,391	2,072	-	40,350
Trade and other receivables	327	514	721	119	-	639	1,159	3,479
Financial assets at FVTPL	-	-	-	-	-	-	4,544	4,544
Investment properties	209,483	154,212	281,082	177,368	55,376	30,035	-	907,556
Deferred tax asset	252	3,658	-	116	-	-	35	4,061
Intangible assets	-	-	-	-	-	-	2,600	2,600
Other assets	14	99	177	300	2	27	361	980
<b>Total segment assets</b>	<b>225,590</b>	<b>167,774</b>	<b>297,018</b>	<b>224,920</b>	<b>62,192</b>	<b>33,291</b>	<b>12,935</b>	<b>1,023,720</b>
<b>Segment liabilities</b>								
Payables and other liabilities	(7,226)	(4,838)	(5,422)	(30,339)	(2,053)	(482)	38,801	(11,559)
Tenant deposits	(8,432)	(8,960)	(7,393)	(11,702)	(4,953)	(1,818)	-	(43,258)
Distribution payable	-	-	-	-	-	-	(9,705)	(9,705)
Interest bearing debt at fair value	(138,908)	(89,874)	(173,105)	(101,420)	(33,069)	(14,085)	-	(550,461)
Current tax liabilities	-	-	-	-	-	-	(412)	(412)
Deferred tax liabilities	(7,087)	-	(4,562)	-	(1,050)	(2,199)	(386)	(15,284)
<b>Total segment liabilities</b>	<b>(161,653)</b>	<b>(103,672)</b>	<b>(190,482)</b>	<b>(143,461)</b>	<b>(41,125)</b>	<b>(18,584)</b>	<b>28,298</b>	<b>(630,679)</b>
<b>Net segment assets</b>	<b>63,937</b>	<b>64,102</b>	<b>106,536</b>	<b>81,459</b>	<b>21,067</b>	<b>14,707</b>	<b>41,233</b>	<b>393,041</b>

<sup>1</sup>The Astro Group's 64% economic interest in JPTGK has been included as a separate segment from 1 July 2015. JPTGK had previously been included as a financial asset held at fair value through profit or loss for segment reporting purposes with income from JPTGK being recognised as distribution income. The segment balance sheet as at 30 June 2015 has been restated to include the Astro Group's then 53% economic interest in JPTGK.

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2016

	30 Jun 16 \$'000	30 Jun 15 \$'000
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### 19. Notes to the consolidated statements of cash flows

#### Reconciliation of profit after income tax to net cash flows from operating activities

<b>Profit for the year</b>	<b>132,134</b>	<b>43,562</b>
<i>Adjustments for non cash items and items classified as investing or financing activities</i>		
Unrealised foreign exchange gain	(4,471)	(4)
Fair value adjustments to financial assets held at FVTPL	(109,796)	(7,445)
Distribution income	(17,822)	(39,723)
Depreciation expense	7	5
Impairment of goodwill	-	400
<b>Net cash provided by operating activities before changes in asset and liabilities</b>	<b>52</b>	<b>(3,205)</b>
<i>Change in assets and liabilities during the financial period</i>		
Increase/(decrease) in Japanese withholding tax and Australian income tax payable	169	(494)
Increase in other assets	47	81
Increase/(decrease) in payables	(21)	20
<b>Net cash from/(used in) operating activities after changes in assets and liabilities</b>	<b>247</b>	<b>(3,598)</b>

### 20. Director and executive disclosures

#### (a) Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The KMP of the Astro Group for the year ended 30 June 2016 were:

<b>Executive</b>	
Mr J Pettigrew	Executive Director, Chief Financial Officer
<b>Non-Executive Directors</b>	
Mr F A McDonald	Independent Chairman and Non-Executive Director
Mr Doug Clemson	Independent Non-Executive Director
Ms Kate McCann	Independent Non-Executive Director

#### (b) Remuneration of Key Management Personnel

Remuneration of Key Management Personnel is disclosed in the Remuneration Report.

	30 Jun 16 \$'000	30 Jun 15 \$'000
Short-term employee benefits	603	597
Post-employment benefits	51	50

#### (c) Directors loans and other transactions

There were no loans or other transactions made to or from the Directors of the Responsible Entity during the year.

#### (d) Senior advisor

The Senior Advisor to the Astro Group, Mr Eric Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Executive Chairman and employs other executives who conduct the asset management activities in Japan. The Japan Asset Manager is not a member of the Astro Group, and as such the remuneration relating to those individuals is not borne by the Astro Group or its securityholders. Mr Lucas and the other executives of the Japan Asset Manager are not considered KMP of the Astro Group.

### 21. Related parties

#### a) Astro Japan Property Group Limited

The shares in AJCo were stapled to the units in AJT on 12 November 2009 (stapled securities), forming the Astro Japan Property Group. It is not possible to trade or deal separately in either the shares or units which comprise the stapled securities. The results and equity of AJCo are disclosed separately as attributable to other stapled securityholders in the consolidated statements of comprehensive income and consolidated statements of financial position respectively.

**b) Responsible entity**

The responsible entity of Astro Japan Property Trust is Astro Japan Property Management Limited. The Responsible Entity is wholly owned by AJCo and consolidated within the Astro Group. The Responsible Entity was acquired by AJCo on 7 April 2010.

**c) The Japan Asset Manager**

The Japan Asset Manager is responsible for the management of AJT's investment property interests. The Astro Group also has a 25% economic interest in the Japan Asset Manager.

In accordance with AJT's Constitution, the Japan Asset Manager is entitled to receive an Asset Management Fee. The Asset Management Fee is made up of:

- An Asset Base Fee paid to the Japan Asset Manager equal to 0.40% per annum of the adjusted gross asset value of the TKs.
- A Performance Fee component payable to the Japan Asset Manager which comprises a potential fee in relation to the returns of AJT (AJT Performance Fee), and a potential fee in relation to the returns of AJT's assets (Asset Management Performance Fee).
- Asset Management Performance Fee payable to the Japan Asset Manager is calculated in two tiers as follows:

a) Tier 1 – 5% of the amount (denominated in Japanese Yen) equivalent to the amount the internal rate of return of the Japanese Investments exceeds the Asset Benchmark (which is 10%) up to 1% out-performance; and

b) Tier 2 – 15% of the amount (denominated in Japanese Yen) equivalent to the amount the internal rate of return of the Japanese Investments exceeds the Asset Benchmark in excess of 1% out-performance.

- The AJT Performance Fee is only payable to the Japan Asset Manager. The Japan Asset Manager is only entitled to 40% of the performance fee which is calculated in two tiers as follows:

a) Tier 1 – 5% of out performance of the ASX 200 Property Accumulation Index return (Benchmark) (up to 2%) multiplied by total equity of AJT; and

b) Tier 2 – 15% of out performance of the Benchmark greater than 2% multiplied by total equity of AJT.

In measuring performance against the Benchmark, comparison is made against the prior years' indices for up to three years including the current year to determine if an AJT Performance Fee is payable.

The Asset Management Fee payable to the Japan Asset Manager is subject to a payment cap whereby the Asset Management Fee (being the aggregate of the Base Fee and the Performance Fee) paid in any one year must not exceed 0.8% of the adjusted gross asset value of the TKs (includes investment properties at cost). Any excess will be carried forward into future years and will be payable to the extent to which the Asset Management Fee payable in any subsequent year to the Japan Asset Manager is less than the 0.8% cap. Any excess which has been carried forward for at least three years is then payable and this payment of outstanding fees will not be capped. Accordingly, it is possible that the payment of the Asset Management Fee to the Japan Asset Manager within any year could exceed 0.8% of the adjusted gross asset value the TKs, particularly after periods where there has been three years of cumulative out-performance.

**d) Security holdings**

The number of Astro Group securities held by each Director of the Responsible Entity and other key management personnel, including their personally related parties, at the date of this report are set out below. There were no securities issued during the year as compensation.

Name	Balance at start of year	Change during the year	Balance at end of year
Allan McDonald	40,000	-	40,000
John Pettigrew	-	-	-
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-

Mr Eric Lucas, senior advisor to the Astro Group, holds 6,969,999 stapled securities as at 30 June 2016.

**e) Key management personnel loan and option disclosures**

There were no loans or Astro Group options granted as part of key management personnel remuneration in respect to their position as key management personnel.

## Notes to the Consolidated Financial Statements

### for the year ended 30 June 2016

#### f) Other transactions with Astro Group

There were no other transactions with key management personnel and related entities.

	30 Jun 16 \$'000	30 Jun 15 \$'000
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#### g) Japan Asset Manager fees and other transactions

The following transactions occurred with related parties:

##### Asset management fees

Asset management base fee – paid and payable to Japan Asset Manager by TKs	5,121	4,512
Asset management performance fee – paid and payable to Japan Asset Manager by TKs	5,141	1,500
Transaction fees paid and payable to the Japan Asset Manager	768	799
	<b>11,030</b>	<b>6,811</b>
TK distribution – paid and payable to TK Operator	65	73
<b>Total fees paid or payable</b>	<b>11,095</b>	<b>6,884</b>

##### Other transactions occurring with related parties

Reimbursement of administration expenses – paid to the Japan Asset Manager by TKs	104	39
Distribution received and receivable from the Japan Asset Manager	(2,090)	(1,511)

##### Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

##### Asset management fees

Asset management base fee – payable to Japan Asset Manager by the TKs	495	407
Asset management performance fee – payable to Japan Asset Manager by the TKs	5,652	1,645
TK distribution – payable to TK Operator by the TKs	21	7
<b>Total asset management and performance fees payable</b>	<b>6,168</b>	<b>2,059</b>

The Astro Group has a 25% economic interest in the Japan Asset Manager. The key management of the Japan Asset Manager includes Mr Eric Lucas, who is the Chairman and Representative Director. Mr Lucas also acts as senior advisor to the Astro Group.

