



ASX/Media Release

8 September 2017

ANNUAL REPORT 2017

Astro Japan Property Group (ASX: AJA) advises that the attached Annual Report for the year ended 30 June 2017 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>.

Please refer to the ASX announcement following this release for a copy of the Astro Group Corporate Governance Statement 2017 and ASX Appendix 4G.

ENDS

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.

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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Astro Japan
Property Group

Annual Report 2017

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Contents

Astro Japan Property Group Financial Report (Consolidated)	2
Astro Japan Property Group Limited Financial Report (Listed Company Only)	47
Additional Securityholder Information	79
Corporate Directory	81

Disclaimer

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”).

The information in this Report is of a general nature and does not constitute an offer of, or invitation to invest in or subscribe for, or a recommendation of, Astro Group stapled securities. This Report does not purport to be complete or comprise all information which a securityholder or potential investor may require in order to determine whether to deal in Astro Group stapled securities. It should be read in conjunction with the Astro Group’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

The Astro Group and its directors, officers, employees and contractors do not accept, and expressly disclaim, any liability whatsoever for any loss howsoever arising from any use of this Report or its contents. The information in this Report remains subject to change without notice.

This Report is not intended to constitute legal, tax or accounting advice or opinion. No representation or warranty, express or implied, is made as to the accuracy, completeness or thoroughness of the content of the information contained in this Report. Recipients should consult with their own investment, financial, taxation or other professional adviser as to the accuracy and application of the information contained herein and should conduct their own due diligence and other enquiries in relation to such information.

The information contained in this Report constitutes general information only. The Responsible Entity is not licensed to provide financial product advice (including personal financial product advice), and the information contained in this Report does not constitute financial product advice.

In providing this Report, the Astro Group has not considered the investment objectives, financial situation and particular needs of an investor. Before making any investment decision with respect to Astro Group stapled securities, an investor should consider its own investment objectives, financial circumstances and needs, and if necessary consult its investment, financial, taxation or other professional adviser. An investment in Astro Group stapled securities is subject to investment and other known and unknown risks, some of which are beyond the control of Astro Group. The Astro Group does not guarantee any particular rate of return or the performance of Astro Group.

This Report may include information forecasting or projecting future outcomes. Such outcomes may be affected by a wide range of influences outside of the Astro Group’s control. In respect of such forward-looking information, no representation or warranty is made by or on behalf of the Astro Group that any projection, forecast, forward-looking statement, assumption or estimate contained in this Report should or will be achieved.

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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.

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 25 August 2017, the Astro Group had 1,959 securityholders and a market capitalisation of approximately A\$437.3 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 2017, the Astro Group held interests in a portfolio comprising 29 office, retail, residential and hotel properties with a book value of ¥96.3 billion (approximately A\$1.24 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.

Astro Japan Property Group Financial Report (Consolidated)

Annual Financial Report 2017

3	Directors' Report	32	13	Notes to the consolidated statement of cash flows
13	Auditor's Independence Declaration		14	Financial risk management
14	Consolidated Statement of Profit or Loss and Other Comprehensive Income	32	15	Director and executive disclosures
15	Consolidated Statement of Financial Position	36	16	Related parties
16	Consolidated Statement of Cash Flows	36	17	Contingencies
17	Consolidated Statement of Changes in Equity	38	18	Commitments
18	Notes to the Consolidated Financial Statements	38	19	Parent entity financial information
19	1 Segment reporting	39	20	Statement of other significant accounting policies
27	2 Financial assets carried at fair value through profit or loss	42	21	Events occurring after the reporting period
27	3 Fair value measurement of financial instruments	43		Directors' Declaration
28	4 Distributions/dividends paid and payable	44		Independent Auditor's Report
29	5 Earnings per stapled security			
29	6 Other operating expenses			
30	7 Income tax expense			
30	8 Deferred taxes			
30	9 Intangible assets			
31	10 Contributed equity			
32	11 Accumulated losses			
32	12 Auditor's remuneration			

Directors' Report for the year ended 30 June 2017

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 2017. 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 eleven 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), Arabesque S Godo Kaisya (JPTGK), KTS& Co. Ltd (JPKT), WBF&S Co. Ltd (GK WBF&S), FKD&S Co. Ltd (GK FKD&S), JPT Direct Co. Ltd. (JPTD) and JPT August Co. Ltd. (JPTA); 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 2017.

Financial results

The Astro Group made a loss after income tax of \$12,424,000 for the year ended 30 June 2017 (30 June 2016: profit after tax of \$132,134,000).

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 or loss (representing investments in the TKs), and are detailed in the segment reporting disclosure in Note 1. 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 30/06/2017	Year ended 30/06/2016
	\$'000	\$'000
(Loss)/profit after tax for the year¹	(12,424)	132,134
Fair value adjustment to unlisted investments	506	862
Foreign currency translation impact on the fair value of the TKs	51,358	(82,291)
TK operator share of TK distributions	39	65
Fair value adjustments to investment properties	(8,573)	(19,187)
Fair value adjustments to interest bearing debt	(590)	3,815
(Gain)/loss on disposal of investment properties	(165)	193
Distribution income in relation to SSA disposal, net of tax ²	(3,042)	-
Expenses associated with TK refinancings	-	779
Net foreign exchange loss/(gain)	4,057	(8,510)
Deferred tax on fair value adjustments	3,384	3,600
Underlying profit after tax	34,550	31,460

¹All items below are set out in Note 1 Segment reporting.

²Included as part of 'Distribution income' in Note 1 Segment reporting, relates to the disposal of Spring's interest in Sekisui House Asset Management, Ltd. (SSA), see below for further details.

Directors' Report for the year ended 30 June 2017

Underlying profit after tax has increased by 9.8% compared to the prior year. The increase in underlying profit after tax results from lower asset management fees and a strengthening of the average A\$/¥ exchange rate from \$1=¥84.98 during the year to 30 June 2016 to \$1=¥82.30 during the year to 30 June 2017.

Asset management fees are 39.5% lower than in the prior financial year. Asset management base fees have remained consistent with the prior year, however the asset management performance fee of \$1,090,000 is lower than the prior year fee of \$5,141,000. The performance fee reflects the 5.9% (2016: 22.3%) 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 29 investment properties at 30 June 2017 (30 June 2016: 27 investment properties).

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

	Year ended 30/06/2017 \$'000	Year ended 30/06/2016 \$'000
Retail	31,434	30,652
Office	15,649	16,773
Residential	6,268	6,333
Hotel	1,291	-
Total net property income from interests in investment properties	54,642	53,758

Net property income has increased by 1.6% compared to the prior year. The increase reflects the strengthening of the average A\$/¥ exchange rate and the acquisition of four properties during the current year, offset by the sale of two properties during the current year along with the sale of four properties during the prior financial year. On a Yen basis, excluding the acquired and disposed of properties, net property income decreased by 1.9%.

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 (\$19,221,000 at \$1:¥76.48). The Astro Group's interest in the hotels is held through a new special purpose, property owning Japanese company, JPKT. The assets have been acquired without debt, using part of the Astro Group's available 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.

On 30 September 2016, Sun No.5, an office property owned by JPTN, was sold for ¥487 million (\$6,327,000 at \$1:¥76.97). The sale price is a 4.2% premium to the most recent ¥467 million Astro Group book value of the asset as at 30 June 2016. After making repayment of approximately ¥368.5 million (\$4,788,000) of debt principal, and sale-related costs, net proceeds available to the Astro Group are approximately ¥90 million (\$1,169,000).

On 31 January 2017, Round One Amagasaki, a retail property owned by JPTN, was sold for ¥830 million (\$9,659,000 at \$1:¥85.93). The sales price represented a 5.1% premium to the ¥790 million Astro Group book value of the asset as at 31 December 2016. After making repayment of approximately ¥730 million (\$8,495,000) of debt principal, and sale related costs, net proceeds available to the Astro Group are approximately ¥35 million (\$407,000).

On 30 March 2017, the Astro Group announced that it had acquired a newly constructed hotel in Fukuoka for a purchase price of ¥1.6 billion (\$18,757,000 at \$1:¥85.30). The Astro Group's interest in the hotel is held through a new special purpose, property owning Japanese company, GK WBF&S. The hotel acquisition has been funded predominately with new debt, with a tenor of 5 years, together with the Astro Group's equity investment of ¥496 million (\$5,815,000). The lease of the hotel is for a 10 year non-cancellable term, to an experienced Japanese hotel operator, WBF Resort Okinawa Co. Ltd., a hotel operations subsidiary of White Bear Family Co., Ltd.

On 11 April 2017, the Astro Group announced that it had acquired a shopping mall, FKD Shopping Plaza Utsunomiya, located in Utsunomiya City, for a purchase price of ¥10 billion (\$120,380,000 at \$1:¥83.07). The Astro Group's interest in the shopping mall is held through a new special purpose, property owning Japanese company, GK FKD&S. The Plaza was acquired from and will be leased back to Fukudaya, the largest local retailer in the North Kanto Region, under a 30 year lease with a 10 year non-cancellable period. The investment has been funded with ¥8 billion (\$96,304,000) of new debt provided by two lenders, an international lender taking a senior position and a Japanese financier taking a junior position. The tenor of the debt is 8 years. The senior loan has annual amortisation of ¥65 million (\$782,000), which will be eliminated upon repayment to the lender of ¥576 million (\$6,934,000), expected to be made from a refund of that amount of consumption tax due to GK FKD&S within 6 months. The balance of the purchase price, plus costs, was funded by an equity investment from AJA of ¥3.26 billion (\$39,244,000) from its surplus cash.

Net assets and fair value of investment properties

The net assets of the Astro Group have decreased from \$503,340,000 at 30 June 2016 to \$465,442,000 at 30 June 2017. The decrease in net assets results predominantly from a strengthening of the Australian Dollar spot rate from A\$1=¥76.67 at 30 June 2016 to A\$1=¥86.07 at 30 June 2017 partially offset by 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 \$8,573,000 to \$1,119,348,000 (Year ended 30 June 2016: revaluation upward of \$19,187,000 to \$1,081,951,000). 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 \$1,081,951,000 to \$1,119,348,000 has been driven by upward revaluations along with the acquisition of four properties during the year, three hotels and FKD Shopping Plaza Utsunomiya, offset by the strengthening of the Australian Dollar and the disposal of two properties, Sun No.5 and Round One Amagasaki.

Gearing of the underlying portfolio (interest bearing debt at face value/investment property value) at 30 June 2017 is 59.5% (30 June 2016: 59.4%).

Disposal of Spring's shareholding in Sekisui House SI Asset Management, Ltd.

On 29 March 2017, it was announced that Spring, in which the Astro Group has a 25% economic interest, disposed of its shareholding in Sekisui House SI Asset Management, Ltd. (SSA). SSA is the manager of the Tokyo Stock Exchange listed REIT, Sekisui House SI Residential Investment Corporation (TSE code 8973) which owns residential Japanese assets with a book value in excess of ¥200 billion (\$2.3 billion approx.).

Spring acquired its 25% shareholding in SSA (formerly known as Joint Capital Partners) in 2010 in joint venture with leading Japanese real estate developer Sekisui House, Ltd. (TSE code 1928), which owns 75% of SSA. Spring sold its 25% interest to Sekisui House, Ltd and SSA is now Sekisui House, Ltd's 100% subsidiary.

