

# Astro Japan Property Group Limited

(ABN 25 135 381 663)

Financial Report  
30 June 2010



# CONTENTS

Directors' Report	1
Auditor's Independence Declaration	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Cash Flows	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13
1 Statement of significant accounting policies	13
2 Revenue	19
3 Expenses	19
4 Income tax expense/(benefit)	19
5 Earnings/(losses) per stapled security	19
6 Cash and cash equivalents	19
7 Trade and other receivables	20
8 Property, plant and equipment	20
9 Intangible assets	20
10 Investments in associate accounted for using the equity method	21
11 Trade and other payables	21
12 Provisions	21
13 Deferred lease incentive	22
14 Remuneration of auditors	22
15 Contributed equity	22
16 Reserves	22
17 Retained profits/(losses)	23
18 Business Combinations	23
19 Notes to the Statement of Cash Flow	24
20 Financial Risk Management	24
21 Net fair values	25
22 Director and executive disclosures	26
23 Related parties	27
24 Contingent asset and liabilities	27
25 Lease commitments	27
26 Trust liabilities and right of indemnity	28
27 Parent entity financial information	28
28 Events occurring after the end of the reporting period	28
Directors' Declaration	29
Independent Auditor's Report	30

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 period 20 March 2009 to 30 June 2010.

### The Astro Japan Property Group

The Astro Japan Property Group ("Astro Group") comprises AJCo and its controlled entity and Astro Japan Property Trust (ARSN 112 799 854) ("AJT"). The shares in AJCo are stapled to the units in AJT on a 'one for one' basis. Each entity forming part of the Astro Group is a separate legal entity in its own right under the *Corporations Act 2001* (Cth) and is therefore required to 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 and Urgent Issues Group Interpretations.

The registered office and principal place of business of AJCo is Suite 1 Level 14, 50 Pitt Street, Sydney NSW 2000.

### Principal activities

The principal activities of AJCo during the period from 20 March 2009 to 30 June 2010 were:

- Acquisition of Astro Japan Property Management Limited ("Responsible Entity") (the Responsible Entity of AJT); and
- Acquisition of a 30% economic interest in Spring Investment Co., Ltd, ("Japan Asset Manager") which is the manager of the Astro Group's Japanese property interests.

### Review and results of operations

AJCo was incorporated on 20 March 2009. The reporting period 20 March 2009 to 30 June 2010 represents the first financial reporting period for AJCo.

AJCo Group made a loss before income tax of \$6,857,336 for the period 20 March 2009 to 30 June 2010.

On 12 November 2009, the units in AJT were stapled to the shares in AJCo on a 'one for one' basis (stapled securities) forming the Astro Group. The stapled securities are quoted on the Australian Securities Exchange under the code AJA. It is not possible to trade or deal separately in either the shares or units which comprise the Stapled Securities.

On 12 November 2009, AJCo acquired from BBJPML Holding Trust a 30% economic interest in the Japan Asset Manager and a convertible note issued by the Responsible Entity. The 30% economic interest in the Japan Asset Manager is held in accordance with a TK Agreement (Spring TK Agreement). The initial interest is 30%, reducing to 25% over time as a preferred entitlement is paid down.

On 22 February 2010, the Japan Asset Manager, in which AJCo holds a 30% economic interest, acquired an ownership interest in a management company, Joint Capital Partners, the manager of Tokyo Stock Exchange listed Joint REIT Investment Corporation, which owns 53, mainly residential, assets with a book value of approximately ¥100 billion (approx. A\$1.25 billion). The acquisition was made in joint venture with Sekisui House Ltd, one of Japan's largest home builders. Sekisui House Ltd has a 75% interest in the joint venture and Spring Investment Co., Ltd has a 25% interest. As part of this acquisition, AJCo paid \$1,350,000 to the Japan Asset Manager in accordance with the Spring TK Agreement. The contribution represented 30% of the Japan Asset Managers' investment in the joint venture.

On 7 April 2010 the Responsible Entity became a wholly owned subsidiary of AJCo following the exercise of the convertible note. Consequently final and full legal separation of the Responsible Entity from Babcock & Brown was completed.

### Dividends

The Directors have not declared any dividends for the period 20 March 2009 to June 2010.