## 22. Commitments

#### Lease commitments: Astro Group as lessee

The Astro Group has a non-cancellable lease in respect of the office premises. The lease is for a duration of 5 years and is classified as an Operating Lease. The minimum lease payments are as follows:

Within one year	126	120
Later than one year but not later than 5 years	303	429
	<b>429</b>	<b>549</b>

In the opinion of the Directors of the Astro Group, there were no other material commitments at the end of the reporting period.

## 23. Parent entity financial information

### a) Summary financial information

The individual financial statements for AJT (the parent entity) show the following aggregate amounts:

	30 Jun 16 \$'000	30 Jun 15 \$'000
<b>Statement of Financial Position</b>		
Current Assets	79,502	40,268
Total Assets	504,725	392,730
Current Liabilities	22,755	20,146
Total Liabilities	22,755	20,146
<i>Unitholder' equity</i>		
Issued capital	601,854	601,854
Accumulated losses	(119,884)	(229,270)
	481,970	372,584
<b>Profit for the year</b>	131,221	42,893
<b>Total comprehensive income for the year</b>	131,221	42,893

### b) Guarantees entered into by the parent entity

The parent entity had not entered into any guarantees as at 30 June 2016 (30 June 2015: \$nil).

### c) Contingent liabilities of the parent entity

At 30 June 2016, the TKs total security deposit liability to tenants was \$48.0m (30 June 2015: \$41.4m). Of this amount, \$36.2m (30 June 2015: \$28.0m) is held as security and cash on trust by certain Trust Banks and lenders to the TKs to partly collateralise this liability. AJT, the parent entity of the Astro Group, has an obligation arising under each TK Agreement entered into with each TK Operator, to make additional equity contributions to refund tenant security deposits where the TK Operator has insufficient cash to meet this obligation. AJT had contingent liabilities at 30 June 2016 arising from this obligation.

Generally, the deposit repayment obligation arises upon termination or expiry of a tenancy. In normal circumstances, the deposits from incoming tenants would fund the repayment of deposits to outgoing tenants and any deficiency would be funded from cash flow. In this situation it is unlikely that AJT would be required to inject cash into a TK to fund repayment of the tenant security deposits.

AJT has a contingent liability of \$8.5m (30 June 2015: \$10.1m) which relates to unfunded tenant security deposits, net of construction cost deposits. Details of the tenant security deposit liability in each TK are set out in Segment Reporting note 18.

There are no other recourse obligations to the parent entity in relation to the TK agreements or loans.

## 24. Events occurring after the reporting period

Subsequent to the end of the financial year, on 22 August 2016, the Astro Group announced that it had acquired interests in two Japanese hotels for a combined purchase price of ¥1.47 billion (\$19,091,000 at \$1:¥77). The Astro Group's interest in the hotels is held through a new special purpose, property owning Japanese company, KTS&S Co Ltd (JPTK). The assets have been acquired without debt, using part of the Astro Group's free cash. As part of the acquisitions, the Astro Group's Asset Manager has negotiated new 20 year non-cancellable leases for the hotels with an experienced Japanese hotel operator Kuretakeso.

The Directors of the Responsible Entity are not aware of any matters or circumstance occurring since 30 June 2016 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the Astro Group, the results of those operations, or the state of affairs of the Astro Group in subsequent financial years.



## Directors' Declaration

- 1 In the opinion of the Directors of Astro Japan Property Management Limited in its capacity as Responsible Entity of Astro Japan Property Trust (AJT):
  - a) the Financial Statements and Notes are in accordance with the *Corporations Act 2001* (Cth), including:
    - i) giving a true and fair view of the financial position of the Astro Group as at 30 June 2016 and of its performance for the year ended 30 June 2016; and
    - ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) there are reasonable grounds to believe that AJT will be able to pay its debts as and when they become due and payable.
- 2 Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
3. The Directors have been given the declarations by the Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

Dated 24 August 2016.

This declaration is made in accordance with a resolution of the Directors pursuant to s.295(5) of the *Corporations Act 2001* (Cth).



F A McDonald  
Director  
Astro Japan Property Management Limited in its capacity as  
Responsible Entity of Astro Japan Property Trust



## INDEPENDENT AUDITOR'S REPORT

To the stapled security holders of Astro Japan Property Trust

### Report on the Financial Report

We have audited the accompanying financial report of Astro Japan Property Trust ('the Trust'), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity Astro Japan Property Group ('the Consolidated Stapled Entity'). The Consolidated Stapled Entity, as described in note 1 to the financial report, comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year, including Astro Japan Property Group Limited and its controlled entities.

#### Directors' Responsibility for the Financial Report

The directors of Astro Japan Property Management Limited, as responsible entity for the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Astro Japan Property Management Limited, as responsible entity for the Astro Japan Property Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion:

- (a) the financial report of Astro Japan Property Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Stapled Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2016. The directors of Astro Japan Property Management Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Astro Japan Property Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

### BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper'.

Ian Hooper  
Partner

Sydney, 24 August 2016

# Astro Japan Property Group Limited Financial Report (Listed Company Only)

Annual Financial Report 2016

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## Directors' Report for the year ended 30 June 2016

The Directors of Astro Japan Property Group Limited (ABN 25 135 381 663) ("AJCo") present their report together with the consolidated financial statements of AJCo and its controlled entity ("AJCo Group" or "Group") for the year ended 30 June 2016.

### The Astro Japan Property Group

The Astro Japan Property Group ("Astro Group") comprises Astro Japan Property Trust (ARSN 112 799 854) ("AJT") and AJCo and its controlled entity. The shares in AJCo are stapled to the units in AJT on a 'one for one' basis and together are referred to as 'stapled securities'. AJCo and AJT are separate legal entities under the *Corporations Act 2001* (Cth) so are therefore required to separately comply with the reporting and disclosure requirements under the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations (UIG). This report is in respect of the AJCo Group.

The registered office and principal place of business of AJCo is Suite 4, Level 10, 56 Pitt Street, Sydney NSW 2000.

### Principal activities

The principal activities of AJCo remain unchanged from 30 June 2015 and are:

- holding 100% of the issued share capital of Astro Japan Property Management Limited ("Responsible Entity"), the Responsible Entity of AJT; and
- holding a 25% economic interest in Spring Investment Co. Ltd ("Spring" or "Japan Asset Manager"), which is the manager of the Astro Group's Japanese property interests.

### Financial and operating review

AJCo Group made a profit after income tax of \$912,955 for the year ended 30 June 2016 (2015: \$669,141).

### Change to the AJCo/Spring profit share arrangement

The success of the Astro Group is closely linked to the performance of the asset manager, Spring Investment Co. Ltd., founded, majority-owned and headed by Mr Eric Lucas who has more than 30 years' experience doing business in Japan. For some time the Board has been focused on key-man risk concerning Mr Lucas, who also acts as Senior Advisor to the Astro Group and is its largest individual shareholder, and has been in a constructive dialogue with Mr Lucas as to how best to ameliorate this risk.

The Board is therefore pleased that earlier this year a new CEO, Mr Osamu Ebinuma, was appointed to Spring, with Mr Lucas remaining engaged as Spring's Executive Chairman and Senior Advisor to the Astro Group. The appointment of the new CEO is not only intended to alleviate the key-man risk concerning Mr Lucas, but also to bolster prospects for expansion of the activities of Spring.

After careful consideration, on 23 February 2016 the Board agreed to changes to the terms under which AJCo holds the 25% economic interest in Spring, which entitles it to a share of the profit of Spring.

The changes recognise increased employee remuneration costs in Spring arising from the appointment of the new Spring CEO and an increased allowance for bonuses payable to Spring employees. These changes will, all other things being equal, result in a reduction in the six monthly cash distribution which AJCo receives from Spring under its 25% economic interest.

The effect of these changes if applied to Spring's budgeted profit for 2016 would be a reduction in AJCo's share in the profit of Spring by approximately \$245,000. In addition, the changes have impacted the value of AJCo's 25% economic interest in Spring as at 30 June 2016 by reducing the value by \$1.55 million.

The Board believes that it is in the best interests of all parties for AJCo to contribute to the increased remuneration costs in Spring as growth in business for Spring will benefit AJCo as a holder of a 25% economic interest in Spring.

### Likely developments and expected results of operations

In the year ended 30 June 2016, the primary source of the AJCo Group's revenue was obtained from its deemed parent AJT. As such, the future developments of the AJCo Group are reliant on the future developments of AJT.

### Dividends

The Directors have not declared any dividends for the year ended 30 June 2016 (2015: nil).

### Significant changes in the state of affairs

In the opinion of the Directors, other than the items already noted in the Directors' Report, there were no changes in the state of affairs of AJCo that occurred during the period under review.

### Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that AJCo has complied with all significant environmental regulations applicable to its operations in the jurisdictions in which it operates.

## Matters subsequent to the end of the financial year

The Directors are not aware of any matter or circumstance occurring since 30 June 2016 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the AJCo Group, the results of those operations, or the state of affairs of the AJCo Group in subsequent financial years.

## Stapled securities on issue

There were 60,652,466 stapled securities on issue as at 30 June 2016 (30 June 2015: 60,652,466). Each stapled security comprises one unit in AJT and one share in AJCo.