Details of the sale are confidential, however, reflecting the very substantial growth in SSA's business over the past 7 years, the transaction price was at a significant premium to the book value of Spring's investment. In recognition of the success of this joint venture and in order to maintain the business relationship, Sekisui House, Ltd made a small investment in Spring. This investment does not impact the Astro Group's 25% economic interest in Spring.

Business strategies, likely developments and expected results of operations

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, together with low cost of debt, which averaged 1.40% for the Astro Group as at 30 June 2017. 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.

Sale of the Astro Group's property (TK) interests

Subsequent to the year end, on 1 August 2017, the Astro Group announced that it has entered into agreements with Jetsons Holding II Pte. Ltd., an entity which is incorporated in Singapore by funds managed by Blackstone Real Estate (together with its affiliates, "Blackstone"), that, subject to the approval of Astro Group securityholders and the satisfaction of other conditions including lender consents, will result in:

- Blackstone acquiring all of the interests held by Astro Group in the TK Agreements, through which the Astro Group indirectly invests in Japanese real estate for net consideration of ¥37.908 billion (\$428.3 million at \$1:¥88.50). This implies a property portfolio valuation of ¥98.642 billion (\$1,114.6 million at \$1:¥88.50), reflecting a 2.38% premium to recently completed independent valuations;
- net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
- The Astro Group being delisted from the ASX and the constituent entities of Astro Group being wound up (collectively, the "Blackstone Proposal")

It is expected that Astro Group securityholders will receive net consideration of approximately \$7.18 per stapled security (based on an exchange rate of \$1:¥88.50) as a result of the Blackstone Proposal ("Proposed Consideration") in October 2017.



Directors' Report for the year ended 30 June 2017

In addition to the Proposed Consideration, Astro Group securityholders will also receive:

- the normal half yearly distribution payable at the end of August 2017, of 21 cents per stapled security; and
- distributions currently estimated at 14 cents per Security on the wind up of AJT and AJCo targeted to occur prior to January 2018.

The Blackstone Proposal requires the approval of Astro Group Securityholders, by majority vote pursuant to ASX Listing Rules 10 and 11 (excluding Mr Eric Lucas and his associates). To this end, a meeting of Astro Group securityholders has been convened for 13 September 2017, and the Notice of Meeting and Explanatory Memorandum was lodged with ASX on 1 August 2017.

The Astro Group Board unanimously recommends that Astro Group securityholders vote in favour of the Blackstone Proposal, in the absence of a superior proposal.

Distributions

Distributions declared and/or paid during the year ended 30 June 2017 were:

Distribution	Year ended 30/06/2017	Year ended 30/06/2016
Final distribution		
▪ Distribution cents per Stapled Security	21.00¢	18.00¢
▪ Payment date	31/08/2017	31/08/2016
Half year distribution		
▪ Distribution cents per Stapled Security	21.00¢	18.00¢
▪ Payment date	28/02/2017	29/02/2016

Distributions per Stapled Security for the year ended 30 June 2017 were 42.00 cents (year ended 30 June 2016: 36.00 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 2016 or the six months ended 30 June 2017.

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

On 1 August 2017, the Astro Group entered into agreements with Blackstone which, if approved by securityholders, will result in Blackstone acquiring all of the interest held by the Astro Group in the TK Agreements. See 'Sale of the Astro Group's property (TK) interests' above for further details.

The Directors are not aware of any other matter or circumstances occurring since 30 June 2017 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 2017, the Responsible Entity did not hold any securities in the Astro Group (30 June 2016: 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 30/06/2017 \$'000	Year ended 30/06/2016 \$'000
Asset management base fee – Japan Asset Manager	5,115	5,121
Asset management performance fee – Japan Asset Manager	1,090	5,141
Transaction fees – Japan Asset Manager	1,951	768
TK distributions – TK Operator	65	65
Total fees paid or payable	8,221	11,095
The following amounts are owed to the Japan Asset Manager at balance date relating to Asset Management and Transaction Fees	2,138	6,168

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 2017 (30 June 2016: 60,652,466). Each stapled security comprises one unit in AJT and one share in AJCo.

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
Allan McDonald 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.
Doug Clemson 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.
Kate McCann 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 the Chairman of General Re Australia Ltd and General Re Life Australia Ltd, and is a member of the Remuneration Committee and a member of the Audit Committee of each of those companies.
John Pettigrew 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 2017 are listed below:

Director	Listed Entity	Date appointed	Date ceased
Allan McDonald	Multiplex SITES Trust ¹	22 October 2003	Continuing
	Multiplex European Property Fund ² (delisted on 17 September 2015)	1 January 2010	Continuing
	Brookfield Prime Property Fund ² (delisted on 3 July 2017)	1 January 2010	Continuing
Doug Clemson	-	-	-
Kate McCann	-	-	-
John Pettigrew	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 2017

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of the Board) held during the 12 month period ended 30 June 2017, 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	17	17	17	17	4	4	3	3
Doug Clemson	17	15	17	15	4	4	3	3
Kate McCann	17	16	17	16	4	4	3	3
John Pettigrew	17	17	17	17	-	-	-	-

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 30 June 2017 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 ¹	-	-	-

¹Subsequent to 30 June 2017 John Pettigrew acquired 30,000 stapled securities

Secretaries

The Company Secretaries of the Responsible Entity and AJCo at any time during or since the 12 month period ended 30 June 2017 are:

John Pettigrew Executive Director, Chief Financial Officer & Company Secretary	John was appointed as Company Secretary of the Responsible Entity and as Company Secretary of AJCo on 1 January 2011.
Jonathon Moody Financial Controller & Company Secretary (alternate)	Jonathon was appointed as Company Secretary (alternate) of the Responsible Entity and as Company Secretary (alternate) of AJCo on 20 January 2017.
Rohan Purdy General Counsel & Company Secretary	Rohan resigned as Company Secretary of the Responsible Entity and as Company Secretary of AJCo on 20 January 2017.

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 2017.

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 2017

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 2017 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 \$1,250. 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 2017:

	2017	2016	2015	2014	2013
(Loss)/profit attributable to securityholders of the Astro Group (\$'000)	(12,424)	132,134	43,562	154,820	(12,900)
Earnings per security of the Astro Group (cents)	(20.48)	217.85	65.69	230.35	(20.73)
Underlying profit after tax per security of the Astro Group (cents)	56.96	51.87	40.41	40.19	46.53
Distributions per security of the Astro Group (cents)	42.00	36.00	28.50	20.00	17.50
Security price (\$) as at 30 June	6.35	6.87	4.96	4.08	3.00

- 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.

In respect of the Blackstone Proposal, see 'Sale of the Astro Group's property (TK) interests' above for further details, if Securityholders approve the proposal, employees of the Astro Group will be paid a retention bonus equal to six months' salary provided they remain in the employ of the Astro Group through to completion of the transaction as required by the Directors and/or a liquidator.

Remuneration of the Executive KMP

Table 1: Remuneration of the Executive KMP for the period ended 30 June 2017

Executive	Year	Salary \$	STI \$	Non- monetary benefits \$	Super- annuation \$	Total \$
Mr J Pettigrew	2017	278,431	-	-	19,615	298,046
	2016	273,777	-	-	19,307	293,084
Total remuneration	2017	278,431	-	-	19,615	298,046
	2016	273,777	-	-	19,307	293,084

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

Executive	Fixed remuneration ¹ %	STI %	Total %
Mr J Pettigrew	100.00	0.00	100.00

¹ 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 2017.

Employment Contract for the Executive KMP

The base salary for the executive as at 30 June 2017, in accordance with his employment contract is shown below:

Executive	Base remuneration per employment contract
Mr J Pettigrew	\$ 278,431

The employment contract for Mr Pettigrew contains the following conditions:

Length of Contract	▪ Open-ended
Frequency of base remuneration review	▪ Annual
Benefits	▪ Entitled to participate in Astro Group benefit plans that are made available
Incentive remuneration	▪ Eligible for an award of short term incentive remuneration (if any) as described above
Termination of employment	▪ 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 24 May 2017, there will be no change to the fees for the 12 month period commencing 1 July 2017.

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 2017

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 2017

Directors	Year	Short term - salary and fees \$	Superannuation \$	Total \$
Mr Allan McDonald	2017	136,500	12,967	149,467
	2016	136,500	12,967	149,467
Mr Doug Clemson	2017	96,500	9,168	105,668
	2016	96,500	9,167	105,667
Ms Kate McCann	2017	96,500	9,168	105,668
	2016	96,500	9,167	105,667
Total remuneration	2017	329,500	31,303	360,803
	2016	329,500	31,301	360,801

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 2017.

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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Australia

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 2017, 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', is written over a light grey horizontal line.

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 24 August 2017

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 2017

	Note	30 Jun 17 \$'000	30 Jun 16 \$'000
Revenue			
Financing revenue		53	93
Distribution revenue from TKs		20,334	17,822
		20,387	17,915
Other income			
Net gains on financial assets held at fair value through profit or loss	3(b)	-	109,796
Net foreign exchange gain		-	8,510
Other income		-	160
		-	118,466
Total revenue and other income		20,387	136,381
Expenses			
Net losses on financial assets held at fair value through profit or loss	3(b)	(23,410)	-
Net foreign exchange loss		(4,057)	-
Other operating expenses	6	(3,229)	(2,816)
Total expenses		(30,696)	(2,816)
(Loss)/profit before tax		(10,309)	133,565
Income tax expense	7	(2,115)	(1,431)
(Loss)/profit for the year		(12,424)	132,134
(Loss)/profit is attributable to:			
Securityholders of AJT		(15,439)	131,221
Securityholders of other entities stapled to AJT (non-controlling interests)		3,015	913
(Loss)/profit for the year		(12,424)	132,134
Other comprehensive income		-	-
Total comprehensive income for the year		(12,424)	132,134
Total comprehensive income attributable to:			
Securityholders of AJT		(15,439)	131,221
Securityholders of other entities stapled to AJT (non-controlling interests)		3,015	913
		(12,424)	132,134
Basic and diluted earnings per ordinary Security available to securityholders of AJT	5	(25.45)¢	216.35¢

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 2017

	Note	30 Jun 17 \$'000	30 Jun 16 \$'000
Current assets			
Cash and cash equivalents		4,280	49,511
Distribution receivable		23,894	34,341
Other assets		542	279
Total current assets		28,716	84,131
Non-current assets			
Financial assets carried at fair value through profit or loss	2	448,926	429,003
Deferred tax asset	8(a)	41	43
Property, plant and equipment		31	41
Intangible assets	9	2,600	2,600
Total non-current assets		451,598	431,687
Total assets		480,314	515,818
Current liabilities			
Payables		560	483
Employee benefits		58	73
Distribution payable	4	12,737	10,918
Current tax liabilities		1,494	858
Total current liabilities		14,849	12,332
Non-current liabilities			
Employee benefits		6	29
Deferred tax liabilities	8(b)	17	117
Total non-current liabilities		23	146
Total liabilities		14,872	12,478
Net assets		465,442	503,340
Equity			
Equity attributable to securityholders of AJT			
Contributed equity	10	601,854	601,854
Accumulated losses	11	(160,797)	(119,884)
Total equity of securityholders		441,057	481,970
Equity attributable to other stapled securityholders			
Contributed equity	10	26,952	26,952
Accumulated losses	11	(2,567)	(5,582)
Total equity of other stapled securityholders		24,385	21,370
Total equity		465,442	503,340