### 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 it operates.

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

The Directors are not aware of any matter or circumstance occurring since 30 June 2010 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of AJCo Group, the results of those operations, or the state of affairs of AJCo Group in subsequent financial years.

### Future developments and expected results of operations

In the opinion of the Directors, disclosure of any further information on future developments and results other than as already disclosed in this report or the financial report would be unreasonably prejudicial to the interests of AJCo.

## Directors

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

Name, independence status and special responsibilities	Qualifications and experience
<b>Allan McDonald</b> Independent Non-Executive Chairman Member of the Audit, Risk & Compliance Committee Member of the Remuneration Committee	Allan was appointed as a Director of AJCo on 20 March 2009 and as a Director of the Responsible Entity on 19 February 2005. 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 Chartered Secretaries Australia, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors. 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.
<b>Paula Dwyer</b> Independent Non-Executive Director Chairman of the Audit, Risk & Compliance Committee Member of the Remuneration Committee	Paula was appointed as a Director of AJCo on 20 March 2009 and as a Director of the Responsible Entity on 19 February 2005. Paula has extensive experience in the securities, investment management and investment banking sectors. In particular, Paula specialised in the provision of corporate financial advice to companies operating in regulated industries, including financial institutions and utilities. Paula holds a Bachelor of Commerce degree from the University of Melbourne. Paula is a Member of the Takeovers Panel and Vice President of the Baker IDI Heart and Diabetes Research Institute. Paula is a Fellow of the Australian Institute of Chartered Accountants, a Fellow of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.
<b>John Pettigrew</b> Independent Non-Executive Director Member of the Audit, Risk & Compliance Committee Chairman of the Remuneration Committee	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 has extensive financial and commercial experience with a number of major corporations and 30 years involvement in the property industry. John is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of Chartered Secretaries Australia, a Fellow of the Australian Institute of Management and a Member 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 his retirement in 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 the end of the Financial Year are listed below:

Director	Listed Entity	Date appointed	Date ceased
<b>Allan McDonald</b>	Ross Human Directions Limited	3 April 2000	Continuing
	Billabong International Limited	4 July 2000	Continuing
	Multiplex Property Trust and Multiplex SITES Trust <sup>1</sup>	22 October 2003	Continuing
	Multiplex Acumen Property Fund; Multiplex European Property Fund; and Multiplex Prime Property Fund <sup>2</sup>	1 January 2010	Continuing
	Multiplex Limited	22 October 2003	31 October 2007
<b>Paula Dwyer</b>	Tabcorp Holdings Limited	30 August 2005	Continuing
	Suncorp Metway Limited	26 April 2007	Continuing
	Healthscope Limited	10 March 2010	Continuing
<b>John Pettigrew</b>	Rubicor Group Limited	2 March 2007	Continuing

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

## Directors' Meetings

The number of Directors' meetings (including meetings of the Committees of Directors) held during the year ended 30 June 2010, 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	15	15	13	13	6	6	2	2
Paula Dwyer	15	15	13	13	6	6	2	2
John Pettigrew	15	15	13	13	6	6	2	2

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

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

### Directors' relevant interests

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

Director	Number of Stapled Securities
Allan McDonald	400,000
Paula Dwyer	200,000
John Pettigrew	150,000

### Secretaries

The Company Secretaries of AJCo and the Responsible Entity at any time during or since the year end are:

<b>Rohan Purdy</b> General Counsel & Company Secretary	Rohan was appointed as Company Secretary of AJCo on 20 March 2009 and as Company secretary of the Responsible Entity on 16 April 2009. Rohan has more than 13 years experience as a corporate lawyer and company secretary. Rohan formerly held positions as a senior lawyer at both Babcock & Brown and the Australian Securities Exchange (ASX). Prior to this, Rohan specialised in commercial and corporations law, practising as a senior lawyer with a number of leading law firms in Australia. Rohan holds a Master of Laws from the University of Sydney and a Bachelor of Laws degree and Bachelor of Commerce degree from the Australian National University.
<b>Ian Hay</b> Chief Financial Officer, Manager – Australia & Company Secretary (alternate)	Ian was appointed as Company Secretary (alternate) of AJCo on 4 May 2009 and as Company Secretary (alternate) of the Responsible Entity on 16 April 2009. Ian has extensive experience with a number of major international financial institutions and has over 20 year's involvement within the finance industry. Ian was formerly an Associate Director with Macquarie Bank working in the Specialised Funds Division. Ian is a Member of the Institute of Chartered Accountants of England & Wales and obtained his qualification with Coopers and Lybrand, London.