## Directors

The Directors of AJCo and the Responsible Entity (Directors) at any time during or since the 12 month period ended 30 June 2016 are:

### Name, independence status and special responsibilities

### Qualifications and experience

<b>Allan McDonald</b> Independent Non-Executive Chairman Member of the Audit, Risk & Compliance Committee Member of the Remuneration Committee	Allan was appointed as a Director of AJCo on 20 March 2009 and as a Director of the Responsible Entity on 19 February 2005. Allan has extensive experience in the investment and commercial banking fields and is presently associated with a number of companies as a consultant and company director. Allan holds a Bachelor of Economics Degree from the University of Sydney and is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Governance Institute of Australia, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.
<b>Doug Clemson</b> Independent Non-Executive Director Chairman of the Audit, Risk & Compliance Member of the Remuneration Committee	Doug was appointed as a Director of AJCo and as a Director of the Responsible Entity on 31 December 2011. Doug has extensive financial and commercial experience as a CFO and senior executive of Australian and international companies in the construction, manufacturing and finance fields. He has over 25 years experience as a Director on various listed company and unlisted company boards and he has been the chairman of the audit, risk and compliance committee of ASX listed companies (most recently Infigen Energy Group) since 2002. He is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.
<b>Kate McCann</b> Independent Non-Executive Director Chairman of the Remuneration Committee Member of the Audit, Risk & Compliance Committee	Kate was appointed as a Director of AJCo and as a Director of the Responsible Entity on 31 December 2011. Kate has extensive financial and commercial experience, with 15 years at McKinsey & Company, including her role as Principal from 1999-2002. Kate has been a non-executive director of private, global and not-for-profit organisations. She is currently a non-executive Director of General Re Australia Ltd and General Re Life Australia Ltd, and is the Chairman of the Remuneration Committee and a member of the Audit Committee of each of those companies.
<b>John Pettigrew</b> Executive Director and Chief Financial Officer	John was appointed as a Director of AJCo on 20 March 2009 and as a Director of the Responsible Entity on 19 February 2005. John became an Executive Director on 1 January 2011 upon his appointment as Chief Financial Officer. John has extensive financial and commercial experience with a number of major corporations and 36 years involvement in the property industry. John is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Institute of Secretaries, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors. John was Chief Financial Officer and Company Secretary of the Stockland Group from 1977 and Finance Director from 1982 until March 2004. He has had a significant role in structuring and managing listed property trusts since 1980.

Directorships of other listed entities held by Directors during the three years preceding 30 June 2016 are listed below:

Director	Listed Entity	Date appointed	Date ceased
<b>Allan McDonald</b>	Multiplex SITES Trust <sup>1</sup>	22 October 2003	Continuing
	Multiplex European Property Fund <sup>2</sup>	1 January 2010	Continuing
	Brookfield Prime Property Fund <sup>2</sup>	1 January 2010	Continuing
	Brookfield Office Properties Inc. (dual listed on NYSE and TSE)	4 May 2011	3 June 2014
<b>Doug Clemson</b>	-	-	-
<b>Kate McCann</b>	-	-	-
<b>John Pettigrew</b>	Rubicor Group Limited	2 March 2007	22 June 2015

1. Director of the responsible entity, Brookfield Funds Management Limited.

2. Director of the responsible entity, Brookfield Capital Management Limited.



# Directors' Report

## for the year ended 30 June 2016

### Directors' Meetings

The number of Directors' meetings (including meetings of Committees of the Board) held during the 12 month period ended 30 June 2016, and the number of meetings attended by each Director, are as follows:

Director	Responsible Entity Board		AJCo Board		Audit, Risk & Compliance Committee		Remuneration Committee	
	H	A	H	A	H	A	H	A
Allan McDonald	13	13	13	13	5	5	2	2
Doug Clemson	13	13	13	13	5	5	2	2
Kate McCann	13	13	13	13	5	5	2	2
John Pettigrew	13	13	13	13	-	-	-	-

H – Indicates the number of meetings held while the relevant Director was a member of the Board/Committee

A – Indicates the number of those meetings attended by that Director

### Directors' relevant interests

The names of the Directors in office and the relevant interests of each Director in stapled securities of the Astro Group as at the date of this report are shown below:

Director	Balance at start of year	Change during the year	Balance at end of year
Allan McDonald	40,000	-	40,000
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-
John Pettigrew	-	-	-

### Secretaries

The Company Secretaries of AJCo and the Responsible Entity at any time during or since the 12 month period ended 30 June 2016 are:

<b>Rohan Purdy</b> General Counsel & Company Secretary	Rohan was appointed as Company Secretary of AJCo on 20 March 2009 and as Company Secretary of the Responsible Entity on 16 April 2009. Rohan has extensive experience as a corporate lawyer and company secretary. Rohan previously held positions as a senior lawyer at Babcock & Brown and the Australian Securities Exchange (ASX). Rohan is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. Rohan holds a Master of Laws from the University of Sydney and a Bachelor of Laws degree and Bachelor of Commerce degree from the Australian National University.
<b>John Pettigrew</b> Executive Director, Chief Financial Officer & Company Secretary (alternate)	John was appointed as Company Secretary (alternate) of AJCo and as Company Secretary (alternate) of the Responsible Entity on 1 January 2011.

### Indemnities and Insurance Premiums

Except as set out below, no indemnity was given or insurance premium paid during or since the end of the financial year for a person who is or has been an officer or auditor of AJCo.

#### - Indemnities

AJCo indemnifies each person who is or has been a Director or Secretary against any liability incurred by the person in the discharge of their duties as an officer of AJCo, except:

- where the liability arises out of conduct involving a lack of good faith;
- where the liability is owed to AJCo or a related body corporate; and
- to the extent that AJCo is precluded by law from indemnifying the officer.

AJCo also indemnifies each person who is or has been a Director or Secretary for legal costs incurred by the person in obtaining advice for, or conducting or defending an action, or appearing or preparing to appear in that action. This indemnity is also subject to the above exceptions.

AJCo's Constitution also provides that AJCo indemnifies each person who is or has been a Director or Secretary on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the person as an officer of AJCo or of a related body corporate.

No liability has arisen under these indemnities as at the date of this report.

#### - Insurance premiums

As part of its insurance arrangements, AJCo pays insurance premiums in respect of a Directors and Officers liability insurance contract covering Directors and Officers of AJCo. Under the terms of the Directors and Officers insurance contract, AJCo is prohibited from disclosing the nature of the liabilities indemnified and the amount of the insurance premium paid.

## Remuneration Report

Under the *Corporations Act 2001* (Cth) only disclosing entities that are listed companies are required to prepare a Remuneration Report. Accordingly, this report is only required to address remuneration disclosures applicable to AJCo, as AJT is not a listed company. Notwithstanding, this report addresses the remuneration disclosures of the Astro Group, not just AJCo.

This report outlines the remuneration philosophy and framework currently applicable to the Astro Group, in particular how this relates to the Astro Group's senior executives and Directors.

This report relates to the year ended 30 June 2016.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

## Remuneration Policy & Approach

The Astro Group aims to attract, retain and motivate highly skilled people to operate the Astro Group in the best interests of its securityholders.

The Astro Group has a formally constituted Remuneration Committee which is currently comprised of the Astro Group's three Independent Non-Executive Directors. Its members during the financial year were Ms Kate McCann (Chair), Mr Allan McDonald, and Mr Doug Clemson. The Remuneration Committee meets annually for the purposes of reviewing and making recommendations to the Astro Group Board on the level of remuneration of the senior executives and the Directors.

The Remuneration Committee endeavours to ensure that the remuneration outcomes strike an appropriate balance between the interests of the Astro Group securityholders, and rewarding, retaining and motivating the Astro Group's executives and the Directors.

## Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The KMP of the Astro Group for the year ended 30 June 2016 were:

Executive	
Mr J Pettigrew	Executive Director, Chief Financial Officer
Non-Executive Directors	
Mr Allan McDonald	Independent Chairman and Non-Executive Director
Mr Doug Clemson	Independent Non-Executive Director
Ms Kate McCann	Independent Non-Executive Director

## Senior Advisor

The Senior Advisor to the Astro Group, Mr Eric Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Executive Chairman and employs other executives who conduct the asset management activities in Japan. The Japan Asset Manager is not a member of the Astro Group, and as such the remuneration relating to those individuals is not borne by the Astro Group or its securityholders. Mr Lucas and the other executives of the Japan Asset Manager are not considered KMP of the Astro Group.

## Executive remuneration

The executive pay and reward framework has two components:

- Base pay and benefits, including superannuation; and
- Short term incentives.

To determine the total annual remuneration for the executives, the Remuneration Committee conducts an assessment of each executive based on the individual's performance and achievements during the financial year and taking into account the overall performance and achievements of the Astro Group and prevailing remuneration rates of executives in similar positions.

Although the performance of the Astro Group is taken into consideration in the assessment of each executive, the remuneration policy of the Astro Group is more focused on achievement of the Astro Group's internal financial and operational objectives. The Astro Group regards achievement of these objectives as the appropriate criteria for determining remuneration rather than simply measuring relative performance against a market index or an external comparator group.

## Directors' Report for the year ended 30 June 2016

The following table sets out summary information about the Astro Group's earnings and movements in securityholder wealth for the five years to 30 June 2016:

	2016	2015	2014	2013	2012
Net profit attributable to securityholders of the Astro Group (\$'000)	132,134	43,562	154,820	(12,900)	(44,233)
Earnings per security of the Astro Group (cents)	217.85	65.69	230.35	(20.73)	(75.68)
Underlying profit after tax per security of the Astro Group (cents)	51.87	40.41	40.19	46.53	57.45
Distributions per security of the Astro Group (cents)	36.00	28.50	20.00	17.50	15.00
Security price (\$) as at 30 June	6.87	4.96	4.08	3.00	2.88

### - Base pay

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience. There are no guaranteed base pay increases in any executive's contracts.

### - Short term incentive

Any short term incentive (STI) entitlement is entirely at the discretion of the Remuneration Committee and any discretionary STI is determined based on the results of the Remuneration Committee's assessment of each executive having regard to the overall performance of the Astro Group during the financial year. Any STI entitlement is paid in cash. The maximum STI bonus in any year is 30% of base salary. An executive is not entitled to receive an STI bonus if they cease employment with the Astro Group prior to the payment date or provide or receive notice of termination of employment on or prior to the payment date.