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 2017

	Note	30 Jun 17 \$'000	30 Jun 16 \$'000
Cash flows from operating activities			
Realised foreign exchange gains		144	4,039
Other operating expenses paid		(2,942)	(2,622)
Financing income		53	93
Japanese withholding and Australian income tax paid		(1,577)	(1,263)
Net cash (used in)/from operating activities	13	(4,322)	247
Cash flows from investing activities			
Investment in financial assets held at fair value through profit or loss	3(b)	(66,877)	(3,195)
Distributions received		54,326	65,208
Purchase of plant, property and equipment		-	(23)
Net cash (used in)/from investing activities		(12,551)	61,990
Cash flows from financing activities			
Distributions paid		(23,655)	(20,622)
Net cash used in financing activities		(23,655)	(20,622)
Net (decrease)/increase in cash and cash equivalents		(40,528)	41,615
Cash and cash equivalents at the beginning of the year		49,511	3,199
Effect on exchange rate fluctuations on cash held		(4,703)	4,697
Cash and cash equivalents at the end of the year		4,280	49,511

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 for the year ended 30 June 2017

	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
Balance at 1 July 2015		601,854	(229,270)	372,584	26,952	(6,495)	20,457
Profit for the year		-	131,221	131,221	-	913	913
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	131,221	131,221	-	913	913
							132,134
Transactions with Securityholders in their capacity as Securityholders:							
Distributions paid or provided for	4	-	(21,835)	(21,835)	-	-	-
Balance at 30 June 2016		601,854	(119,884)	481,970	26,952	(5,582)	21,370
							503,340
Balance at 1 July 2016		601,854	(119,884)	481,970	26,952	(5,582)	21,370
(Loss)/profit for the year		-	(15,439)	(15,439)	-	3,015	3,015
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	(15,439)	(15,439)	-	3,015	3,015
							(12,424)
Transactions with Securityholders in their capacity as Securityholders:							
Distributions paid or provided for	4	-	(25,474)	(25,474)	-	-	-
Balance at 30 June 2017		601,854	(160,797)	441,057	26,952	(2,567)	24,385
							465,442

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 2017

About this report

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. The Astro Group is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on 24 August 2017. The Responsible Entity has the power to amend and reissue this financial report.

The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Standards Board and the Corporations Act 2001;
- comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- are presented in Australian Dollars.

The notes include financial information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Astro Group. Information is considered relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Astro Group;
- it helps explain the impact of the significant changes in the Astro Group's business; and
- it relates to an aspect of the Astro Group's operations that is important to its future performance.

Significant accounting policies that summarise the measurement basis used are relevant to an understanding of the financial statements are set out in the following notes. These policies have been consistently applied.

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 2017 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 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.

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 statement 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.

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.

For the purposes of these Notes:

- references to 'TK Operator' means each or any of the eleven 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), Arabesque S Godo Kaisya (JPTGK), KTS& Co. Ltd (JPKT), WBF&S Co. Ltd (GK WBF&S), FKD&S Co. Ltd (GK FKD&S), JPT Direct Co. Ltd. (JPTD) and JPT August Co. Ltd. (JPTA); 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'.

Basis of preparation

The consolidated financial report for the Astro Group as at 30 June 2017 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 Directors of the Responsible Entity however note the subsequent events and conditions detailed in note 21, which indicates a material uncertainty that may cast significant doubt about the Astro Group's ability to continue as a going concern should the securityholders approve the Blackstone proposal.

Should the Astro Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Astro Group not continue as a going concern.

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.

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.

Critical accounting estimates, judgements and assumptions

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 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

The Astro Group recognises economic interests in TKs as financial assets at fair value through profit or loss as per note 20(c). 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 3(b).

iii) Functional currency

Refer to note 20(b).

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.

1. 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, except JPKT which is debt free) 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 3(b).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

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 and 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 2017, and reconciliation to the (loss)/profit for the period, are included below:

Income statement 30 June 2017	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK \$'000	JPKT TK \$'000	GK WBF&S \$'000	GK FKD&S \$'000	JPTA TKs \$'000	Australia, Consolidation adjustments and JPTD & \$'000	Total \$'000
Revenue												
Property rental income	14,452	11,447	22,208	13,596	4,255	2,742	1,264	265	1,384	-	-	71,613
Financing income	-	-	-	-	-	-	-	-	-	-	54	54
Distribution income	-	-	-	-	-	-	-	-	-	-	4,872	4,872
Gain on disposal of investment property	-	-	-	165	-	-	-	-	-	-	-	165
Fair value adjustments to investment properties	3,390	729	5,116	378	17	1,553	(21)	60	(2,649)	-	-	8,573
Fair value adjustments to interest bearing debt	(710)	(104)	(896)	948	-	631	-	-	721	-	-	590
Other income	2	-	2	-	-	3	3	-	-	-	-	10
Total revenue	17,134	12,072	26,430	15,087	4,272	4,929	1,246	325	(544)	4,926		85,877
Expenses												
Property expenses	(2,116)	(2,541)	(5,826)	(4,531)	(758)	(491)	(240)	(42)	(421)	-	-	(16,966)
Asset management fees	(1,250)	(968)	(2,151)	(1,098)	(350)	(145)	(74)	(23)	(146)	-	-	(6,205)
Financing costs	(2,233)	(1,397)	(2,778)	(1,101)	(210)	(352)	-	(77)	(483)	(26)	(26)	(8,657)
Net foreign exchange loss	-	-	-	-	-	-	-	-	-	(4,057)	(4,057)	(4,057)
Other operating expenses	(138)	(225)	(677)	(276)	(112)	(34)	(104)	(36)	(38)	(3,273)	(3,273)	(4,913)
Total expenses	(5,737)	(5,131)	(11,432)	(7,006)	(1,430)	(1,022)	(418)	(178)	(1,088)	(7,356)		(40,798)
Segment profit/(loss) before tax	11,397	6,941	14,998	8,081	2,842	3,907	828	147	(1,632)	(2,430)		45,079
Income tax benefit/(expense)	(1,000)	(445)	681	(1,498)	(301)	(601)	(141)	(33)	(147)	(2,115)	(2,115)	(5,600)
Segment profit/(loss) after tax	10,397	6,496	15,679	6,583	2,541	3,306	687	114	(1,779)	(4,545)		39,479
Reconciliation to Astro Group loss after tax:												
Fair value adjustment to unlisted investments											(506)	(506)
Foreign currency translation impact on the fair value of the TKs											(51,358)	(51,358)
TK operator share of TK distributions											(39)	(39)
Loss for the period												(12,424)

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

Income statement 30 June 2016	JPT TK	JPTS TK	JPTC TK	JPTN TK	JPTO TK	JPTGK	Australia, Consolidation adjustments and JPTD & JPTA TKs		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue									
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	93	109
Distribution income	-	-	-	-	-	-	2,090	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	8,510
Other income	3	8	2	12	-	-	161	161	186
Total revenue	28,855	18,184	29,197	5,248	5,339	4,066	10,854	10,854	101,743
Expenses									
Property expenses	(1,733)	(4,257)	(5,733)	(5,119)	(616)	(441)	(4)	(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)	(34)	(9,264)
Gain/(loss) on disposal of investment property	-	703	-	(896)	-	-	-	-	(193)
Fair value adjustments 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)	(2,853)	(4,238)
Total expenses	(7,363)	(7,164)	(13,869)	(9,916)	(1,565)	(2,907)	(2,891)	(2,891)	(45,675)
Segment profit before tax	21,492	11,020	15,328	(4,668)	3,774	1,159	7,963	7,963	56,068
Income tax benefit/(expense)	(3,282)	(307)	(1,288)	1,743	(544)	(189)	(1,431)	(1,431)	(5,298)
Segment profit after tax	18,210	10,713	14,040	(2,925)	3,230	970	6,532	6,532	50,770
Reconciliation to Astro Group profit after tax:									
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)
Profit for the period									132,134

The Astro Groups economic interests in JPKT, GK WBF&S and GK FKD&S commenced on 17 August 2016, 30 March 2017 and 28 March 2017 respectively therefore JPKT, GK WBF&S and GK FKD&S are not included in the comparative figures for the period to 30 June 2016.

Adjusted operating cashflow 30 June 2017	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK \$'000	JPKT TK \$'000	GK WBF&S \$'000	GK FKD&S \$'000	Australia, Consolidation adjustments and JPTD & JPTA TKs \$'000	Total \$'000
Net operating cash flows from investment properties	13,073	8,843	16,412	8,632	3,462	2,175	1,025	308	1,525	-	55,455
Capital expenditure on investment properties	(479)	(346)	(430)	(2,070)	(30)	-	-	-	-	-	(3,355)
Asset management fees paid	(2,117)	(1,469)	(3,272)	(1,692)	(571)	(144)	(75)	(23)	(125)	-	(9,488)
Interest paid	(2,149)	(763)	(2,677)	(998)	(175)	(320)	-	-	-	-	(7,082)
Accounting and administration	(134)	(217)	(670)	(279)	(106)	(29)	(105)	(41)	(66)	(3,010)	(4,657)
Realised foreign exchange gains	-	-	-	-	-	-	-	-	-	144	144
Adjusted operating cashflow	8,194	6,048	9,363	3,593	2,580	1,682	845	244	1,334	(2,866)	31,017
Reconciliation to segment profit/(loss) before tax:											
Adjusted operating cashflow	8,194	6,048	9,363	3,593	2,580	1,682	845	244	1,334	(2,866)	31,017
Fair value adjustment to investment properties	3,390	729	5,116	378	17	1,553	(21)	60	(2,649)	-	8,573
Fair value adjustments to interest bearing debt	(710)	(104)	(896)	948	-	631	-	-	721	-	590
Unrealised foreign exchange loss	-	-	-	-	-	-	-	-	-	(4,201)	(4,201)
Movements in accruals and prepayments	127	90	1,084	1,051	252	76	4	(130)	(1,005)	(277)	1,272
Amortisation of borrowing costs	(83)	(168)	(99)	(124)	(37)	(35)	-	(27)	(33)	-	(606)
Depreciation	-	-	-	-	-	-	-	-	-	(11)	(11)
Financing income	-	-	-	-	-	-	-	-	-	53	53
Capital expenditure on investment properties	479	346	430	2,070	30	-	-	-	-	-	3,355
Gain on disposal of investment property	-	-	-	165	-	-	-	-	-	-	165
Distribution income	-	-	-	-	-	-	-	-	-	4,872	4,872
Segment profit/(loss) before tax	11,397	6,941	14,998	8,081	2,842	3,907	828	147	(1,632)	(2,430)	45,079

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

Adjusted operating cashflow 30 June 2016	JPT TK	JPTS TK	JPTC TK	JPTN TK	JPTO TK	JPTGK	Australia, Consolidation adjustments and JPTD & JPTA TKs		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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 paid	(2,158)	(1,322)	(2,689)	(1,167)	(210)	(280)	-	-	(7,826)
Accounting and administration	(95)	(255)	(597)	(227)	(99)	(27)	(2,720)	(4,039)	(4,020)
Realised foreign exchange gains	-	-	-	-	-	-	4,039	4,039	-
Adjusted operating cashflow	8,054	5,529	9,805	4,579	2,772	1,668	1,319	1,319	33,726
Reconciliation to segment profit before tax:									
Adjusted operating cashflow	8,054	5,529	9,805	4,579	2,772	1,668	1,319	1,319	33,726
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 foreign exchange gain	-	-	-	-	-	-	4,471	4,471	4,471
Movements in accruals and prepayments	(1,160)	(317)	(1,266)	15	(175)	60	(4)	(4)	(2,847)
Amortisation of borrowing costs	(77)	(163)	(96)	(120)	(36)	(906)	-	-	(1,398)
Depreciation	-	-	-	-	-	-	(6)	(6)	(6)
Financing income	-	-	-	-	-	-	93	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	2,090
Segment profit before tax	21,492	11,020	15,328	(4,668)	3,774	1,159	7,963	7,963	56,068

The Astro Groups economic interests in JPKT, GK WBF&S and GK FKD&S commenced on 17 August 2016, 30 March 2017 and 28 March 2017 respectively therefore JPKT, GK WBF&S and GK FKD&S are not included in the comparative figures for the period to 30 June 2016.