### Indemnification and insurance of Officers and Auditors

#### 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's Constitution 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 period from 12 November 2009, being the listing date of AJCo, to 30 June 2010. The remuneration disclosures however only relate to the period 7 April 2010 to 30 June 2010 because the Responsible Entity, which remunerates the Astro Group's executives and directors, only became a wholly owned subsidiary of AJCo and a part of the Astro Group on 7 April 2010. Prior to that date, the Responsible Entity was a subsidiary within the Babcock & Brown Group.

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 Directors, who are Independent Non-Executive Directors. Its members during the financial year were Mr J Pettigrew (Chair), Ms P Dwyer and Mr A McDonald. The Remuneration Committee meets annually for the purposes of reviewing and making recommendations to the Astro Group Boards 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.

## 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. This assessment is made in conjunction with advice from the Astro Group's Senior Advisor, Mr Eric Lucas, and is the basis for determining the total annual remuneration for that financial year.

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 focussed 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 June 2010:

	2010	2009	2008	2007	2006
Net profit attributable to equityholders (\$'000)	(111,922)	(365,642)	121,627	129,195	59,026
Earnings per security (cents)	(22.02)	(71.94)	23.65	26.71	16.13
Distributions per security (cents)	7.00	9.00	13.05	11.90	9.76
Share price (\$) as at 30 June	0.32	0.37	0.87	1.77	1.68

### - 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 executives' contracts.

Based on the Remuneration Committee's assessment of the factors outlined above, the executives were granted an increase in base pay of 5% to 10% with effect from 1 July 2010.

### - 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 as outlined above. Any STI entitlement is paid in cash and is paid in July each year. 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.

Based on the Remuneration Committee's assessment of each executive for the 12 month period ended 30 June 2010, and having regard to the overall performance of the Astro Group over that period, on 17 June 2010 executives were granted an STI cash bonus as set out in Table 1. The STI cash bonus was paid on 15 July 2010.

## 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 2010 were:

Executives	
Mr I Hay	Chief Financial Officer
Non-Executive Directors	
Mr F A McDonald	Independent Chairman and Non-Executive Director
Ms P Dwyer	Independent Non-Executive Director
Mr J Pettigrew	Independent Non-Executive Director

The Senior Advisor to the Astro Group, Mr Eric Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Chief Executive Officer and employs the 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.

Details of the remuneration of the executives and the Non-Executive Directors are set out below. Mr Rohan Purdy does not meet the criteria of a KMP however his remuneration is disclosed below in accordance with the *Corporations Act 2001* (Cth) as he is one of the two senior executives in the Astro Group.

## Remuneration of Executives

**Table 1: Remuneration of Executives for the period ended 30 June 2010**

Executives	Year <sup>1</sup>	Salary	STI cash bonus <sup>2</sup>	Non-monetary benefits <sup>3</sup>	Super-annuation	Total
		\$	\$	\$	\$	\$
Mr I Hay	2010	51,606	15,000	340	4,645	71,591
Mr R Purdy	2010	48,165	30,000	342	4,335	82,842
Total remuneration	2010	99,771	45,000	682	8,980	154,433

1. For the period 7 April 2010 to 30 June 2010. No executives' remuneration was incurred by the Astro Group before the Responsible Entity became part of the Astro Group on 7 April 2010. No prior year comparative information provided as the period ending 30 June 2010 represents AJCo's first financial year and first period of remuneration reporting.

2. STI relates to the 12 month period ended 30 June 2010 and was granted on 17 June 2010 and paid on 15 July 2010.

3. All Astro Group employees receive salary continuance insurance.

**Table 2: Remuneration components as a proportion of total remuneration**

Executives	Fixed remuneration <sup>1</sup>	STI cash bonus	Total
	%	%	
Mr I Hay	93.78	6.22	100.00
Mr R Purdy	87.57	12.43	100.00

<sup>1</sup> Fixed remuneration consists of salary, non-monetary benefits and superannuation and for the purposes of this table is based on a 12 month period to 30 June 2010.