### Remuneration of the Executive KMP

**Table 1: Remuneration of the Executive KMP for the period ended 30 June 2016**

Executive	Year	Salary \$	STI \$	Non-monetary benefits \$	Super- annuation \$	Total \$
Mr J Pettigrew	2016	273,777	-	-	19,307	293,084
	2015	267,100	-	-	18,783	285,883
Total remuneration	2016	273,777	-	-	19,307	293,084
	2015	267,100	-	-	18,783	285,883

**Table 2: Remuneration components as a proportion of total remuneration on an annualised basis**

Executive	Fixed remuneration <sup>1</sup> %	STI %	Total %
Mr J Pettigrew	100.00	0.00	100.00

<sup>1</sup> Fixed remuneration consists of salary, non-monetary benefits and superannuation and for the purposes of this table is based on the year ended 30 June 2016.

### Employment Contract for the Executive KMP

The base salary for the executive as at 30 June 2016, in accordance with his employment contract is shown below:

Executive	Base remuneration per employment contract
Mr J Pettigrew	\$ 273,777

The employment contract for Mr Pettigrew contains the following conditions:

<b>Length of Contract</b>	▪ Open-ended
<b>Frequency of base remuneration review</b>	▪ Annual
<b>Benefits</b>	▪ Entitled to participate in Astro Group benefit plans that are made available
<b>Incentive remuneration</b>	▪ Eligible for an award of short term incentive remuneration (if any) as described above
<b>Termination of employment</b>	▪ For Mr Pettigrew, employment can be terminated by either party providing three months' written notice and the Astro Group may elect to pay Mr Pettigrew three months' salary in lieu of notice

## Remuneration of the Non-Executive Director KMP

The following persons were Non-Executive Directors of each of the Responsible Entity and AJCo during the financial year:

Mr Allan McDonald	Independent Chairman and Non-Executive Director
Mr Doug Clemson	Independent Non-Executive Director
Ms Kate McCann	Independent Non-Executive Director

The Astro Group Boards determine the remuneration structure for Non-Executive Directors based on recommendations from the Remuneration Committee. The Non-Executive Directors' individual fees are annually reviewed by the Remuneration Committee taking into consideration the level of fees paid to non-executive directors by companies of a similar size and stature. Fees paid to Non-Executive Directors must fall within the aggregate fee pool approved by securityholders. The current aggregate maximum amount which may be paid to all Non-Executive Directors is \$600,000 per annum, and the aggregate fees currently payable to the Non-Executive Directors per annum is \$329,500 (excluding superannuation). Based on the Remuneration Committee's annual review of Non-Executive Director fees conducted on 18 May 2016, there will be no change to the fees for the 12 month period commencing 1 July 2016.

The Non-Executive Directors receive a cash fee for service. They do not receive any performance based remuneration or any retirement benefits other than statutory superannuation.

Fees paid to the Non-Executive Directors are in respect of their services provided to the Responsible Entity and AJCo.

Fees payable to Non-Executive Directors are set out below:

Board/Committee	Role	Fee per annum
Board	Independent Chair	\$136,500
	Director	\$96,500

**Table 3: Remuneration of Non-Executive Directors for the period ended 30 June 2016**

Directors	Year	Short term - salary and fees \$	Superannuation \$	Total \$
Mr Allan McDonald	2016	136,500	12,967	149,467
	2015	136,500	12,968	149,468
Mr Doug Clemson	2016	96,500	9,167	105,667
	2015	96,500	9,168	105,668
Ms Kate McCann	2016	96,500	9,167	105,667
	2015	96,500	9,168	105,668
Total remuneration	2016	329,500	31,301	360,801
	2015	329,500	31,304	360,804

In addition to the above fees, all Non-Executive Directors receive reimbursement for reasonable travel, accommodation and other expenses incurred while undertaking Astro Group business.

## Proceedings on behalf of AJCo

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of AJCo, or to intervene in any proceedings to which AJCo is a party, for the purpose of taking responsibility on behalf of AJCo for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of AJCo with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

## Auditor's independence declaration

The auditor's independence declaration is included on the page following this Director's Report.

## Non audit services

The AJCo Group may decide to employ the auditor, BDO East Coast Partnership, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the AJCo Group are important.

During the year no non-audit services were provided by the auditor of the AJCo Group, BDO East Coast Partnership, and its related practices.

## Directors' Report

for the year ended 30 June 2016

### Basis of Preparation

The financial report for AJCo as at 30 June 2016 has been prepared on a going concern basis as the Directors, after reviewing AJCo's going concern status, have concluded that AJCo has reasonable grounds to expect to be able to pay its debts as and when they become due and payable.

Dated 24 August 2016.

Signed in accordance with a resolution of the Directors pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



F A McDonald  
Director  
Astro Japan Property Group Limited

## Auditor's Independence Declaration



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Sydney NSW 2000  
Australia

### DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF ASTRO JAPAN PROPERTY GROUP LIMITED

As lead auditor of Astro Japan Property Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Astro Japan Property Group Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'Ian Hooper'.

Ian Hooper  
Partner

**BDO East Coast Partnership**

Sydney, 24 August 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	30 Jun 16 \$	30 Jun 15 \$
<b>Revenue</b>			
Revenue	2(a), 18(c)	1,809,705	1,777,467
Financing income	2(b)	252,585	303,837
Distribution income	18(c)	2,089,932	1,511,089
Net foreign exchange gain		57,578	33,485
<b>Total revenue and other income</b>		<b>4,209,800</b>	<b>3,625,878</b>
<b>Expenses</b>			
Operating expenses	3	(2,033,906)	(2,015,836)
Impairment of goodwill	8(a)	-	(400,000)
Net losses on financial assets held at fair value through profit and loss	16(b)	(891,459)	(110,272)
<b>Total expenses</b>		<b>(2,925,365)</b>	<b>(2,526,108)</b>
<b>Profit before income tax</b>		<b>1,284,435</b>	<b>1,099,770</b>
Income tax expense	4	(371,480)	(430,629)
<b>Profit for the period</b>		<b>912,955</b>	<b>669,141</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>912,955</b>	<b>669,141</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Members of the Company		912,955	669,141
Basic and diluted earnings per share	5	1.51¢	1.01¢

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.



## Consolidated Statement of Financial Position

as at 30 June 2016

	Note	30 Jun 16 \$	30 Jun 15 \$
<b>Current assets</b>			
Cash and cash equivalents	6	2,596,706	2,688,728
Other receivables	7	1,752,901	976,452
Prepayments		278,560	326,793
Fees receivable - related party - AJT	18(c)	246,702	172,929
Loan receivable - related party - AJT	18(c)	10,856,362	9,923,356
<b>Total current assets</b>		<b>15,731,231</b>	<b>14,088,258</b>
<b>Non-current assets</b>			
Property, plant and equipment		41,339	25,024
Financial assets carried at fair value through the profit and loss	9	3,781,350	4,544,112
Intangible assets	8	2,600,000	2,600,000
Deferred tax asset	4(d)	42,645	34,746
<b>Total non-current assets</b>		<b>6,465,334</b>	<b>7,203,882</b>
<b>Total assets</b>		<b>22,196,565</b>	<b>21,292,140</b>
<b>Current liabilities</b>			
Trade and other payables		164,411	128,341
Employee benefits		73,189	73,952
Current tax liabilities		442,017	245,434
<b>Total current liabilities</b>		<b>679,617</b>	<b>447,727</b>
<b>Non-current liabilities</b>			
Employee benefits		28,993	-
Deferred tax liability	4(e)	117,022	386,435
<b>Total non-current liabilities</b>		<b>146,015</b>	<b>386,435</b>
<b>Total liabilities</b>		<b>825,632</b>	<b>834,162</b>
<b>Net assets</b>		<b>21,370,933</b>	<b>20,457,978</b>
<b>Equity</b>			
Contributed equity	11	26,951,949	26,951,949
Accumulated losses	12	(5,581,016)	(6,493,971)
<b>Total equity</b>		<b>21,370,933</b>	<b>20,457,978</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	30 Jun 16 \$	30 Jun 15 \$
<b>Cash flows from operating activities</b>			
Receipt of responsible entity fees		1,909,525	1,968,781
Payments to suppliers and employees		(2,088,521)	(2,071,172)
Realised foreign exchange gains		57,578	33,485
Interest received		45,897	87,469
Japanese withholding tax paid		(279,971)	(324,121)
Australian income taxes paid		(172,238)	(134,886)
<b>Net cash used in operating activities</b>	14	<b>(527,730)</b>	<b>(440,444)</b>
<b>Cash flows from investing activities</b>			
Payment for investment in Spring		(128,698)	-
Distributions received		1,313,483	1,553,789
Purchase of property, plant and equipment		(22,760)	-
<b>Net cash from investing activities</b>		<b>1,162,025</b>	<b>1,553,789</b>
<b>Cash flows from financing activities</b>			
Payment for shares bought back		-	(1,629,116)
Loan to AJT		(726,317)	(1,971,647)
<b>Net cash used in financing activities</b>		<b>(726,317)</b>	<b>(3,600,763)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(92,022)</b>	<b>(2,487,418)</b>
Cash and cash equivalents at the beginning of the reporting period		2,688,728	5,176,146
<b>Cash and cash equivalents at the end of the reporting period</b>	6	<b>2,596,706</b>	<b>2,688,728</b>

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Note	Contributed Equity \$	Accumulated Losses \$	Total \$
<b>Total equity at 1 July 2014</b>		<b>28,581,065</b>	<b>(7,163,112)</b>	<b>21,417,953</b>
Profit for the year		-	669,141	669,141
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>669,141</b>	<b>669,141</b>
<b>Transactions with equity holders in their capacity as equity holders</b>				
Share buy-back, inclusive of cost	11	(1,629,116)	-	(1,629,116)
<b>Total equity at 30 June 2015</b>	11, 12	<b>26,951,949</b>	<b>(6,493,971)</b>	<b>20,457,978</b>
<b>Total equity at 1 July 2015</b>		<b>26,951,949</b>	<b>(6,493,971)</b>	<b>20,457,978</b>
Profit for the year		-	912,955	912,955
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>912,955</b>	<b>912,955</b>
<b>Total equity at 30 June 2016</b>	11, 12	<b>26,951,949</b>	<b>(5,581,016)</b>	<b>21,370,933</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

## for the year ended 30 June 2016

### 1. Statement of Significant Accounting Policies

#### (a) Basis of preparation

Astro Japan Property Group Limited (AJCo) is domiciled in Australia. The AJCo Group comprises AJCo and its 100% controlled entity, Astro Japan Property Management Limited (AJPML). AJPML is a 100% controlled subsidiary of AJCo with a principal place of business in Australia.