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.

Segment balance sheet 30 June 2017	JPT TK \$'000	JPTS TK \$'000	JPTC TK \$'000	JPTN TK \$'000	JPTO TK \$'000	JPTGK \$'000	JPKT TK \$'000	GK WBF&S \$'000	GK FKD&S \$'000	JPTA TKs \$'000	Total \$'000
Segment assets											
Cash and cash equivalents	7,178	5,967	8,015	5,135	1,644	639	1,956	494	1,999	4,862	37,889
Restricted cash	16,250	2,235	9,762	10,621	5,939	2,611	609	901	4,052	-	52,980
Trade and other receivables	152	174	779	194	-	1,013	-	594	6,979	6,147	16,032
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	2,259	2,259
Investment properties	247,115	141,565	320,541	150,232	61,599	42,440	18,066	19,286	118,504	-	1,119,348
Deferred tax asset	631	3,676	2,283	773	-	79	-	-	-	41	7,483
Intangible assets	-	-	-	-	-	-	-	-	-	2,600	2,600
Other assets	13	41	92	285	2	29	22	15	50	303	852
Total segment assets	271,339	153,658	341,472	167,240	69,184	46,811	20,653	21,290	131,584	16,212	1,239,443
Segment liabilities											
Payables and other liabilities	(7,729)	(4,700)	(7,323)	(4,481)	(1,999)	(734)	(1,777)	(363)	(1,927)	16,902	(14,131)
Tenant deposits	(15,681)	(6,808)	(8,367)	(8,595)	(4,990)	(2,386)	(591)	(502)	(3,021)	-	(50,941)
Distribution payable	-	-	-	-	-	-	-	-	-	(12,737)	(12,737)
Interest bearing debt at fair value	(153,584)	(75,491)	(191,410)	(81,386)	(35,820)	(24,872)	-	(14,730)	(91,236)	-	(668,529)
Current tax liabilities	-	-	-	-	-	-	-	-	-	(1,494)	(1,494)
Deferred tax liabilities	(12,139)	(121)	(7,362)	(501)	(1,952)	(3,764)	(138)	(32)	(143)	(17)	(26,169)
Total segment liabilities	(189,133)	(87,120)	(214,462)	(94,963)	(44,761)	(31,756)	(2,506)	(15,627)	(96,327)	2,654	(774,001)
Net segment assets	82,206	66,538	127,010	72,277	24,423	15,055	18,147	5,663	35,257	18,866	465,442

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

Segment balance sheet									
30 June 2016									
Segment assets	JPT TK	JPTS TK	JPTC TK	JPTN TK	JPTO TK	JPTGK	Australia, Consolidation adjustments and JPTD & JPTA TKs		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets									
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 fair value through profit or loss	-	-	-	-	-	-	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
Total segment assets	291,536	185,513	374,693	208,609	77,587	50,857	67,366		1,256,161
Segment liabilities									
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)
Total segment liabilities	(201,078)	(111,879)	(237,723)	(127,190)	(50,335)	(36,090)	11,474		(752,821)
Net segment assets	90,458	73,634	136,970	81,419	27,252	14,767	78,840		503,340

The Astro Groups economic interests in JPKT, GK WBF&S and GK FKD&S commenced on 17 August 2016, 30 March 2017 and 28 March 2017 respectively therefore JPKT, GK WBF&S and GK FKD&S are not included in the comparative figures as at 30 June 2016.

	30 Jun 17 \$'000	30 Jun 16 \$'000
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2. Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss	448,926	429,003
	448,926	429,003

Astro Group's economic interest in various TKs in Japan are recognised as financial assets carried at fair value through profit or loss. An overview of the valuation methodology relating to financial assets carried at fair value through profit or loss is included in note 3(b).

3. Fair value measurement 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 or loss

(a) 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 or 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 2017 and 30 June 2016:

30 Jun 2017 - \$'000				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets carried at fair value through profit or loss				
Unlisted investments	-	-	448,926	448,926
Total assets	-	-	448,926	448,926

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

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

(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 2017 and 30 June 2016 for recurring fair value measurements:

	Unlisted investments ¹ \$'000	Total \$'000
Level 3 fair value movement		
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 or loss	109,796	109,796
Balance at 30 June 2016	429,003	429,003
Balance at 1 July 2016	429,003	429,003
Investments in TKs	66,877	66,877
Capital returns from TKs	(23,544)	(23,544)
Net fair value loss through profit or loss	(23,410)	(23,410)
Balance at 30 June 2017	448,926	448,926

¹The 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 the Directors considering independent certified valuations based on discounted cash flow models. The key unobservable inputs of the model have been identified as discount rate and terminal yield, the range of discount rates used was 3.9% to 6.2% and the range of terminal yields used was 4.3% to 7.2%. 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.

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 2017 and 30 June 2016:

Description	Change in unobservable input	30 Jun 17 \$'000	30 Jun 16 \$'000
Fair value of Level 3 Unlisted investments		448,926	429,003
	Increase of 0.1% in Discount rate	(7,243)	(7,104)
	Decrease of 0.1% in Discount rate	8,374	7,429
	Increase of 0.1% in Terminal yield	(12,891)	(12,579)
	Decrease of 0.1% in Terminal yield	12,976	12,500
	Increase of 10% in AUD/JPY foreign exchange rate	(40,811)	(39,000)
	Decrease of 10% in AUD/JPY foreign exchange rate	49,881	47,667
		30 Jun 17 \$'000	30 Jun 16 \$'000

4. Distribution/dividends paid and payable

Half year distribution paid	12,737	10,917
Final distribution payable at year end	12,737	10,918
	25,474	21,835

Ordinary Securities

The final distribution for the year ended 30 June 2017 of 21.0 cents per security (\$12,737,000) (2016: 18.0 cents per security (\$10,918,000)) is payable on or around 31 August 2017 (2016 – 31 August 2016).

The half year distribution for the year ended 30 June 2017 of 21.0 cents per security (\$12,737,000) (2016: 18.0 cents per security (\$10,917,000)) was paid on 28 February 2017 (2016: 29 February 2016).

No dividends have been paid or declared for the financial year 2017 from the AJCo Group (comprising AJCo and its controlled entity) (2016: \$nil).

Franked dividends

The franked portions of any final dividends declared after 30 June 2017 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 2018.

	30 Jun 17 \$'000	30 Jun 16 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2016 - 30%)	1,425	1,021

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.

	30 Jun 17	30 Jun 16
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5. Earnings per stapled security

Basic and diluted	(25.45¢)	216.35¢
(Loss)/profit after tax attributable to Securityholders of AJT used in calculating basic and diluted earnings per security (\$'000)	(15,439)	131,221
Weighted average number of Securities used as denominator in calculating basic and diluted earnings per Security	60,652,466	60,652,466

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	(20.48¢)	217.85¢
(Loss)/profit after tax attributable to Securityholders of the Astro Group used in calculating basic and diluted earnings per security (\$'000)	(12,424)	132,134
Weighted average number of Securities used as denominator in calculating basic and diluted earnings per Security	60,652,466	60,652,466

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 17 \$'000	30 Jun 16 \$'000
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6. Other operating expenses

Other operating expenses includes the following:

Audit fees (Refer Note 12)	170	167
Regulatory and registrar costs	114	166
Employee expenses and Directors fees	1,072	1,239
Superannuation contributions	100	109
Insurance	302	316
Professional fees	183	141
Advisory fees	850	-
Miscellaneous expenses	172	89
Transaction fees	-	277
Investor and public relations	29	56
Rent and premises expenses	195	197
Travel and accommodation	10	20
Bank charges	32	39
	3,229	2,816

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

	30 Jun 17 \$'000	30 Jun 16 \$'000
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7. Income tax expense

a) Income tax expense

Current Australian tax	1,381	648
Current Japanese withholding tax	832	1,060
Deferred Australian tax	(98)	(277)
	2,115	1,431

b) Reconciliation of tax expense

(Loss)/profit before income tax	(10,309)	133,565
Tax expense at the prima facie Australian tax rate of 30%	(3,093)	40,069
Tax effect of profit attributed to entities not subject to tax	(2,489)	(6,478)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Fair value adjustments to financial assets held at fair value through profit or loss	7,023	(32,939)
Distribution income from Spring	4	(9)
Overhead costs	(24)	5
	1,421	648
Adjustments for current tax of prior periods	(40)	-
Japanese withholding tax on distributions from TKs	832	1,060
Deferred Australian tax asset on audit accrual	(1)	(6)
Deferred Australian tax asset on rent payable	-	(2)
Deferred Australian tax asset on employee entitlements	3	-
Deferred Australian tax liability on prepayments	1	(2)
Deferred Australian tax liability on fair value movement of financial asset at fair value through profit or loss	(101)	(267)
Income tax expense	2,115	1,431

8. Deferred taxes

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

Employee entitlements	19	22
Audit accrual	17	16
Rent payable	5	5
	41	43

Movements:

Opening balance at beginning of year	43	35
(Debited)/credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(2)	8
Closing balance at the end of the year	41	43
Deferred tax expected to be recovered within 12 months	36	38
Deferred tax expected to be recovered after more than 12 months	5	5

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Prepayments	17	16
Fair value movement of financial asset at fair value through profit or loss	-	101
	17	117

Movements:

Opening balance at beginning of year	117	386
Credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(100)	(269)
Closing balance at the end of the year	17	117
Deferred tax expected to be settled within 12 months	17	16
Deferred tax to be settled after more than 12 months	-	101

9. Intangible assets

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 of \$2,600,000 as at 30 June 2017 (2016: \$2,600,000) 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 3(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 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 17 No. of Units	30 Jun 16 No. of Units
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10. Contributed equity

Number of securities on issue	60,652,466	60,652,466
Movements in number of securities		
Number at beginning of financial year	60,652,466	60,652,466
Number at end of financial year	60,652,466	60,652,466

	AJT \$'000	Other stapled securityholders' interest \$'000	Total \$'000
Movements in contributed equity			
Balance at 1 July 2015	601,854	26,952	628,806
Balance at 30 June 2016	601,854	26,952	628,806
Balance at 1 July 2016	601,854	26,952	628,806
Balance at 30 June 2017	601,854	26,952	628,806

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

	AJT \$'000	Other stapled securityholders' interest \$'000	Total \$'000
11. Accumulated losses			
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)
Balance at 30 June 2016	(119,884)	(5,582)	(125,466)
Balance at 1 July 2016	(119,884)	(5,582)	(125,466)
Net (loss)/profit for the year	(15,439)	3,015	(12,424)
Distributions paid and payable to stapled securityholders	(25,474)	-	(25,474)
Balance at 30 June 2017	(160,797)	(2,567)	(163,364)
		30 Jun 17 \$	30 Jun 16 \$

12. Auditor's remuneration

Audit services:

Auditors of the Astro Group

BDO East Coast Partnership:

- Audit and review of financial reports	158,539	155,996
- Australian financial services license audit	4,000	4,000
- Compliance plan audit	7,250	7,000
	169,789	166,996

During the years ended 30 June 2017 and 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 17 \$'000	30 Jun 16 \$'000
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13. Notes to the consolidated statements of cash flows

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

Profit for the year	(12,424)	132,134
<i>Adjustments for non cash items and items classified as investing or financing activities</i>		
Unrealised foreign exchange loss/(gain)	4,201	(4,471)
Fair value adjustments to financial assets held at fair value through profit or loss	23,410	(109,796)
Distribution income	(20,334)	(17,822)
Depreciation expense	11	7
Net cash (used in)/provided by operating activities before changes in asset and liabilities	(5,136)	52
<i>Change in assets and liabilities during the financial period</i>		
Increase in Japanese withholding tax and Australian income tax payable	538	169
(Increase)/decrease in other assets	(263)	47
Increase/(decrease) in payables	539	(21)
Net cash (used in)/from operating activities after changes in assets and liabilities	(4,322)	247

14. Financial risk management

The Astro Group's principal financial instruments comprise cash, receivables, financial assets carried at fair value through profit or 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.