## Executive Employment Contracts

The base salaries for executives as at 30 June 2010, in accordance with their employment contracts are shown below:

Executives	Base remuneration per employment contract
Mr I Hay	\$ 225,000
Mr R Purdy	\$ 210,000

The employment contracts for Mr Hay and Mr Purdy contain the following conditions:

<b>Length of Contract</b>	▪ Open-ended
<b>Frequency of base remuneration review</b>	▪ Annual
<b>Benefits</b>	▪ Entitled to participate in Astro Group benefit plans that are made available
<b>Incentive remuneration</b>	▪ Eligible for an award of short term incentive remuneration (if any) as described above

#### Termination of employment

- For Mr Hay, employment can be terminated by either party providing 3 months' written notice and the Astro Group may elect to pay Mr Hay three months' salary in lieu of notice
- For Mr Purdy, employment can be terminated by either party providing 2 months' written notice and the Astro Group may elect to pay Mr Purdy two months' salary in lieu of notice

#### Remuneration of the Non-Executive Directors

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

Mr F A McDonald	Independent Chairman and Non-Executive Director
Ms P Dwyer	Independent Non-Executive Director
Mr J Pettigrew	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, including committee 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 \$342,500. Based on the Remuneration Committee's annual review of Non-Executive Director fees conducted on 17 June 2010, there will be no change to the fees for the 12 month period commencing 1 July 2010.

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 (which is included within total fees noted below).

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
Audit, Risk & Compliance Committee	Chair	\$6,500
Remuneration Committee	Chair	\$6,500

**Table 3: Remuneration of Directors for the period ended 30 June 2010**

Directors	Year <sup>1</sup>	Short term - salary and fees		Total
		\$	\$	
Mr F A McDonald	2010	31,307	2,818	34,125
Ms P Dwyer	2010	23,624	2,126	25,750
Mr J Pettigrew	2010	22,133	1,992	24,125
Total remuneration	2010	77,064	6,936	84,000

<sup>1</sup> For the period 7 April 2010 to 30 June 2010. No Directors' remuneration was incurred by the Astro Group before the Responsible Entity became part of the Astro Group on 7 April 2010. No prior year comparative information provided as the period ending 30 June 2010 represents AJCo's first financial year and first period of remuneration reporting.

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 Astro Group's lead Auditor has provided a written declaration under section 307C of the *Corporations Act 2001* (Cth) that to the best of his knowledge and belief, there have been no contraventions of:

- The Auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the audit; and
- The applicable Australian code of professional conduct in relation to the audit.

The declaration is provided on page 8 and forms part of this Directors' Report.

**Non audit services**

AJCo may decide to employ the auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with AJCo is important.

No non audit services were provided to AJCo by PricewaterhouseCoopers during the current period.

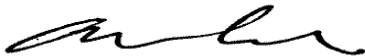
**Basis of Preparation / Deficiency of Capital**

The financial report for AJCo as at 30 June 2010 has been prepared on a going concern basis as the Directors, after reviewing AJCo's going concern status, have concluded that AJCo has reasonable grounds to expect to be able to pay its debts as and when they become due and payable.

As at 30 June 2010, AJCo has a current working capital deficiency of \$905,263. Included in AJCo's current liabilities is an amount totalling \$668,179 owing to AJCo's deemed parent entity, Astro Japan Property Trust. The directors of Astro Japan Property Management Limited, as Responsible Entity of Astro Japan Property Trust, have given an undertaking that repayment of these amounts will be subordinated in favour of all other creditors and Astro Japan Property Trust has accepted the responsibility of providing and undertake to provide sufficient financial assistance to AJCo as and when it is needed to enable AJCo to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 25 August 2010.

Dated 25 August 2010.

Signed in accordance with a resolution of the Directors.



Allan McDonald  
Director  
Astro Japan Property Group Limited

PricewaterhouseCoopers  
ABN 52 780 433 757

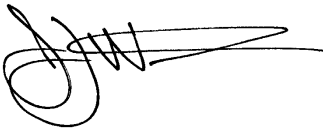
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## Auditor's Independence Declaration

As lead auditor for the audit of Astro Japan Property Group Limited for the period ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) 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 period.