The consolidated financial report for AJCo as at 30 June 2016 has been prepared on a going concern basis as the Directors of AJCo, after reviewing AJCo's going concern status, have concluded that AJCo has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. The AJCo Group is a for-profit entity for the purpose of preparing the financial statements. The consolidated financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 24 August 2016. AJCo has the power to amend and reissue this financial report.

The principal accounting policies adopted in the preparation of the financial report are set out below.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations (UIG) and the *Corporations Act 2001* (Cth).

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Australian dollars.

#### (b) Basis of consolidation

The AJCo Group consolidated financial statements comprises the assets and liabilities of all controlled entities and the results of all controlled entities for the financial year. Control is achieved when the AJCo Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The AJCo Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the AJCo Group are eliminated in full on consolidation.

#### (c) Adoption of new and amended accounting standards

The AJCo Group has adopted all new and amended accounting standards which became effective for annual reporting periods beginning on or after 1 July 2015. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### (d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying AJCo's accounting policies.

The AJCo Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### i) Estimated impairment of goodwill

The AJCo Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(l)(i). The recoverable amount of goodwill has been determined based on fair value less cost to sell calculations. These calculations require the use of assumptions. Refer to note 8(a) for details of these assumptions and the potential impact of changes to the assumptions.

##### ii) Financial assets held at fair value through profit or loss (FVTPL)

The AJCo Group recognises the economic interest in Spring as a financial asset at FVTPL as per note 1(m). The determination of fair value requires the Astro Group to apply judgement on significant estimates and assumptions. The valuation methodology has been described in note 16(b).

# Notes to the Financial Statements

## for the year ended 30 June 2016

### iii) Functional currency

Refer to note 1(e) below.

### (e) Foreign currency

#### i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the AJCo Group's functional and presentation currency.

#### ii) Transactions and balances

Transactions in foreign currencies are translated at the prevailing foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the financial period are translated to Australian dollars at the prevailing foreign exchange rate at that date. Foreign exchange differences arising on translation of monetary items are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at the prevailing foreign exchange rates at the dates the fair value was determined.

### (f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash at bank.

### (g) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The AJCo Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the AJCo Group's activities as described below.

Revenue is recognised for the major business activities as follows:

#### i) Financing income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised in profit or loss on a time proportionate basis, using the effective interest rate method.

#### ii) Responsible entity fees

Arranging and base fees for responsible entity services are recognised on a cost recovery basis.

#### iii) Distribution income

Distribution income is recognised in profit or loss on the date the entity's right to receive payment is established.

### (h) Tax

#### i) Australian income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### ii) Tax consolidation - Australia

AJCo and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity.

#### iii) Japanese withholding tax

Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20.42% withholding tax on the distribution of profits under TK contracts. The 20.42% withholding tax is the final Japanese tax paid or payable on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have permanent establishment in Japan).

The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20.42% withholding tax described above however, is only imposed on an actual distribution of profit to investors.

## Notes to the Financial Statements

### for the year ended 30 June 2016

On a six monthly basis, Spring Investment Co, Ltd will make cash distributions to the AJCo Group. For the most part these distributions can be expected to be taxable income for Japanese tax purposes, and thus subject to withholding tax at a rate of 20.42%, however, the cash available for distribution from the TK may exceed taxable profit for Japanese tax purposes and may therefore be made in part free from Japanese withholding tax as either a return of capital or (if capital has already been fully returned) as a loan from the TK to the AJCo Group.

#### iv) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

#### (i) Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

#### (j) Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision for impairment is booked when there is objective evidence that the AJCo Group will not be able to collect all amounts due according to the original terms of the receivables. An impairment loss is recognised for the amount by which the asset carrying amount exceeds its recoverable amount based on the present value of estimated future cash flows.

#### (k) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

#### (l) Intangible assets

##### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the AJCo Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses, refer to Note 8. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (m) Financial assets held at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any capital distribution or interest earned on the financial asset. Fair value is determined in the manner described in Note 16(b).

AJCo recognises its 25% economic interest in Spring as a financial asset carried at fair value through profit and loss, as it does not have voting participation at the TK level or exert significant influence over this entity. AJCo has designated this group of financial assets and liabilities at FVTPL as the financial instrument is managed and performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Information on the investment is provided internally on that basis to AJCo's KMP's.

#### (n) Impairment of assets

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **(o) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the AJCo Group as lessee are classified as operating leases (see Note 21 for details of leases). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

#### **(p) Earnings per Share**

Basic earnings per share is determined by dividing net profit attributable to the shareholders of the AJCo Group by the weighted average number of shares on issue during the reporting period.

Diluted earnings per share is determined by dividing net profit attributable to the shareholders of the AJCo Group by the weighted average number of ordinary shares and dilutive potential ordinary shares on issue during the financial year.

#### **(q) Parent entity financial information**

The financial information for the parent entity, AJCo, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### **i) Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost in the financial statements of AJCo.

#### **(r) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The AJCo Group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures** (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the AJCo Group's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The AJCo Group is yet to assess its full impact.

**AASB 15 Revenue from Contracts with Customers** (effective from 1 January 2018)

AASB 15 outlines a single comprehensive model to use in accounting for revenue from contracts with customers. It supersedes current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations. The key principle of this Standard is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces more prescriptive and detailed implementation guidance than was included in AASB 118, AASB 111 and the related Interpretations. The Standard is not applicable until 1 January 2018 but is available for early adoption. The AJCo Group is yet to assess its full impact.

**AASB 16 Leases** (effective from 1 January 2019)

AASB 16 will replace AASB 117 *Leases*. It requires recognition of a right of use asset along with the associated lease liability where the AJCo Group is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting would largely remain unchanged. The standard is not applicable until 1 January 2019 but is available for early adoption for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of the standard. The AJCo Group is yet to assess its full impact.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the AJCo Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The AJCo Group does not intend to adopt any of these pronouncements before their effective dates.



# Notes to the Financial Statements

for the year ended 30 June 2016

## 2. Revenue

	30 Jun 16 \$	30 Jun 15 \$
<b>a) Revenue from continuing operations</b>		
Base fee – AJT	1,809,705	1,777,467
<b>Total revenue from continuing operations</b>	<b>1,809,705</b>	<b>1,777,467</b>
<b>(b) Financing income</b>		
Financing income - AJT	207,202	212,259
Financing income - Other	45,383	91,578
<b>Total financing income</b>	<b>252,585</b>	<b>303,837</b>

## 3. Expenses

	30 Jun 16 \$	30 Jun 15 \$
Employee expenses & Directors fees (including payroll tax)	1,239,088	1,216,237
Insurance	316,485	337,058
Depreciation and amortisation	6,445	5,579
Superannuation contributions	108,606	91,612
Regulatory and registrar costs	4,376	4,981
Lease payments	127,297	124,102
Audit fees	60,000	44,497
Professional fees	16,751	21,374
Premises expenses	25,690	46,923
IT expenses	43,884	35,086
Travel expenses	20,002	10,126
Other expenses	65,282	78,261
<b>Total expenses</b>	<b>2,033,906</b>	<b>2,015,836</b>

## 4. Income tax expense

	30 Jun 16 \$	30 Jun 15 \$
<b>(a) Income tax expense</b>		
Current tax expense	648,792	466,295
Deferred tax benefit	(277,312)	(35,666)
	<b>371,480</b>	<b>430,629</b>
<b>(b) Reconciliation of tax expense</b>		
Profit before income tax	1,284,435	1,099,770
Tax expense at the prima facie Australian tax rate of 30%	385,330	329,931
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Goodwill Impairment	-	120,000
Distribution income from Spring	(8,613)	(8,591)
Fair value adjustment to financial assets	267,438	33,081
Overhead costs	4,637	(8,126)
	<b>648,792</b>	<b>466,295</b>
Deferred Australian tax asset on audit accrual	(6,061)	658
Deferred Australian tax asset on lease incentive	-	1,428
Deferred Australian tax asset on rent payable	(2,066)	(2,422)
Deferred Australian tax asset on employee entitlements	228	(6,378)
Deferred Australian tax liability on prepayments	(1,975)	4,189
Deferred Australian tax liability on FV movement of financial asset at FVTPL	(267,438)	(33,141)
<b>Income tax expense</b>	<b>371,480</b>	<b>430,629</b>

**(c) Amounts recognised directly in equity**

No amounts have been recognised directly in equity during the reporting period.