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 2017		30 June 2016	
	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 Australia¹ 1.17% 4,280 0.12% 49,511

Total cash and cash equivalents 4,280 49,511

¹The equivalent of \$766,000 (2016: \$46,726,000) 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net profit/(loss)				
Cash and cash equivalents	18	14	(18)	(14)
Impact on total net profit/(loss)	18	14	(18)	(14)

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net profit/(loss)				
Cash and cash equivalents	2	84	(2)	(84)
Impact on total net profit/(loss)	2	84	(2)	(84)

(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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

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%	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss)				
Cash and cash equivalents	(70)	(4,248)	85	5,192
Trade and other receivables	(2,197)	(3,122)	2,686	3,816
Financial assets carried at fair value through profit or loss	(40,811)	(39,000)	49,881	47,667
Impact on total net profit/(loss)	(43,078)	(46,370)	52,652	56,675

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 17	30 Jun 16
	\$'000	\$'000
Cash and other cash equivalents	4,280	49,511
Distribution receivable from TKs	23,894	34,341
	28,174	83,852

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 the distribution receivable at reporting date is detailed below:

	30 Jun 17	30 Jun 16
	\$'000	\$'000
Not past due	23,894	34,341
Past due 0-30 days	-	-
Past due 31- 60 days	-	-
Past due 61+ days	-	-
Total	23,894	34,341

As at 30 June 2017, the distribution receivable is not past due or impaired.

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.

2017 - \$'000						
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Contractual cash flows	Carrying amount
Non derivative financial liabilities						
Payables	(560)	-	-	-	(560)	(560)
Distribution payable	(12,737)	-	-	-	(12,737)	(12,737)
	(13,297)	-	-	-	(13,297)	(13,297)

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

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 10.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

15. 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 2017 were:

Executive	
Mr J Pettigrew	Executive Director, Chief Financial Officer
Non-Executive Directors	
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 17 \$'000	30 Jun 16 \$'000
Short-term employee benefits	608	603
Post-employment benefits	51	51

(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 \$1,250. 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.

16. 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, as at 30 June 2017 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 ¹	-	-	-
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-

¹Subsequent to 30 June 2017 John Pettigrew acquired 30,000 stapled securities

Mr Eric Lucas, senior advisor to the Astro Group, holds 7,057,294 stapled securities as at 30 June 2017 (30 June 2016: 6,969,999).

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.

f) Other transactions with Astro Group

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

30 Jun 17
\$'000

30 Jun 16
\$'000

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	5,115	5,121
Asset management performance fee – paid and payable to Japan Asset Manager by TKs	1,090	5,141
Transaction fees paid and payable to the Japan Asset Manager	1,951	768
	8,156	11,030
TK distribution – paid and payable to TK Operator	65	65
Total fees paid or payable	8,221	11,095

Other transactions occurring with related parties

Reimbursement of administration expenses – paid to the Japan Asset Manager by TKs	57	104
Distribution received and receivable from the Japan Asset Manager	(4,872)	(2,090)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

	30 Jun 17 \$'000	30 Jun 16 \$'000
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	495
Asset management performance fee – payable to Japan Asset Manager by the TKs	1,635	5,652
TK distribution – payable to TK Operator by the TKs	8	21
Total asset management and performance fees payable	2,138	6,168

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.

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 2016: 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 19(c).

18. 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	131	126
Later than one year but not later than 5 years	172	303
	303	429

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

19. Parent entity financial information

a) Summary financial information

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

	30 Jun 17 \$'000	30 Jun 16 \$'000
Statement of Financial Position		
Current Assets	19,793	79,502
Total Assets	466,462	504,725
Current Liabilities	25,405	22,755
Total Liabilities	25,405	22,755
<i>Unitholder' equity</i>		
Issued capital	601,854	601,854
Accumulated losses	(160,797)	(119,884)
	441,057	481,970
(Loss)/profit for the year	(15,439)	131,221
Total comprehensive income for the year	(15,439)	131,221

b) Guarantees entered into by the parent entity

The parent entity had not entered into any guarantees as at 30 June 2017 (30 June 2016: \$nil).

c) Contingent liabilities of the parent entity

At 30 June 2017, the TKs total security deposit liability to tenants was \$50,940,000 (30 June 2016: \$47,987,000). Of this amount, \$42,190,000 (30 June 2016: \$36,155,000) 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 2017 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 \$6,638,000 (30 June 2016: \$8,518,000) 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 1.

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

20. Statement of other significant accounting policies

(a) 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 2016. 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.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Astro 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 Astro Group's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements but may require disclosure of additional information.

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. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements.

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 in the process of assessing any implications of this new standard on its operating lease of office space and the given quantum of the lease the Astro Group does not expect a material impact from its application.

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.

(b) 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

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 14(a)(ii) for details of the Astro Group's foreign exchange hedging policy.

(c) Financial assets held at fair value through profit or loss

The Astro Group has designated this group of financial assets and liabilities at fair value through profit or loss 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 fair value through profit or loss 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 3(b).

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 or 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 fair value through profit or loss. The determination of fair value requires the Group to apply judgement on significant estimates and assumptions. The valuation methodology has been described in note 3(b).

(d) 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.

(e) 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.

(f) Cash and cash equivalents

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

(g) 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.

(h) 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.

(i) 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% (2016: 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

(j) 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.

(k) 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.

(l) 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.

(m) Parent entity financial information

The financial information for the parent entity, AJT, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements.

21. Events occurring after the reporting period

Subsequent to the year end, on 1 August 2017, the Astro Group announced that it has entered into agreements with Jetsons Holding II Pte. Ltd., an entity which is incorporated in Singapore by funds managed by Blackstone Real Estate (together with its affiliates, "Blackstone"), that, subject to the approval of Astro Group securityholders and the satisfaction of other conditions including lender consents, will result in:

- Blackstone acquiring all of the interests held by Astro Group in the TK Agreements, through which the Astro Group indirectly invests in Japanese real estate for net consideration of ¥37.908 billion (\$428.3 million at \$1:¥88.50). This implies a property portfolio valuation of ¥98.642 billion (\$1,114.6 million at \$1:¥88.50), reflecting a 2.38% premium to recently completed independent valuations;
- net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
- The Astro Group being delisted from the ASX and the constituent entities of Astro Group being wound up (collectively, the "Blackstone Proposal")

It is expected that Astro Group securityholders will receive net consideration of approximately \$7.18 per stapled security (based on an exchange rate of \$1:¥88.50) as a result of the Blackstone Proposal ("Proposed Consideration") in October 2017.

In addition to the Proposed Consideration, Astro Group securityholders will also receive:

- the normal half yearly distribution payable at the end of August 2017, of 21 cents per stapled security; and
- distributions currently estimated at 14 cents per Security on the wind up of AJT and AJCo targeted to occur prior to January 2018.

The Blackstone Proposal requires the approval of Astro Group Securityholders, by majority vote pursuant to ASX Listing Rules 10 and 11 (excluding Mr Eric Lucas and his associates). To this end, a meeting of Astro Group securityholders has been convened for 13 September 2017, and the Notice of Meeting and Explanatory Memorandum was lodged with ASX on 1 August 2017.

The Astro Group Board unanimously recommends that Astro Group securityholders vote in favour of the Blackstone Proposal, in the absence of a superior proposal.

As noted above, should the agreements be approved by the Astro Group securityholders, following the net proceeds being returned to the Astro Group securityholders, the Astro Group would be delisted from the ASX and the entities within the Astro Group subsequently wound up.

The Directors of the Responsible Entity are not aware of any other matters or circumstance occurring since 30 June 2017 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 2017 and of its performance for the year then ended; 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 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 2017.

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



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INDEPENDENT AUDITOR'S REPORT

To the stapled security holders of Astro Japan Property Trust

Report on the Audit of the Financial Report

Opinion

Astro Japan Property Group ('the Group') comprises both Astro Japan Property Trust ('the Trust'), Astro Japan Property Group Limited and the entities it controlled during the financial year.

We have audited the financial report of Astro Japan Property Trust and its controlled entities which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to page 19 in the financial report which describes the potential subsequent events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Financial assets carried at fair value through profit or loss

As at 30 June 2017, the Group held financial assets carried at fair value through profit or loss of \$448,926,000 as disclosed in note 2, with associated fair value considerations as disclosed in note 3.

The Group determined the fair value of economic interests in various TKs in Japan with reference to the fair value of net assets of the underlying Japanese TKs under Australian Accounting Standards and the Group's presentation currency at reporting date. This was key to our audit because the determination of fair value involves significant judgements to be made and considers the independent valuation reports obtained from certified valuation experts in respect of a selection of Japanese investment properties and interest bearing debt.

The audit procedures we performed included, amongst others:

- Reviewing and evaluating the evidence provided by the Group to support the fair value of the investment in TKs and considering the application of Australian Accounting Standards;
- Assessing the competency and objectivity of the certified valuation experts used by management;
- Obtaining the independent expert's valuation reports and evaluating the underlying inputs and assumptions applied in determining the fair value of the investments by comparing to historical valuation methodologies and external market data; and
- Considering the foreign currency rate applied in the translation of the investments in TKs as at reporting date.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors of the responsible entity are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion 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 2017.

In our opinion, the Remuneration Report of Astro Japan Property Trust, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Astro Japan Property Management Limited, as responsible entity for the Trust 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.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', written over a horizontal line.

Ian Hooper
Partner

Sydney, 24 August 2017

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

Annual Financial Report 2017

48	Directors' Report	65	13 Notes to the consolidated statement of cash flows
55	Auditor's Independence Declaration	65	14 Financial Risk Management
56	Consolidated Statement of Profit or Loss and Other Comprehensive Income	67	15 Director and executive disclosures
57	Consolidated Statement of Financial Position	68	16 Related parties
58	Consolidated Statement of Cash Flows	68	17 Segment note
59	Consolidated Statement of Changes in Equity	68	18 Contingent asset and liabilities
60	Notes to the Financial Statements	69	19 Lease commitments
61	1 Revenue	69	20 Parent entity financial information
61	2 Expenses	69	21 Statement of other significant accounting policies
61	3 Income tax	72	22 Events occurring after the end of the reporting period
62	4 Earnings per stapled security	74	Directors' Declaration
62	5 Cash and cash equivalents	75	Independent Auditor's Report
62	6 Other receivables		
63	7 Intangible assets		
63	8 Financial assets carried at fair value through the profit or loss (FVTPL)		
63	9 Fair value measurement of financial instruments		
64	10 Contributed equity		
65	11 Dividends		
65	12 Remuneration of auditors		

Directors' Report for the year ended 30 June 2017

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 2017.