AJ Wilson  
Partner  
PricewaterhouseCoopers

Sydney  
25 August 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the period 20 March 2009 to 30 June 2010



	Note	Consolidated 30 Jun 10 \$
<b>Revenue</b>		
Revenue	2(a)	3,652,112
Financing income	2(b)	161,390
Share of net profit of associates	10	300,111
<b>Total revenue and other income</b>		<b>4,113,613</b>
<b>Expenses</b>		
Operating expenses	3	(3,961,533)
Impairment of goodwill	9	(6,999,998)
Base fees		(8,417)
Professional fees		(1,001)
<b>Total expenses</b>		<b>(10,970,949)</b>
<b>Profit before income tax</b>		<b>(6,857,336)</b>
Income tax benefit/(expense)	4	(81,294)
<b>Profit/(loss) for the period</b>		<b>(6,938,630)</b>
<b>Other comprehensive income</b>		
Foreign exchange translation differences		(606,215)
<b>Total comprehensive income/(expense) for the period</b>		<b>(7,544,845)</b>
<b>Total comprehensive income/(expense) for the year is attributable to:</b>		
Members of the Company		(7,544,845)
Basic and diluted earnings/(losses) per share	5	(1.37¢)

The consolidated statement of comprehensive income is to be read in conjunction with the Notes to the financial statements set out on pages 13 to 28.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
for the period 20 March 2009 to 30 June 2010



	Note	Consolidated 30 Jun 10 \$
<b>Current assets</b>		
Cash and cash equivalents	6	4,893,988
Trade and other receivables	7	20,992
Prepaid insurance		607,280
Fees receivable - related party - AJT	23	71,792
<b>Total current assets</b>		<b>5,594,052</b>
<b>Non-current assets</b>		
Property, plant and equipment	8	90,190
Investment in associate accounted for using the equity method	10	6,093,764
Intangible assets	9	8,046,333
<b>Total non-current assets</b>		<b>14,230,287</b>
<b>Total assets</b>		<b>19,824,339</b>
<b>Current liabilities</b>		
Trade and other payables	11	139,874
Loan payable - related party - AJT	23	668,179
Provisions	12	31,043
Deferred lease incentive	13	2,530
Current tax liabilities		69,259
<b>Total current liabilities</b>		<b>910,885</b>
<b>Non-current liabilities</b>		
Deferred lease incentive	13	17,666
<b>Total non-current liabilities</b>		<b>17,666</b>
<b>Total liabilities</b>		<b>928,551</b>
<b>Net assets</b>		<b>18,895,788</b>
<b>Equity</b>		
Contributed equity	15	26,440,633
Reserves	16	(606,215)
Retained profits/(accumulated losses)	17	(6,938,630)
<b>Total equity</b>		<b>18,895,788</b>

The consolidated statement of financial position is to be read in conjunction with the Notes to the financial statements set out on pages 13 to 28.

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the period 20 March 2009 to 30 June 2010

	Note	Consolidated 30 Jun 10 \$
<b>Cash flows from operating activities</b>		
Receipt of responsible entity fees		443,140
Payments from continuing operations		(1,127,168)
Net GST received/(paid)		(8,221)
Interest received		161,390
Japanese withholding tax paid		(54,196)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>19</b>	<b>(585,055)</b>
<b>Cash flows from investing activities</b>		
Payment for the acquisition of subsidiary, net of cash acquired		(15,193,006)
Payment for investment in Spring Investment Co., Ltd		(7,083,348)
Investment income received from Spring Investment Co., Ltd		270,980
Return of capital from Spring Investment Co., Ltd		412,500
Purchase of property, plant and equipment		(5,503)
Payment of development costs		(31,392)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(21,629,769)</b>
<b>Cash flows from financing activities</b>		
Equity issued		26,440,633
Loan from AJT		668,179
<b>Net cash inflow/(outflow) from financing activities</b>		<b>27,108,812</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,893,988</b>
Cash and cash equivalents at the beginning of the reporting period		-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6</b>	<b>4,893,988</b>

The consolidated statements of cash flows are to be read in conjunction with the Notes of the financial statements set out on pages 13 to 28.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the period 20 March 2009 to 30 June 2010