	30 Jun 16	30 Jun 15
	\$	\$
<b>(d) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Employee benefits	21,957	22,185
Audit accrual	16,200	10,139
Rent payable	4,488	2,422
	<b>42,645</b>	<b>34,746</b>
<i>Movements:</i>		
Opening balance at beginning of year	34,746	28,032
Credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	7,899	6,714
<b>Closing balance at the end of the year</b>	<b>42,645</b>	<b>34,746</b>
<b>Deferred tax expected to be recovered within 12 months</b>	<b>38,157</b>	<b>32,324</b>
<b>Deferred tax expected to be recovered after more than 12 months</b>	<b>4,488</b>	<b>2,422</b>

	30 Jun 16	30 Jun 15
	\$	\$
<b>(e) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Prepayments	16,035	18,010
Fair value movement of financial asset at FVTPL	100,987	368,425
	<b>117,022</b>	<b>386,435</b>
<i>Movements:</i>		
Opening balance at beginning of year	386,435	415,387
Credited to the Consolidated Statements of Profit or Loss and Other Comprehensive Income	(269,413)	(28,952)
<b>Closing balance at the end of the year</b>	<b>117,022</b>	<b>386,435</b>
<b>Deferred tax expected to be settled within 12 months</b>	<b>16,035</b>	<b>18,010</b>
<b>Deferred tax to be settled after more than 12 months</b>	<b>100,987</b>	<b>368,425</b>

**5. Earnings per stapled security**

	30 Jun 16	30 Jun 15
	\$	\$
Basic and diluted	1.51¢	1.01¢
Profit after tax attributable to members used in calculating basic and diluted earnings per security	912,955	669,141
Weighted average number of securities used as denominator in calculating basic and diluted earnings per security	60,652,466	66,312,686

The weighted average number of securities used as denominator in calculating basic and diluted earnings per security shown above is based on the number of securities on issue during the period.

**6. Cash and cash equivalents**

	30 Jun 16	30 Jun 15
	\$	\$
Cash at bank	2,466,409	2,562,654
Restricted cash	130,297	126,074
<b>Total cash and cash equivalents</b>	<b>2,596,706</b>	<b>2,688,728</b>

Cash at bank and restricted cash are bearing floating interest rates, with a weighted average effective interest rate of 1.78% (2015: 2.03%). Related to the restricted cash balance is a bank guarantee with NAB provided to Dexu CPA Pty Ltd of \$126,074 of which nil was undrawn as at 30 June 2016.

**7. Other receivables**

	30 Jun 16	30 Jun 15
	\$	\$
Distribution receivable	1,752,901	976,452
<b>Other receivables</b>	<b>1,752,901</b>	<b>976,452</b>

The above receivable relates to the distribution from Spring. As at 30 June 2016, the above receivable is not past due or impaired.

# Notes to the Financial Statements

## for the year ended 30 June 2016

### 8. Intangible assets

	Software \$	Goodwill \$	Total \$
<b>Year ended 30 June 2015</b>			
Opening balance	-	3,000,000	3,000,000
Impairment charge	-	(400,000)	(400,000)
<b>Closing net book amount</b>	-	<b>2,600,000</b>	<b>2,600,000</b>
<b>At 30 June 2015</b>			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(48,299)	(12,399,998)	(12,448,297)
<b>Net book amount</b>	-	<b>2,600,000</b>	<b>2,600,000</b>
<b>Year ended 30 June 2016</b>			
Opening balance	-	2,600,000	2,600,000
Impairment charge	-	-	-
<b>Closing net book amount</b>	-	<b>2,600,000</b>	<b>2,600,000</b>
<b>At 30 June 2016</b>			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(48,299)	(12,399,998)	(12,448,297)
<b>Net book amount</b>	-	<b>2,600,000</b>	<b>2,600,000</b>

#### (a) Impairment test for goodwill

All of the goodwill is attributable to AJCo's investment in AJPML and relates to AJPML's management rights with respect to its role as responsible entity of AJT.

Management have deemed there should be no impairment to the carrying value of goodwill due to the calculated recoverable amount of the goodwill being in excess of the carrying value. The recoverable amount of the goodwill is based on fair value less costs to sell calculated on a net present value basis, this would be included at level 3 in the fair value hierarchy shown in note 16(a). AJPML operates on a cost recovery basis and is forecast to make nil profit for the foreseeable future. To calculate the net present value of goodwill the management of the AJCo Group has adopted a methodology which assumes a "market" level of base fee income to arrive at a theoretical recurring profit after tax level and then calculates the net present value based on a discount rate of 12%, this rate is based upon the ten year risk-free rate plus an equity risk premium. The theoretical "market" value of base fees (27.5 basis points) to calculate the value of goodwill is based upon a reasonable market rate for Responsible Entity fees as evidenced in the market. Budgeted cash flows are projected over a ten year period as management fees are assumed to be receivable for at least that time period. The valuation assumes nil growth in the gross asset value based on a long-term growth trend adjusted for future divestments and an increase in AJPML's overheads of 2.5% per annum based upon budgeted figures.

### 9. Financial assets carried at fair value through profit or loss (FVTPL)

	30 Jun 16 \$	30 Jun 15 \$
Financial assets carried at fair value through profit and loss	3,781,350	4,544,112

The AJCo Group's economic interest in Spring is recognised as a financial asset carried at fair value through profit and loss. An overview of the valuation methodology relating to financial assets carried at fair value through profit and loss is included in note 16.

### 10. Remuneration of auditors

	30 Jun 16 \$	30 Jun 15 \$
<b>Audit services:</b>		
<i>Auditors of the AJCo Group</i>		
<i>BDO East Coast Partnership:</i>		
- Audit and review of financial reports	49,000	-
- Australian financial services license audit	4,000	-
- Compliance plan audit	7,000	-
	<b>60,000</b>	-
<i>Deloitte Touche Tohmatsu Australia:</i>		
- Audit of financial reports	-	29,500
- Australian financial services license audit	-	5,356
- Compliance plan audit	-	9,641
	-	<b>44,497</b>

	30 Jun 16 \$	30 Jun 15 \$
<b>Other services<sup>1</sup>:</b>		
<i>Auditors of AJCo Group</i>		
<i>Deloitte Touche Tohmatsu:</i>		
- Taxation compliance services	-	10,000
	-	<b>10,000</b>
<b>Total</b>	<b>60,000</b>	<b>54,497</b>

<sup>1</sup>During the year ended 30 June 2016 there were no fees paid or payable for non-audit services provided by the auditor of the AJCo Group, BDO East Coast Partnership, and its related practices.

## 11. Contributed equity

	30 Jun 16 \$	30 Jun 15 \$
<b>Fully paid securities on issue</b>		
<b>Movements in number of fully paid securities</b>	Number	Number
Number at beginning of financial period	60,652,466	67,211,752
Share buy-back	-	(6,559,286)
<b>Number at end of financial year</b>	<b>60,652,466</b>	<b>60,652,466</b>
<b>Movements in contributed equity</b>	\$	\$
Balance at beginning of financial period	26,951,949	28,581,065
Share buy-back, inclusive of cost	-	(1,629,116)
<b>Balance at end of financial year</b>	<b>26,951,949</b>	<b>26,951,949</b>

## 12. Accumulated losses

	30 Jun 16 \$	30 Jun 15 \$
Opening balance	(6,493,971)	(7,163,112)
Net profit attributable to members of AJCo	912,955	669,141
<b>Balance at the end of the year</b>	<b>(5,581,016)</b>	<b>(6,493,971)</b>

## 13. Dividends

### (a) Ordinary securities

No dividends have been paid or declared for the financial year ended 30 June 2016 (2015: \$nil)

### (b) Franked dividends

The franked portions of any final dividends declared after 30 June 2016 may be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2017.

	30 Jun 16 \$	30 Jun 15 \$
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 - 30%)	1,020,656	822,645

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

# Notes to the Financial Statements

## for the year ended 30 June 2016

### 14. Notes to the consolidated statement of cash flows

	30 Jun 16 \$	30 Jun 15 \$
<b>Reconciliation of the net profit after tax to net cash flows from operating activities</b>		
Profit for the year	912,955	669,141
<b>Adjustments for non cash items and items classified as investing or financing activities</b>		
Depreciation and amortisation expense	6,445	5,579
Interest on AJT loan	(207,202)	(212,259)
Fair value adjustments to financial assets held at FVTPL	891,459	110,272
Distribution income	(2,089,932)	(1,511,089)
Impairment of goodwill	-	400,000
<b>Net cash used in operating activities before changes in assets and liabilities</b>	<b>(486,275)</b>	<b>(538,356)</b>
<b>Change in operating assets and liabilities during the financial year:</b>		
(Increase)/Decrease in fee and interest receivable	(73,260)	8,226
Decrease in prepayments	48,233	79,358
Increase in deferred tax assets	(7,899)	(6,714)
Increase in current tax liabilities	196,583	7,286
Decrease in deferred tax liability	(269,413)	(28,952)
Increase in trade and other payables, provisions and deferred lease incentives	64,301	38,708
<b>Net cash outflow used in operating activities</b>	<b>(527,730)</b>	<b>(440,444)</b>

### 15. Financial Risk Management

The AJCo Group's activities are exposed to a variety of financial risks, including: market risk (interest rate risk, equity price risk and currency risk), credit risk, and liquidity risk. The AJCo Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the AJCo Group.

The AJCo Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

The AJCo Board has overall responsibility for the establishment and oversight of the AJCo risk management framework. The Board has established an Audit Risk & Compliance Committee which is responsible for monitoring the identification and management of key risks to the business. The ARCC meets regularly and reports to the Board on its activities.

#### (a) Market Risks

Market risk refers to the potential for changes in the market value of the AJCo Group's investment positions or revenue streams. There are various types of market risks including exposures associated with interest rates, equity market prices, currency rates and the general market values of asset classes in which the AJCo Group invests or which it manages.

##### (i) Interest rate risk

The AJCo Group receives interest on its cash at bank at a weighted average effective interest rate of 1.78% at period end (2015: 2.03%). All receivables and payables are on interest free terms, except the loan to AJT upon which the AJCo Group receives interest at an effective rate of 1.75% at period end (2015: 2.00%).