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 2016 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 \$3,015,266 for the year ended 30 June 2017 (2016: \$912,955).

Disposal of Spring's shareholding in Sekisui House SI Asset Management, Ltd.

On 29 March 2017, it was announced that Spring, in which the AJCo Group has a 25% economic interest, disposed of its shareholding in Sekisui House SI Asset Management, Ltd. (SSA). SSA is the manager of the Tokyo Stock Exchange listed REIT, Sekisui House SI Residential Investment Corporation (TSE code 8973) which owns residential Japanese assets with a book value in excess of ¥200 billion (\$2.3 billion approx.).

Spring acquired its 25% shareholding in SSA (formerly known as Joint Capital Partners) in 2010 in joint venture with leading Japanese real estate developer Sekisui House, Ltd. (TSE code 1928), which owns 75% of SSA. Spring sold its 25% interest to Sekisui House, Ltd and SSA is now Sekisui House, Ltd's 100% subsidiary.

Details of the sale are confidential, however, reflecting the very substantial growth in SSA's business over the past 7 years, the transaction price was at a significant premium to the book value of Spring's investment. In recognition of the success of this joint venture and in order to maintain the business relationship, Sekisui House, Ltd made a small investment in Spring. This investment does not impact the AJCo Group's 25% economic interest in Spring.

Likely developments and expected results of operations

In the year ended 30 June 2017, 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, and the Astro Group as a whole.

Sale of the Astro Group's property (TK) interests

Subsequent to the year end, on 1 August 2017, the Astro Group announced that it has entered into agreements with Jetsons Holding II Pte. Ltd., an entity which is incorporated in Singapore by funds managed by Blackstone Real Estate (together with its affiliates, "Blackstone"), that, subject to the approval of Astro Group securityholders and the satisfaction of other conditions including lender consents, will result in:

- Blackstone acquiring all of the interests held by Astro Group in the TK Agreements, through which the Astro Group indirectly invests in Japanese real estate for net consideration of ¥37.908 billion (\$428.3 million at \$1:¥88.50). This implies a property portfolio valuation of ¥98.642 billion (\$1,114.6 million at \$1:¥88.50), reflecting a 2.38% premium to recently completed independent valuations;
- net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
- The Astro Group being delisted from ASX and the constituent entities of Astro Group being wound up (collectively, the "Blackstone Proposal")

It is expected that Astro Group securityholders will receive net consideration of approximately \$7.18 per stapled security (based on an exchange rate of \$1:¥88.50) as a result of the Blackstone Proposal ("Proposed Consideration") in October 2017.

In addition to the Proposed Consideration, Astro Group securityholders will also receive:

- the normal half yearly distribution payable at the end of August 2017, of 21 cents per stapled security; and
- distributions currently estimated at 14 cents per Security on the wind up of AJT and AJCo targeted to occur prior to January 2018.

The Blackstone Proposal requires the approval of Astro Group Securityholders, by majority vote pursuant to ASX Listing Rules 10 and 11 (excluding Mr Eric Lucas and his associates). To this end, a meeting of Astro Group securityholders has been convened for 13 September 2017, and the Notice of Meeting and Explanatory Memorandum was lodged with ASX on 1 August 2017.

The Astro Group Board unanimously recommends that Astro Group securityholders vote in favour of the Blackstone Proposal, in the absence of a superior proposal.

Dividends

The Directors have not declared any dividends for the year ended 30 June 2017 (2016: 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

On 1 August 2017, the Astro Group entered into agreements with Blackstone which, if approved by securityholders, will result in Blackstone acquiring all of the interest held by the Astro Group in the TK Agreements. See above, 'Sale of the Astro Group's property (TK) interests' for further details.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2017 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 2017 (30 June 2016: 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 2017 are:

Name, independence status

and special responsibilities

Qualifications and experience

Allan McDonald 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.
Doug Clemson 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.
Kate McCann 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 the Chairman of General Re Australia Ltd and General Re Life Australia Ltd, and is a member of the Remuneration Committee and the Audit Committee of each of those companies.

Directors' Report for the year ended 30 June 2017

John Pettigrew 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.
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Directorships of other listed entities held by Directors during the three years preceding 30 June 2017 are listed below:

Director	Listed Entity	Date appointed	Date ceased
Allan McDonald	Multiplex SITES Trust ¹	22 October 2003	Continuing
	Multiplex European Property Fund ² (delisted on 17 September 2015)	1 January 2010	Continuing
	Brookfield Prime Property Fund ² (delisted on 3 July 2017)	1 January 2010	Continuing
Doug Clemson	-	-	-
Kate McCann	-	-	-
John Pettigrew	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' Meetings

The number of Directors' meetings (including meetings of Committees of the Board) held during the 12 month period ended 30 June 2017, 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	17	17	17	17	4	4	3	3
Doug Clemson	17	15	17	15	4	4	3	3
Kate McCann	17	16	17	16	4	4	3	3
John Pettigrew	17	17	17	17	-	-	-	-

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 30 June 2017 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 ¹	-	-	-

¹Subsequent to 30 June 2017 John Pettigrew acquired 30,000 stapled securities

Secretaries

The Company Secretaries of AJCo and the Responsible Entity at any time during or since the 12 month period ended 30 June 2017 are:

John Pettigrew Executive Director, Chief Financial Officer & Company Secretary	John was appointed as Company Secretary of the Responsible Entity and as Company Secretary of AJCo on 1 January 2011.
Jonathon Moody Financial Controller & Company Secretary (alternate)	Jonathon was appointed as Company Secretary (alternate) of the Responsible Entity and as Company Secretary (alternate) of AJCo on 20 January 2017.
Rohan Purdy General Counsel & Company Secretary	Rohan resigned as Company Secretary of the Responsible Entity and as Company Secretary of AJCo on 20 January 2017.

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 2017.

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 2017 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

Directors' Report

for the year ended 30 June 2017

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 \$1,250. 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 2017:

	2017	2016	2015	2014	2013
(Loss)/profit attributable to securityholders of the Astro Group (\$'000)	(12,424)	132,134	43,562	154,820	(12,900)
Earnings per security of the Astro Group (cents)	(20.48)	217.85	65.69	230.35	(20.73)
Underlying profit after tax per security of the Astro Group (cents)	56.96	51.87	40.41	40.19	46.53
Distributions per security of the Astro Group (cents)	42.00	36.00	28.50	20.00	17.50
Security price (\$) as at 30 June	6.35	6.87	4.96	4.08	3.00

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.

In respect of the Blackstone Proposal, see 'Sale of the Astro Group's property (TK) interests' above for further details, if Securityholders approve the proposal, employees of the Astro Group will be paid a retention bonus equal to six months' salary provided they remain in the employ of the Astro Group through to completion of the transaction as required by the Directors and/or a liquidator.

Remuneration of the Executive KMP

Table 1: Remuneration of the Executive KMP for the period ended 30 June 2017

Executive	Year	Salary \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Total \$
Mr J Pettigrew	2017	278,431	-	-	19,615	298,046
	2016	273,777	-	-	19,307	293,084
Total remuneration	2017	278,431	-	-	19,615	298,046
	2016	273,777	-	-	19,307	293,084

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

Executive	Fixed remuneration¹ %	STI %	Total %
Mr J Pettigrew	100.00	0.00	100.00

¹ 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 2017.

Employment Contract for the Executive KMP

The base salary for the executive as at 30 June 2017, in accordance with his employment contract is shown below:

Executive	Base remuneration per employment contract
Mr J Pettigrew	\$ 278,431

The employment contract for Mr Pettigrew contains the following conditions:

Length of Contract	▪ Open-ended
Frequency of base remuneration review	▪ Annual
Benefits	▪ Entitled to participate in Astro Group benefit plans that are made available
Incentive remuneration	▪ Eligible for an award of short term incentive remuneration (if any) as described above
Termination of employment	▪ 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 24 May 2017, there will be no change to the fees for the 12 month period commencing 1 July 2017.

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

Directors' Report

for the year ended 30 June 2017

Table 3: Remuneration of Non-Executive Directors for the period ended 30 June 2017

Directors	Year	Short term - salary and fees \$	Superannuation \$	Total \$
Mr Allan McDonald	2017	136,500	12,967	149,467
	2016	136,500	12,967	149,467
Mr Doug Clemson	2017	96,500	9,168	105,668
	2016	96,500	9,167	105,667
Ms Kate McCann	2017	96,500	9,168	105,668
	2016	96,500	9,167	105,667
Total remuneration	2017	329,500	31,303	360,803
	2016	329,500	31,301	360,801

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.

Dated 24 August 2017.

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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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 2017, 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', is written over a light grey horizontal line.

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 24 August 2017

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 2017

	Note	30 Jun 17 \$	30 Jun 16 \$
Revenue			
Revenue	1(a), 16(c)	1,733,849	1,809,705
Financing income	1(b)	213,016	252,585
Distribution income	16(c)	4,871,507	2,089,932
Net foreign exchange gain		5,391	57,578
Total revenue and other income		6,823,763	4,209,800
Expenses			
Operating expenses	2	(2,019,779)	(2,033,906)
Net losses on financial assets held at fair value through profit or loss	9(b)	(505,864)	(891,459)
Total expenses		(2,525,643)	(2,925,365)
Profit before income tax		4,298,120	1,284,435
Income tax expense	3	(1,282,854)	(371,480)
Profit for the period		3,015,266	912,955
Other comprehensive income		-	-
Total comprehensive income for the period		3,015,266	912,955
Total comprehensive income for the year is attributable to:			
Members of the Company		3,015,266	912,955
Basic and diluted earnings per share	4	4.97¢	1.51¢

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 2017

	Note	30 Jun 17 \$	30 Jun 16 \$
Current assets			
Cash and cash equivalents	5	2,787,985	2,596,706
Other receivables	6	5,869,934	1,752,901
Prepayments		264,985	278,560
Fees receivable - related party - AJT	16(c)	163,341	246,702
Loan receivable - related party - AJT	16(c)	11,924,704	10,856,362
Total current assets		21,010,949	15,731,231
Non-current assets			
Property, plant and equipment		30,646	41,339
Financial assets carried at fair value through the profit or loss	8	2,258,911	3,781,350
Intangible assets	7	2,600,000	2,600,000
Deferred tax asset	3(d)	40,699	42,645
Total non-current assets		4,930,256	6,465,334
Total assets		25,941,205	22,196,565
Current liabilities			
Trade and other payables		185,758	164,411
Employee benefits		58,163	73,189
Current tax liabilities		1,288,089	442,017
Total current liabilities		1,532,010	679,617
Non-current liabilities			
Employee benefits		5,981	28,993
Deferred tax liability	3(e)	17,015	117,022
Total non-current liabilities		22,996	146,015
Total liabilities		1,555,006	825,632
Net assets		24,386,199	21,370,933
Equity			
Contributed equity	10	26,951,949	26,951,949
Accumulated losses		(2,565,750)	(5,581,016)
Total equity		24,386,199	21,370,933

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 2017

	Note	30 Jun 17 \$	30 Jun 16 \$
Cash flows from operating activities			
Receipt of responsible entity fees		1,998,931	1,909,525
Payments to suppliers and employees		(2,193,923)	(2,088,521)
Realised foreign exchange gains		5,391	57,578
Interest received		73,025	45,897
Japanese withholding tax paid		(348,424)	(279,971)
Australian income taxes paid		(186,420)	(172,238)
Net cash used in operating activities	13	(651,420)	(527,730)
Cash flows from investing activities			
Payment for investment in Spring		-	(128,698)
Distributions received		1,771,049	1,313,483
Purchase of property, plant and equipment		-	(22,760)
Net cash from investing activities		1,771,049	1,162,025
Cash flows from financing activities			
Loan to AJT		(928,350)	(726,317)
Net cash used in financing activities		(928,350)	(726,317)
Net increase/(decrease) in cash and cash equivalents		191,279	(92,022)
Cash and cash equivalents at the beginning of the reporting period		2,596,706	2,688,728
Cash and cash equivalents at the end of the reporting period	5	2,787,985	2,596,706

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 2017

	Note	Contributed Equity	Accumulated Losses	Total
		\$	\$	\$
Total equity at 1 July 2015		26,951,949	(6,493,971)	20,457,978
Profit for the year		-	912,955	912,955
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	912,955	912,955
Total equity at 30 June 2016	10	26,951,949	(5,581,016)	21,370,933
Total equity at 1 July 2016		26,951,949	(5,581,016)	21,370,933
Profit for the year		-	3,015,266	3,015,266
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	3,015,266	3,015,266
Total equity at 30 June 2017	10	26,951,949	(2,565,750)	24,386,199

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 2017

About this report

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 financial report was authorised for issue by the Directors on 24 August 2017. 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 in note 21.