	Note	Contributed Equity	Reserves	Consolidated Total
		\$	\$	\$
<b>Total equity at the beginning of the period</b>		-	-	-
Foreign exchange translation differences		-	(606,215)	(606,215)
<b>Net income/(expense) recognised directly in equity</b>		-	<b>(606,215)</b>	<b>(606,215)</b>
<b>Profit/(loss) for the period</b>		-	<b>(6,938,630)</b>	<b>(6,938,630)</b>
<b>Total comprehensive income/(expense) for the period</b>		-	<b>(7,544,845)</b>	<b>(7,544,845)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>				
Contributions of equity, net of transaction costs		26,440,633	-	26,440,633
<b>Total transactions with Securityholders in their capacity as Securityholders:</b>		<b>26,440,633</b>	<b>-</b>	<b>26,440,633</b>
<b>Total equity at the end of the reporting period</b>		<b>26,440,633</b>	<b>(7,544,845)</b>	<b>18,895,788</b>

The consolidated statement of changes in equity is to read in conjunction with the Notes to the financial statements set out on pages 13 to 28.

## 1. Statement of Significant Accounting Policies

### (a) Basis of preparation

Astro Japan Property Group Limited (AJCo Group) is domiciled in Australia. AJCo Group comprises Astro Japan Property Group Limited and its controlled entity Astro Japan Property Management Limited. The financial report of AJCo is for the period 20 March 2009 to 30 June 2010.

The consolidated financial report for AJCo as at 30 June 2010 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.

### Deficiency of Capital

As at 30 June 2010, the AJCo parent entity has a current working capital deficiency of \$905,264. Included in AJCo's current liabilities is an amount totalling \$668,179 owing to Astro Japan Property Trust. The directors of Astro Japan Property Management Limited, as Responsible Entity of Astro Japan Property Trust, have given an undertaking that repayment of these amounts will be subordinated in favour of all other creditors and Astro Japan Property Trust has accepted the responsibility of providing and undertake to provide sufficient financial assistance to AJCo as and when it is needed to enable AJCo to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 25 August 2010.

The financial report was authorised for issue by the Directors on 25 August 2010. AJCo has the power to amend and reissue this financial report.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations 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) Principles of consolidation

#### i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AJCo as at 30 June 2010 and the results of all subsidiaries for the period then ended. AJCo and its subsidiaries together are referred to in this financial report as AJCo Group.

Subsidiaries are all entities (including special purpose entities) over which AJCo Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether AJCo Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to AJCo Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by AJCo Group.

Intercompany transactions, balances and unrealised gains on transactions between AJCo Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by AJCo Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### (c) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the AJCo Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the AJCo Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the AJCo Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

**(d) Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS 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. This includes critical estimates used in impairment testing of goodwill, refer to note 1(p)(i) and note 9.

**i) Estimated impairment of goodwill**

The AJCo Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p)(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 9(a) for details of these assumptions and the potential impact of changes to the assumptions.

**(e) Foreign currency**

**i) Functional and presentation currency**

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

**ii) Transactions and balances**

Transactions in foreign currencies are translated at the foreign exchange rate ruling 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 foreign exchange rate ruling 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 foreign exchange rates ruling at the dates the fair value was determined.

**iii) Foreign interest**

The 30% economic interest in the Associate is translated into Australian currency at the rate of exchange current at the end of the reporting period, while its income and expenditures are translated at the average of rates ruling during the reporting period. Exchange differences arising on translation are taken to the foreign currency translation reserve.

**(f) Cash and cash equivalents**

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

**(g) Revenue**

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 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 group's activities as described below. The 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) Financing income

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

Arranging and base fees are recognised on a cost recovery basis.

All other revenue is recognised on an accruals basis.

**(h) Tax**

**i) Australian income tax**

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

**ii) 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% withholding tax on the distribution of profits under TK contracts. The 20% withholding tax is the final Japanese tax 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% withholding tax described above however, is only imposed on an actual distribution of profit to investors.

On a six monthly basis, Spring Investments Co. Ltd will make cash distributions to the AJCo Group. For the most part these distributions can be expected to be of income for Japanese tax purposes, and thus subject to withholding tax at a rate of 20%, 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.

**iii) Deferred tax**

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

**(i) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these latter circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authorities are classified as operating cash flows.

**(j) Loan payables**

Loan payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current liabilities.