##### (ii) Currency risk

The AJCo Group has a 25% economic interest in the Japan Asset Manager which is denominated in JPY. As a result, the AJCo Group is exposed to currency risk with respect to movements in the AUD/JPY exchange rate.

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the AJCo Group's functional currency, AUD, and from net investments in foreign operations. The risk is measured using cash flow forecasting and sensitivity analysis.

The AJCo Group does not mitigate the effect of currency exposure on the Consolidated Statement of Financial Position. Refer to note 16(b) for foreign exchange rate sensitivity.

##### (iii) Sensitivity analysis

The sensitivity analysis below summarises the sensitivity of the AJCo Group's financial assets and financial liabilities to interest rate risk based on reasonably possible changes in interest rates.

	Increase by 50 bps		Decrease by 50 bps	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Net profit/(loss)</b>				
Cash and cash equivalents	12,984	13,444	(12,984)	(13,444)
AJT Loan	54,282	49,617	(54,282)	(49,617)
<b>Total net profit/(loss)</b>	<b>67,266</b>	<b>63,061</b>	<b>(67,266)</b>	<b>(63,061)</b>

#### (b) Credit Risks

Credit risk refers to the loss that the AJCo Group would incur if a debtor or other counterparty fails to perform under its contractual obligations.

The AJCo Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

The AJCo Group seeks to limit its exposure to credit risks as follows:

- Conducting appropriate due diligence on counterparties before entering into arrangements with them.
- Obtaining where appropriate, collateral with a value in excess of the counterparties' obligation to the AJCo Group – providing a "margin of safety" against loss.

At the end of the reporting period no collateral is held as security for any financial assets of the AJCo Group.

The AJCo Group has no significant concentrations of credit risk, other than the loan to AJT of \$10,856,362, refer to note 18(c), and all cash being held with a single institution, however the institution has a Standard & Poor's AA long-term credit rating. The credit quality of all financial assets are consistently monitored in order to identify any potential adverse changes in the credit quality. Receivables are unrated.

#### (c) Liquidity Risks

The AJCo Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The table below analyses the AJCo Group's financial liabilities into relevant maturity groupings at the end of the reporting period based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 6 months	Between 6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 30 June 2016</b>					
Payables	(164,411)	-	-	-	-
<b>Net Maturity</b>	<b>(164,411)</b>	-	-	-	-
<b>At 30 June 2015</b>					
Payables	(128,341)	-	-	-	-
<b>Net Maturity</b>	<b>(128,341)</b>	-	-	-	-

#### (d) Capital risk management

The AJCo Group maintains its capital structure with the objective to safeguard its ability to continue as a going concern, to increase the returns for Securityholders and to maintain an optimal capital structure. The capital structure of the AJCo Group consists of equity as listed in Note 11. The analysis of capital is provided in these Notes.

To achieve the optimal capital structure, the Board may use the following strategies: amend the distribution policy of the AJCo Group; issue new securities through a private or public placement; activate the Distribution Reinvestment Plan (DRP); issue securities under a Security Purchase Plan (SPP); or conduct an on-market buyback of securities.

#### Australian Financial Services License

The Responsible Entity is licensed as an Australian Financial Services Licensee.

Under licence condition 5, the Responsible Entity must:

- (a) be able to pay its debts as and when they become due and payable; and
- (b) show in its most recent statement of financial position lodged with ASIC that its total (adjusted) assets exceed total (adjusted) liabilities; and
- (c) have no reason to suspect that its total (adjusted) assets would not exceed total (adjusted) liabilities on a current statement of financial position; and

# Notes to the Financial Statements

## for the year ended 30 June 2016

(d) meet the cash needs requirement by complying with Option 1

Under licence condition 6, the Responsible Entity must maintain net tangible assets (NTA) of not less than 0.5% of AJT's total assets.

Under licence condition 9, the Responsible Entity must maintain at least \$50,000 in surplus liquid funds.

The Responsible Entity has satisfied all capital requirements of the licence, during the year.

The Responsible Entity had at all times a cash flow projection of at least 12 months showing its ability to meet debts as and when they fall due.

In order to comply with the NTA requirement and to maintain or adjust the capital structure, the Responsible Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 16. Fair value measurement of financial instruments

The AJCo Group recognises the following financial assets and liabilities at fair value on a recurring basis:

- Financial assets and liabilities carried at fair value through profit and loss

#### (a) Fair Value Hierarchy

The AJCo has adopted the classification of fair value measurements into the following hierarchy as required by AASB 13 *Fair Value Measurement* and AASB 7 *Financial Instruments: Disclosures*:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the AJCo Group's financial assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015:

	30 Jun 2016 - \$			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets carried at fair value through profit and loss				
Unlisted investments	-	-	3,781,350	3,781,350
<b>Total assets</b>	-	-	<b>3,781,350</b>	<b>3,781,350</b>

	30 Jun 2015 - \$			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets carried at fair value through profit and loss				
Unlisted investments	-	-	4,544,112	4,544,112
<b>Total assets</b>	-	-	<b>4,544,112</b>	<b>4,544,112</b>

The Astro Group holds no Level 1 or Level 2 derivatives.

#### (b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in Level 3 instruments for the periods ending 30 June 2016 and 30 June 2015 for recurring fair value measurements:

	Unlisted investments <sup>1</sup>	Total
	\$	\$
<b>Level 3 fair value movement</b>		
Balance at 1 July 2014	4,654,384	4,654,384
Net fair value loss through profit and loss	(110,272)	(110,272)
<b>Balance at 30 June 2015</b>	<b>4,544,112</b>	<b>4,544,112</b>
Balance at 1 July 2015	4,544,112	4,544,112
Investment in Spring	128,697	128,697
Net fair value loss through profit and loss	(891,459)	(891,459)
<b>Balance at 30 June 2016</b>	<b>3,781,350</b>	<b>3,781,350</b>

<sup>1</sup>The fair value of the unlisted investment is calculated on a net present value basis, forecast cash flows over ten years, which assume a 3% (2015: nil) annual growth in Spring net profit, are discounted at a rate of 12%, this rate is based upon the ten year risk-free rate plus an equity premium. The fair value of the unlisted investment is determined in Japanese Yen and translated to Australian Dollar at the relevant period end foreign exchange rate.



**Sensitivity on changes in fair value of Level 3 financial instruments**

The table below summarises the impact of an increase/decrease in significant unobservable inputs on the AJCo Group's profit for the period ending 30 June 2016:

Description	Change in unobservable input	30 Jun 16 \$	30 Jun 15 \$
<b>Fair value of Level 3 Unlisted investments</b>		<b>3,781,350</b>	<b>4,544,112</b>
	Increase of 1% in Discount rate	(128,113)	(141,277)
	Decrease of 1% in Discount rate	136,336	150,052
	Increase of 1% in Profit growth	202,214	-
	Decrease of 1% in Profit growth	(192,814)	-
	Increase of 10% in AUD/JPY foreign exchange rate	(343,759)	(413,101)
	Decrease of 10% in AUD/JPY foreign exchange rate	420,150	504,901

**17. Director and executive disclosures****(a) Key Management Personnel**

## i) Directors

The names of each person holding the position of Director of the Responsible Entity and also the AJCo during the financial year were Mr F A McDonald, Mr J Pettigrew, Mr D Clemson, and Ms K McCann.

**(b) Remuneration of Key Management Personnel**

Remuneration of Key Management Personnel is disclosed in the Remuneration Report.

	30 Jun 16 \$	30 Jun 15 \$
Short-term employee benefits	603,277	596,600
Post-employment benefits	50,608	50,086

**(c) Directors loans and other transactions**

There were no loans or other transactions made to or from the Directors of the AJCo Group during the year.

**(d) Senior advisor**

The Senior Advisor to the Astro Group, Mr Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Executive Chairman and employs the other executives who conduct the asset management activities in Japan. The Japan Asset Manager is not a subsidiary of the Astro Group, and as such the remuneration relating to those individuals is not borne by the Astro Group or its securityholders. Mr Lucas and the other executives of the Japan Asset Manager are not considered KMP of the Astro Group.

**18. Related parties****(a) Key Management Personnel**

Disclosures relating to Key Management Personnel are set out in note 17. Further information can also be found in the Remuneration Report included in the Directors' Report.

**(b) Directors**

Disclosures relating to directors are set out in note 17 and note 18(d). Further information can also be found in the Remuneration Report included in the Directors' Report.

**(c) Transactions with related parties**

The table below provides the total amount of receipts/(payments) between the AJCo Group and related parties for the relevant financial year.

	30 Jun 16 \$	30 Jun 15 \$
<b>Related party:</b>		
<b>Astro Japan Property Trust</b>		
Base fees received/receivable for Responsible Entity services	1,809,705	1,777,467
Loan interest	207,202	212,259
<b>Spring Investment Co, Ltd</b>		
Distribution received or receivable from Spring	2,089,932	1,511,089

# Notes to the Financial Statements

## for the year ended 30 June 2016

	30 Jun 16	30 Jun 15
	\$	\$

### Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

#### Receivable

Base fees receivable for Responsible Entity services from Astro Japan Property Trust	246,702	172,929
Loan receivable from Astro Japan Property Trust	10,856,362	9,923,356

These receivables are interest-bearing and repayable on demand. As at 30 June 2016, none of the above receivables are past due or impaired.

### (d) Securityholdings

The number of Astro Group securities held by each Director of AJCo and other key management personnel, including their personally related parties, at the date of this report are set out below. There were no securities issued during the year as compensation.

Name	Balance at start of year	Change during the year	Balance at end of year
Allan McDonald	40,000	-	40,000
John Pettigrew	-	-	-
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-

### 19. Contingent asset and liabilities

The AJCo Group has no contingent assets or liabilities or category of contingent assets or liabilities which are material.