(a) Basis of preparation

The consolidated financial report for AJCo as at 30 June 2017 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 Directors however note the subsequent events and conditions detailed in note 22, which indicates a material uncertainty that may cast significant doubt about the AJCo Group's ability to continue as a going concern should the securityholders approve the Blackstone proposal.

Should the AJCo Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the AJCo Group not continue as a going concern.

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.

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) 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 21(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 7(a) for details of these assumptions and the potential impact of changes to the assumptions.

Notes to the Financial Statements

for the year ended 30 June 2017

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 21(j). 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 9(b).

iii) Functional currency

Refer to note 21(b).

1. Revenue

	30 Jun 17 \$	30 Jun 16 \$
a) Revenue from continuing operations		
Base fee – AJT	1,733,849	1,809,705
Total revenue from continuing operations	1,733,849	1,809,705
(b) Financing income		
Financing income - AJT	178,536	207,202
Financing income - Other	34,480	45,383
Total financing income	213,016	252,585

2. Expenses

	30 Jun 17 \$	30 Jun 16 \$
Employee expenses & Directors fees (including payroll tax)	1,072,332	1,239,088
Insurance	302,260	316,485
Depreciation and amortisation	10,693	6,445
Superannuation contributions	99,801	108,606
Regulatory and registrar costs	4,988	4,376
Lease payments	127,297	127,297
Audit fees	61,500	60,000
Professional fees	124,044	16,751
Premises expenses	28,185	25,690
IT expenses	39,795	43,884
Travel expenses	9,873	20,002
Other expenses	139,011	65,282
Total expenses	2,019,779	2,033,906

3. Income tax

	30 Jun 17 \$	30 Jun 16 \$
(a) Income tax expense		
Current tax expense	1,380,915	648,792
Deferred tax benefit	(98,061)	(277,312)
	1,282,854	371,480
(b) Reconciliation of tax expense		
Profit before income tax	4,298,120	1,284,434
Tax expense at the prima facie Australian tax rate of 30%	1,289,436	385,330
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Distribution income from Spring	4,154	(8,613)
Fair value adjustment to financial assets	151,760	267,438
Overhead costs	(24,420)	4,637
	1,420,930	648,792
Adjustments for current tax of prior periods	(40,015)	-
Deferred Australian tax asset on audit accrual	(300)	(6,061)
Deferred Australian tax asset on rent payable	(468)	(2,066)
Deferred Australian tax asset on employee benefits	2,714	228
Deferred Australian tax liability on prepayments	980	(1,975)
Deferred Australian tax liability on FV movement of financial asset at FVTPL	(100,987)	(267,438)
Income tax expense	1,282,854	371,480

(c) Amounts recognised directly in equity

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

Notes to the Financial Statements

for the year ended 30 June 2017

	30 Jun 17	30 Jun 16
	\$	\$
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee benefits	19,243	21,957
Audit accrual	16,500	16,200
Rent payable	4,956	4,488
	40,699	42,645
<i>Movements:</i>		
Opening balance at beginning of year	42,645	34,746
(Debited)/credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(1,946)	7,899
Closing balance at the end of the year	40,699	42,645
Deferred tax expected to be recovered within 12 months	40,699	38,157
Deferred tax expected to be recovered after more than 12 months	-	4,488

	30 Jun 17	30 Jun 16
	\$	\$
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Prepayments	17,015	16,035
Fair value movement of financial asset at FVTPL	-	100,987
	17,015	117,022
<i>Movements:</i>		
Opening balance at beginning of year	117,022	386,435
Credited to the Consolidated Statements of Profit or Loss and Other Comprehensive Income	(100,007)	(269,413)
Closing balance at the end of the year	17,015	117,022
Deferred tax expected to be settled within 12 months	17,015	16,035
Deferred tax to be settled after more than 12 months	-	100,987

4. Earnings per stapled security

	30 Jun 17	30 Jun 16
	\$	\$
Basic and diluted	4.97¢	1.51¢
Profit after tax attributable to members used in calculating basic and diluted earnings per security	3,015,266	912,955
Weighted average number of securities used as denominator in calculating basic and diluted earnings per security	60,652,466	60,652,466

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.

5. Cash and cash equivalents

	30 Jun 17	30 Jun 16
	\$	\$
Cash at bank	2,661,911	2,466,409
Restricted cash	126,074	130,297
Total cash and cash equivalents	2,787,985	2,596,706

Cash at bank and restricted cash are bearing floating interest rates, with a weighted average effective interest rate of 1.54% (2016: 1.78%). 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 2017.

6. Other receivables

	30 Jun 17	30 Jun 16
	\$	\$
Distribution receivable	5,869,934	1,752,901
Other receivables	5,869,934	1,752,901

The above receivable relates to the distribution from Spring. As at 30 June 2017, the above receivable is not past due or impaired.

7. Intangible assets

	Software \$	Goodwill \$	Total \$
Year ended 30 June 2016			
Opening balance	-	2,600,000	2,600,000
Impairment charge	-	-	-
Closing net book amount	-	2,600,000	2,600,000
At 30 June 2016			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(48,299)	(12,399,998)	(12,448,297)
Net book amount	-	2,600,000	2,600,000
Year ended 30 June 2017			
Opening balance	-	2,600,000	2,600,000
Impairment charge	-	-	-
Closing net book amount	-	2,600,000	2,600,000
At 30 June 2017			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(48,299)	(12,399,998)	(12,448,297)
Net book amount	-	2,600,000	2,600,000

(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 9(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.

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

	30 Jun 17 \$	30 Jun 16 \$
Financial assets carried at fair value through profit or loss	2,258,911	3,781,350

The AJCo Group's economic interest in Spring is recognised as a financial asset carried at fair value through profit or loss. An overview of the valuation methodology relating to financial assets carried at fair value through profit or loss is included in note 9.

9. 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 or 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*:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the Financial Statements

for the year ended 30 June 2017

The following tables present the AJCo Group's financial assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016:

30 Jun 2017 - \$				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets carried at fair value through profit or loss				
Unlisted investments	-	-	2,258,911	2,258,911
Total assets	-	-	2,258,911	2,258,911

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

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 years ending 30 June 2017 and 30 June 2016 for recurring fair value measurements:

	Unlisted investments ¹ \$	Total \$
Level 3 fair value movement		
Balance at 1 July 2015	4,544,112	4,544,112
Investment in Spring	128,697	128,697
Net fair value loss through profit or loss	(891,459)	(891,459)
Balance at 30 June 2016	3,781,350	3,781,350
Balance at 1 July 2016	3,781,350	3,781,350
Capital return from Spring	(1,016,575)	(1,016,575)
Net fair value loss through profit or loss	(505,864)	(505,864)
Balance at 30 June 2017	2,258,911	2,258,911

¹The fair value of the unlisted investment is calculated on a net present value basis, forecast cash flows over ten years, which assume a nil (2016: 3%) 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 years ending 30 June 2017 and 30 June 2016:

Description	Change in unobservable input	30 Jun 17 \$	30 Jun 16 \$
Fair value of Level 3 Unlisted investments		2,258,911	3,781,350
	Increase of 1% in Discount rate	(70,204)	(128,113)
	Decrease of 1% in Discount rate	74,564	136,336
	Increase of 1% in Profit growth	78,192	202,214
	Decrease of 1% in Profit growth	(74,569)	(192,814)
	Increase of 10% in AUD/JPY foreign exchange rate	(205,356)	(343,759)
	Decrease of 10% in AUD/JPY foreign exchange rate	250,990	420,150

10. Contributed equity

	30 Jun 17 \$	30 Jun 16 \$
Fully paid securities on issue		
Movements in number of fully paid securities	Number	Number
Number at beginning of financial period	60,652,466	60,652,466
Number at end of financial year	60,652,466	60,652,466
Movements in contributed equity	\$	\$
Balance at beginning of financial period	26,951,949	26,951,949
Balance at end of financial year	26,951,949	26,951,949

11. Dividends

(a) Ordinary securities

No dividends have been paid or declared for the financial year ended 30 June 2017 (2016: \$nil)

(b) Franked dividends

The franked portions of any final dividends declared after 30 June 2017 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 2018.

	30 Jun 17	30 Jun 16
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 - 30%)	1,425,392	1,020,656

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.

12. Remuneration of auditors

	30 Jun 17	30 Jun 16
	\$	\$
Audit services:		
<i>Auditors of the AJCo Group</i>		
<i>BDO East Coast Partnership:</i>		
- Audit and review of financial reports	50,250	49,000
- Australian financial services license audit	4,000	4,000
- Compliance plan audit	7,250	7,000
	61,500	60,000

During the years ended 30 June 2017 and 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.

13. Notes to the consolidated statement of cash flows

	30 Jun 17	30 Jun 16
	\$	\$
Reconciliation of the net profit after tax to net cash flows from operating activities		
Profit for the year	3,015,266	912,955
Adjustments for non cash items and items classified as investing or financing activities		
Depreciation and amortisation expense	10,693	6,445
Interest on AJT loan	(140,505)	(207,202)
Fair value adjustments to financial assets held at FVTPL	505,864	891,459
Distribution income	(4,871,507)	(2,089,932)
Net cash used in operating activities before changes in assets and liabilities	(1,480,189)	(486,275)
Change in operating assets and liabilities during the financial year:		
Decrease/(increase) in fee and interest receivable	83,875	(73,260)
Decrease in prepayments	13,575	48,233
Decrease/(increase) in deferred tax assets	1,946	(7,899)
Increase in current tax liabilities	846,072	196,583
Decrease in deferred tax liability	(100,007)	(269,413)
(Decrease)/increase in trade and other payables and employee benefits	(16,692)	64,301
Net cash outflow used in operating activities	(651,420)	(527,730)

14. 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.

Notes to the Financial Statements

for the year ended 30 June 2017

(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 1.54% at period end (2016: 1.78%). 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 1.50% at period end (2016: 1.75%).