**(k) Trade and other payables**

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not billed to AJCo and are stated at cost. Trade accounts payable are normally settled within 60 days.

**(l) Provisions**

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision. The increase in the provision due to the passage of time is recognised as interest expense.

**(m) 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 AJCo 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.

**(n) 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.

**(o) Property, plant & equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost over estimated useful lives as follows:

Computer equipment	4 years
Office equipment	1 – 10 years
Fixtures and fittings	1 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

**(p) Intangible assets**

**i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the 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 9. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**ii) IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 4 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

**(q) Investments in associates accounted for using the equity method**

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's 30% interest in associate is accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associate includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends receivable from associate reduce the Group's carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **(r) 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.

#### **(s) 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 Company as lessee are classified as operating leases (see Note 13 for details of leases). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

#### **(t) Employee benefits**

##### **i) Salaries, sick leave and annual leave**

Liabilities for salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### **ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### **iii) Defined contribution plan**

Employees defined contribution funds receive fixed contributions from AJCo Group companies and AJCo Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

#### **(u) Earnings per Share**

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

**(v) Parent entity financial information**

The financial information for the parent entity, AJCo, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**i) Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of AJCo. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**(w) New accounting standards and UIG interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect AJCo's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it is unlikely to have a material impact on AJCo.

**Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

In addition to the above, further amendments to accounting standards have been proposed as a result of the revision of related standards and the Annual Improvement Projects (for non-urgent changes). These amendments are set out below:

**AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** (effective for annual periods beginning on or after 1 January 2010)

**AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

**AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective for annual reporting periods beginning on or after 1 January 2013); and

**AASB 2009-12 Amendments to Australian Accounting Standards** (effective for annual reporting periods beginning on or after 1 January 2011)

These recently issued or amended standards are not expected to have a significant impact on the amounts recognised in these financial statements when they are restated on application of these new accounting standards.

## 2. Revenue

	Consolidated
	30 Jun 10
	\$
<b>a) Revenue from continuing operations</b>	
Base fee – AJT	514,021
Arranging fees	3,138,091
<b>Total revenue from continuing operations</b>	<b>3,652,112</b>
<b>(b) Financing income</b>	
Financing income	161,390
<b>Total Financing income</b>	<b>161,390</b>

## 3. Expenses

	Consolidated
	30 Jun 10
	\$
Employee expenses & Directors fees (including payroll tax)	338,417
Insurance	100,095
Depreciation and amortisation	7,405
Defined contribution plan	17,847
Regulatory and registrar costs	48,601
Minimum Lease payments	27,097
Audit fees	50,740
Premises expenses	16,666
IT expenses	9,367
Internalisation arrangement expenses	3,307,383
Travel expenses	22,230
Other expenses from continuing operations	15,685
<b>Total expenses from Continuing Operations</b>	<b>3,961,533</b>

## 4. Income tax expense/(benefit)

	Consolidated
	30 Jun 10
	\$
<b>a) Income tax expense</b>	
Current tax expense/(benefit)	81,294
Deferred tax expense/(benefit)	-
Profit/(loss) from continuing operations before income tax expense	(6,857,336)
Tax at the Australian tax rate of 30% (2008 – 30%)	(2,057,201)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income	2,057,201
Japanese withholding tax on distribution from the Japan Asset Manager	54,196
Australian tax on distribution from the Japan Asset Manager	27,098
<b>Income tax expense</b>	<b>81,294</b>

### (b) Amounts recognised directly in equity

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

### (c) Deferred tax assets and liabilities

No deferred tax assets or liabilities have been recognised at 30 June 2010.

## 5. Earnings/(losses) per stapled security

	Consolidated
	30 Jun 10
	\$
Basic and diluted	(1.37¢)
Profit/(loss) attributable to Securityholders used in calculating basic and diluted earnings per security	(6,938,630)
Weighted average number of Securities used as denominator in calculating basic and diluted earnings per Security	508,212,161

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

## 6. Cash and cash equivalents

	Consolidated
	30 Jun 10
	\$
Cash at bank	4,747,988
Cash – bank guarantee	146,000
<b>Total cash and cash equivalents</b>	<b>4,893,988</b>

## 7. Trade and other receivables

	Consolidated 30 Jun 10 \$
<b>Current</b>	
GST receivable	20,992
<b>Trade and other receivables</b>	<b>20,992</b>