### 20. Segment reporting

Management has determined that there is only one operating segment, which is based in Australia.

### 21. Lease commitments

The AJCo Group has non-cancellable leases in respect of the office premises and office equipment. Both leases are for a duration of 5 years and are classified as Operating Leases. The minimum lease payments are as follows:

	30 Jun 16	30 Jun 15
	\$	\$
No later than 1 year	125,737	120,410
Later than 1 year and no later than 5 years	302,937	428,674
<b>Total lease commitments</b>	<b>428,674</b>	<b>549,084</b>

### 22. Parent entity financial information

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 Jun 16	30 Jun 15
	\$	\$
<b>Statement of financial position</b>		
Current Assets	10,131,273	8,435,398
Total Assets	22,229,809	21,290,035
Current Liabilities	757,890	463,633
Total Liabilities	858,876	832,057
<i>Shareholder's equity</i>		
Issued capital	26,951,949	26,951,949
Retained Earnings	(5,581,016)	(6,493,971)
	<b>21,370,933</b>	<b>20,457,978</b>
<b>Profit for the year</b>	<b>912,955</b>	<b>669,141</b>
<b>Total comprehensive income</b>	<b>912,955</b>	<b>669,141</b>

**(b) Guarantees entered into by the parent entity**

The parent entity has not given any guarantees as at 30 June 2016 (30 June 2015: nil).

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2016.

**23. Events occurring after the end of the reporting period**

The Directors are not aware of any matter or circumstance occurring since 30 June 2016 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the AJCo Group, the results of those operations, or the state of affairs of the AJCo Group in subsequent financial years.

## Directors' Declaration

- 1 In the opinion of the Directors of Astro Japan Property Group Limited (AJCo):
  - a) the Financial Statements and Notes are in accordance with the *Corporations Act 2001* (Cth), including:
    - i) giving a true and fair view of the financial position of the AJCo Group as at 30 June 2016 and of its performance for the year ended 30 June 2016; and
    - ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) there are reasonable grounds to believe that AJCo will be able to pay its debts as and when they become due and payable.
- 2 Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- 3 The Directors have been given the declarations by the Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

Dated 24 August 2016.

This declaration is made in accordance with a resolution of the Directors pursuant to s.295(5) of the *Corporations Act 2001* (Cth).



F A McDonald  
Director  
Astro Japan Property Group Limited

# Independent Auditor's Report



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Astro Japan Property Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Astro Japan Property Group Limited ('the Company'), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and its entities it controlled during the at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Astro Japan Property Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



### Opinion

In our opinion:

- (a) the financial report of Astro Japan Property Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 47 to 49 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Astro Japan Property Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper'.

Ian Hooper  
Partner

Sydney, 24 August 2016

## Additional Securityholder Information

The Astro Group is required under the ASX Listing Rules to disclose the additional information which is set out in this section. The information is current as at 31 August 2016.

### Stapled securities

Each Astro Group stapled security comprises one unit in Astro Japan Property Trust ARSN 112 799 854 ('AJT') and one share in Astro Japan Property Group Limited ABN 25 135 381 663 ('AJCo') which are stapled together in accordance with each entity's Constitution and cannot be traded or dealt with separately. The Astro Group stapled securities are traded on the ASX under the code 'AJA'. In accordance with the ASX's requirements for stapled securities, the ASX reserves the right (but without limiting its absolute discretion) to remove AJT or AJCo or both from the ASX Official List if any of the AJT units and the AJCo shares cease to be stapled together or any equity securities are issued by AJT or AJCo which are not stapled to equivalent securities in the other entity.

### Corporate Governance Statement 2016

The Astro Group's Corporate Governance Statement 2016 is located at [www.astrojapanproperty.com/about-us/corporate-governance/annual-corporate-governance-statement](http://www.astrojapanproperty.com/about-us/corporate-governance/annual-corporate-governance-statement).

### Number of stapled securities and holders

The total number of Astro Group stapled securities on issue as at 31 August 2016 was 60,652,466 and the number of holders of these stapled securities was 2,380.

### Substantial securityholders

The names of substantial securityholders and details of securityholdings as set out in the substantial holder notices provided to the Astro Group in accordance with section 671B of the *Corporations Act 2001* (Cth) as at 31 August 2016 are set out below.

Securityholder	No. of Stapled Securities	Percentage (%)	Date of Substantial Holder Notice
Eric Lucas	6,469,999*	10.67%	02/07/15
Vanguard Investments Australia Ltd / The Vanguard Group, Inc.	3,824,380	6.31%	17/06/15

\* Note, as previously disclosed, Mr Lucas' current holding is 6,969,999 (11.49%) which has not at this stage required market disclosure via substantial holder notice.

### Voting rights

It is generally expected that General Meetings of securityholders of AJT and General Meetings of securityholders of AJCo will be held concurrently where proposed resolutions relate to the two entities. Voting rights of securityholders at General Meetings are outlined below.

On a show of hands, every person present and entitled to vote has one vote and if one proxy has been appointed, that proxy will have one vote on a show of hands. Under AJCo's Constitution, if a securityholder appoints two proxies or attorneys to vote at the same general meeting, neither proxy nor attorney may vote on a show of hands if more than one proxy or attorney attends.

On a poll:

- in the case of a resolution of AJCo, each securityholder present in person or by proxy, attorney or duly appointed corporate representative and entitled to vote, has one vote for each fully-paid security they hold; and
- in the case of a resolution of AJT, each securityholder present in person or by proxy, attorney or duly appointed corporate representative and entitled to vote, has one vote for each dollar of the value of the securities in AJT they hold.

If stapled securities are jointly held, only one of the joint holders is entitled to vote. If more than one securityholder votes in respect of jointly held stapled securities, only the vote of the securityholder whose name appears first in the register will be counted.

### On-market buy-back

The Astro Group does not currently have an on-market buy-back in place.

### Stapled securities that are restricted or subject to voluntary escrow

There are no Astro Group stapled securities which are restricted or subject to voluntary escrow.



## Additional Securityholder Information

### Distribution of securities

The distribution schedule for Astro Group stapled securities as at 31 August 2016 is shown below.

Category	No. of Holders	No. of Stapled Securities
1 to 1,000	1,285	542,050
1,001 to 5,000	791	1,921,447
5,001 to 10,000	146	1,094,160
10,001 to 100,000	137	3,846,333
100,001 and over	21	53,248,476
<b>Total</b>	<b>2,380</b>	<b>60,652,466</b>

The number of securityholders holding less than a marketable parcel was 228.

### Largest 20 securityholders

The largest 20 Astro Group securityholders as at 31 August 2016 are shown below. Mr Eric Lucas' securityholding of 6,969,999 stapled securities (11.49%) is not shown below as it is held through a nominee.

	Securityholder	No. of Stapled Securities	Percentage of Issued Capital
1	JP Morgan Nominees Australia Limited	15,182,381	25.03%
2	HSBC Custody Nominees (Australia) Limited	13,322,123	21.96%
3	National Nominees Limited	7,749,454	12.78%
4	Citicorp Nominees Pty Limited	6,162,924	10.16%
5	BNP Paribas Noms Pty Ltd <DRP>	1,978,888	3.26%
6	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,895,234	3.12%
7	RBC Investor Services Australia Pty Limited <VFA A/C>	1,234,686	2.04%
8	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	1,020,867	1.68%
9	Merrill Lynch (Australia) Nominees Pty Limited	974,497	1.61%
10	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	769,796	1.27%
11	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	709,042	1.17%
12	Stanbox Pty Limited <The Salem Family Account>	420,000	0.69%
13	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	402,894	0.66%
14	Chriswall Holdings Pty Ltd	310,000	0.51%
15	HSBC Custody Nominees (Australia) Limited – A/C 2	303,877	0.50%
16	HSBC Custody Nominees (Australia) Limited – GSCO ECA	183,811	0.30%
17	Kilcare Holdings Pty Ltd <Kilcare A/C>	150,000	0.25%
18	UBS Nominees Pty Ltd	139,722	0.23%
19	Mr David Elton	124,105	0.20%
20	Monex Boom Securities (HK) Ltd <Clients Account>	110,375	0.18%
<b>Total</b>		<b>53,144,676</b>	<b>87.62%</b>

## Corporate Directory

### **Astro Japan Property Group (ASX Code: AJA)**

Astro Japan Property Management Limited ABN 94 111 874 563 (Responsible Entity) as Responsible Entity of the Astro Japan Property Trust ARSN 112 799 854

Astro Japan Property Group Limited ABN 25 135 381 663

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[www.astrojapanproperty.com](http://www.astrojapanproperty.com)

### **Directors of the Responsible Entity and Astro Japan Property Group Limited**

Allan McDonald (Chairman)  
Doug Clemson  
Kate McCann  
John Pettigrew

### **Company Secretary of the Responsible Entity and Astro Japan Property Group Limited**

Rohan Purdy  
John Pettigrew (alternate)

### **Senior Advisor to the Astro Japan Property Group**

Eric Lucas

### **Security Registry**

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[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **Auditors**

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### **Custodian**

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**This Report is issued by the Astro Japan Property Group (“Astro Group”), comprising Astro Japan Property Management Limited (ABN 94 111 874 563, AFSL 283142) (“Responsible Entity”) as responsible entity of the Astro Japan Property Trust (ARSN 112 799 854) (“AJT”) and Astro Japan Property Group Limited (ABN 25 135 381 663) (“AJCo”).**

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Asset management services in Japan are generally undertaken by Spring Investment Co., Limited (“Spring”). Property level information contained in this Report has been provided by Spring. The Astro Group’s property interests are held via a Japanese Tokumei Kumiai structure, which is a contractual arrangement whereby the Astro Group has no ownership interest in the properties. See the Astro Group website under About Us – Ownership Structure for more details, [www.astrojapanproperty.com](http://www.astrojapanproperty.com).