(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 9(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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net profit/(loss)				
Cash and cash equivalents	13,940	12,984	(13,940)	(12,984)
AJT Loan	59,624	54,282	(59,624)	(54,282)
Total net profit/(loss)	73,564	67,266	(73,564)	(67,266)

(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 \$11,924,704, refer to note 16(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
At 30 June 2017					
Payables	(185,758)	-	-	-	-
Net Maturity	(185,758)	-	-	-	-

At 30 June 2016					
Payables	(164,411)	-	-	-	-
Net Maturity	(164,411)	-	-	-	-

(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 10. 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
- (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.

15. 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 17 \$	30 Jun 16 \$
Short-term employee benefits	607,931	603,277
Post-employment benefits	50,918	50,608

(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.

Notes to the Financial Statements

for the year ended 30 June 2017

(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 \$1,250. 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.

16. Related parties

(a) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 15. 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 15 and note 16(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 17	30 Jun 16
	\$	\$
Related party:		
Astro Japan Property Trust		
Base fees received/receivable for Responsible Entity services	1,733,849	1,809,705
Loan interest	178,536	207,202

Spring Investment Co, Ltd

Distribution received or receivable from Spring	4,871,507	2,089,932
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	30 Jun 17	30 Jun 16
	\$	\$

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	163,341	246,702
Loan receivable from Astro Japan Property Trust	11,924,704	10,856,362

These receivables are interest-bearing and repayable on demand. As at 30 June 2017, 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, as at 30 June 2017 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 ¹	-	-	-
Doug Clemson	3,000	-	3,000
Kate McCann	-	-	-

¹Subsequent to 30 June 2017 John Pettigrew acquired 30,000 stapled securities

17. Segment reporting

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

18. Contingent asset and liabilities

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

19. Lease commitments

The AJCo 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:

	30 Jun 17 \$	30 Jun 16 \$
Within 1 year	131,276	125,737
Later than 1 year but not later than 5 years	171,661	302,937
Total lease commitments	302,937	428,674

20. Parent entity financial information

(a) Summary financial information

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

	30 Jun 17 \$	30 Jun 16 \$
Statement of financial position		
Current Assets	15,324,300	10,131,273
Total Assets	25,900,549	22,229,809
Current Liabilities	1,514,350	757,890
Total Liabilities	1,514,350	858,876
<i>Shareholder's equity</i>		
Issued capital	26,951,949	26,951,949
Retained Earnings	(2,565,750)	(5,581,016)
	24,386,199	21,370,933
Profit for the year	3,015,266	912,955
Total comprehensive income	3,015,266	912,955

(b) Guarantees entered into by the parent entity

The parent entity has not given any guarantees as at 30 June 2017 (30 June 2016: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 (30 June 2016: nil).

21. Statement of Other Significant Accounting Policies

(a) 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 2016. 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.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements but may require disclosure of additional information.

Notes to the Financial Statements

for the year ended 30 June 2017

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. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements.

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 in the process of assessing any implications of this new standard on its operating lease of the office space and given the quantum of the lease the AJCo Group does not expect a material impact from its application.

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.

(b) 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.

(c) Cash and cash equivalents

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

(d) 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.

(e) 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.

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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 7. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Financial Statements

for the year ended 30 June 2017

(j) 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 9(b).

AJCo recognises its 25% economic interest in Spring as a financial asset carried at fair value through profit or 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.

(k) 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.

(l) 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 19 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.

(m) 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.

(n) Parent entity financial information

The financial information for the parent entity, AJCo, disclosed in Note 20 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.

22. Events occurring after the end of the reporting period

Subsequent to the year end, on 1 August 2017, the Astro Group announced that it has entered into agreements with Jetsons Holding II Pte. Ltd., an entity which is incorporated in Singapore by funds managed by Blackstone Real Estate (together with its affiliates, "Blackstone"), that, subject to the approval of Astro Group securityholders and the satisfaction of other conditions including lender consents, will result in:

- Blackstone acquiring all of the interests held by Astro Group in the TK Agreements, through which the Astro Group indirectly invests in Japanese real estate for net consideration of ¥37.908 billion (\$428.3 million at \$1:¥88.50). This implies a property portfolio valuation of ¥98.642 billion (\$1,114.6 million at \$1:¥88.50), reflecting a 2.38% premium to recently completed independent valuations;
- net proceeds from the sale of the TK Interests being returned to Astro Group securityholders; and
- The Astro Group being delisted from the ASX and the constituent entities of Astro Group being wound up (collectively, the "Blackstone Proposal")

It is expected that Astro Group securityholders will receive net consideration of approximately \$7.18 per stapled security (based on an exchange rate of \$1:¥88.50) as a result of the Blackstone Proposal ("Proposed Consideration") in October 2017.

In addition to the Proposed Consideration, Astro Group securityholders will also receive:

- the normal half yearly distribution payable at the end of August 2017, of 21 cents per stapled security; and
- distributions currently estimated at 14 cents per Security on the wind up of AJT and AJCo targeted to occur prior to January 2018.

The Blackstone Proposal requires the approval of Astro Group Securityholders, by majority vote pursuant to ASX Listing Rules 10 and 11 (excluding Mr Eric Lucas and his associates). To this end, a meeting of Astro Group securityholders has been convened for 13 September 2017, and the Notice of Meeting and Explanatory Memorandum was lodged with ASX on 1 August 2017.

The Astro Group Board unanimously recommends that Astro Group securityholders vote in favour of the Blackstone Proposal, in the absence of a superior proposal.

As noted above, should the agreements be approved by the Astro Group Securityholders, following the net proceeds being returned to the Astro Group Securityholders, the Astro Group would be delisted from the ASX and the entities within the Astro Group subsequently wound up.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2017 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 2017 and of its performance for the year then ended; 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 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 2017.

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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INDEPENDENT AUDITOR'S REPORT

To the members of Astro Japan Property Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Astro Japan Property Group Limited ('the Company'), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of the Astro Japan Property Group Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to page 60 in the financial report which describes the potential subsequent events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Financial assets carried at fair value through profit or loss

As at 30 June 2017, the Company held financial assets carried at fair value through profit or loss of \$2,258,911 as disclosed in note 8, with associated fair value considerations as disclosed in note 9. This balance includes the Company's interest in Spring Investment Co., Ltd ('Spring').

The Company calculated the fair value of the investment in Spring with reference to a discounted cash flow analysis, which is judgemental and based on assumptions.

The audit procedures we performed, amongst others, included analysing the key assumptions applied within the forecasts provided by the Company to support the fair value of the investment in Spring with reference to the underlying Spring TK agreement, the Company's ownership interest, the foreign exchange rate at the reporting date and minutes of Board meetings.

Valuation of intangible assets

As at 30 June 2017, the Company held intangible assets of \$2,600,000 as disclosed in note 7. This balance reflects the goodwill attributable to Astro Japan Property Group Limited's investment in Astro Japan Property Management Limited relating to the management rights with respect to its role as responsible entity of the Astro Japan Property Trust. The Company has tested goodwill for impairment at reporting date by comparing the carrying value to its recoverable amount. The Company has determined the recoverable amount through a value in use calculation with reference to a discounted cash flow forecast of Astro Japan Property Management Limited using a theoretical market value of base fees. This process is judgemental and is based on assumptions, specifically those in relation to base fee rates, growth rates, and discount rates, which are affected by current and future market conditions. For this reason, the valuation of intangible assets required significant auditor attention and was key to our audit.

The audit procedures we performed included, among others:

- Reviewing and evaluating the evidence provided by the Company to support the carrying value of the investment in TKs;
- Checking the mathematical accuracy of the discounted cash flow forecast;
- Analysing the key inputs and assumptions applied within the forecasts provided by the Company; and
- Challenging the assumptions applied by the Company, with reference to the market base fee rates, and evaluating the discount rate applied.



Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors of the responsible entity are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 51 to 54 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Astro Japan Property Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report



Responsibilities

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.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', written over a horizontal line.

Ian Hooper
Partner

Sydney, 24 August 2017

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 25 August 2017.

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 2017

The Astro Group's Corporate Governance Statement 2017 is located at 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 25 August 2017 was 60,652,466 and the number of holders of these stapled securities was 1,959.

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 25 August 2017 are set out below.

Securityholder	No. of Stapled Securities	Percentage (%)	Date of Substantial Holder Notice
Jetsons Holding II Pte. Ltd. and BREP Asia Holdings (NQ) III Pte. Ltd.	7,057,294	11.64%	01/08/17
Eric Lucas	6,469,999*	10.67%	02/07/15
Ellerston Capital Limited	4,768,571	7.86%	17/08/17
Vanguard Investments Australia Ltd / The Vanguard Group, Inc.	4,436,590	7.315%	20/06/17
Eley Griffiths Group Pty Limited	4,092,226	6.75%	14/08/17
Weiss Asset Management LP and on behalf of Brookdale International Partners, L.P., Brookdale Global Opportunity Fund, BIP GP LLC, WAM GP LLC and Andrew Weiss	3,553,786	5.9%	18/08/17
Milford Funds Ltd	3,173,070	5.232%	26/06/17

* 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 as there has not been a 1% change in his holding since the previously lodged 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.

Additional Securityholder Information

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.

Distribution of securities

The distribution schedule for Astro Group stapled securities as at 25 August 2017 is shown below.

Category	No. of Holders	No. of Stapled Securities
1 to 1,000	1,057	431,136
1,001 to 5,000	639	1,560,740
5,001 to 10,000	130	965,696
10,001 to 100,000	112	3,119,450
100,001 and over	21	54,575,444
Total	1,959	60,652,466

The number of securityholders holding less than a marketable parcel was 230.

Largest 20 securityholders

The largest 20 Astro Group securityholders as at 25 August 2017 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	HSBC Custody Nominees (Australia) Limited	14,270,924	23.53%
2	JP Morgan Nominees Australia Limited	11,535,318	19.02%
3	National Nominees Limited	6,958,489	11.47%
4	HSBC Custody Nominees (Australia) Limited – A/C 2	5,086,276	8.39%
5	Citicorp Nominees Pty Limited	4,468,763	7.37%
6	HSBC Custody Nominees (Australia) Limited – A/C 3	2,535,672	4.18%
7	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	2,321,192	3.83%
8	Neweconomy Com Au Nominees Pty Limited <900 Account>	1,068,438	1.76%
9	Merrill Lynch (Australia) Nominees Pty Limited	1,024,403	1.69%
10	BNP Paribus Noms Pty Ltd <DRP>	1,014,171	1.67%
11	Brispot Nominees Pty Ltd <House Head Nominee A/C>	937,446	1.55%
12	BNP Paribus Nominees Pty Ltd <Agency Lending DRP A/C>	811,799	1.34%
13	Buttonwood Nominees Pty Ltd	651,225	1.07%
14	BNP Paribus Nominees Pty Ltd <IB AU Noms RetailClient DRP>	464,694	0.77%
15	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	320,139	0.53%
16	Chriswall Holdings Pty Ltd	310,000	0.51%
17	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	293,534	0.48%
18	Kilcare Holdings Pty Ltd <Kilcare A/C>	150,000	0.25%
19	Cambourne Investments Limited	126,513	0.21%
20	Mr David Elton	116,073	0.19%
	Total	54,465,069	89.90%

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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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

John Pettigrew

Jonathon Moody (alternate)

Senior Advisor to the Astro Japan Property Group

Eric Lucas

Security Registry

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Custodian

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