## 8. Property, plant and equipment

	Computer Equipment \$	Office Equipment \$	Fixtures and Fittings \$	Total \$
<b>Period ended 30 June 2010</b>				
Opening balance	-	-	-	-
PP&E acquired in business combinations	60,976	16,430	12,720	90,126
Additions	5,503	-	-	5,503
Disposals	-	-	-	-
Depreciation	(4,593)	(637)	(209)	(5,439)
<b>Closing net book amount</b>	<b>61,886</b>	<b>15,793</b>	<b>12,511</b>	<b>90,190</b>

<b>At 30 June 2010</b>				
Cost	66,479	16,430	12,720	95,629
Accumulated Depreciation	(4,593)	(637)	(209)	(5,439)
<b>Net book amount</b>	<b>61,886</b>	<b>15,793</b>	<b>12,511</b>	<b>90,190</b>

## 9. Intangible assets

	Software \$	Goodwill \$	Total \$
<b>Consolidated</b>			
<b>Period ended 30 June 2010</b>			
Opening balance	-	-	-
Resulting from business combinations	16,907	14,999,998	15,016,905
Additions - internal development	31,392	-	31,392
Impairment charge	-	(6,999,998)	(6,999,998)
Amortisation charge	(1,966)	-	(1,966)
Closing net book amount	46,333	8,000,000	8,046,333
<b>At 30 June 2010</b>			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(1,966)	(6,999,998)	(7,001,964)
<b>Net book amount</b>	<b>46,333</b>	<b>8,000,000</b>	<b>8,046,333</b>

Refer to Note 18 Business Combinations for further explanation of how the goodwill arose.

### (a) Impairment test for goodwill

Goodwill is the value attributed by the Board for the value of AJT's Australian management rights acquired from the Babcock & Brown Group. All of the \$14,999,998 goodwill is attributable to the Astro Group's investment in AJPML.

Management have deemed it appropriate to impair goodwill by \$6,999,998 to a carrying value of \$8,000,000 to reflect a decrease in the calculated fair value of the goodwill, driven by the value of the Astro Group's investment properties falling over 9.5% during the period reducing the adjusted gross asset value and uncertainty over the ability to refinance certain asset specific loans due to mature in August 2012.

The recoverable amount of the goodwill is based on fair value less costs to sell calculated on a net present value basis. 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 (27.5bps) 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 also assumes a further 5% drop in the gross asset value in financial year 2011 followed by growth in the adjusted gross asset value of 5% per annum 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.

## 10. Investments in associate accounted for using the equity method

Name of company	Principal Activity	Ownership interest	Consolidated
			30 Jun 10 \$'000

### Carrying amounts

Spring Investment Co., Ltd.	Asset Management	30%	6,093,764
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On 16 April 2009, as part of the implementation of the internalisation of AJT's management rights, BBJPML Holding Trust, which was a consolidated related party entity beneficially owned by the securityholders of AJT, entered into a TK Agreement with, and made a subsequent TK investment in, the Japan Asset Manager and thereby obtained an initial 30% economic interest in the Japan Asset Manager. AJCo subsequently acquired the economic interest from the BBJPML Holding Trust at the time of the stapling on 12 November 2009. The initial interest is 30%, reducing to 25% over time as the preferred entitlement is paid down. Preferred entitlement refers to a preferred distribution commencing 1 January 2012 from the Japan Asset Manager, capped at \$1,154,000 (¥90 million at the reporting date exchange rate) per year, payable until a total of \$4,025,000 (¥314 million at the reporting date exchange rate) has been paid. The Group's economic interest in the Japan Asset Manager may also vary to the extent to which it participates in any future capital raising by the Japan Asset Manager.

The Japan Asset Manager is incorporated in Japan and has a 31 December reporting date.

The share of the associates profit recognised is calculated as the lower of the 100% of the net profit of the TK or 30% of the adjusted net profit of the TK (calculated by adding back the bonus expenses for the period).

### Movements in carrying amounts

Carrying amount at the beginning of the financial period	-
Acquisition of investment	5,733,348
Share of net profit of associate	300,111
Effect of changes in exchange rates	(606,215)
Distribution paid from Spring	(270,980)
Return of capital - preferred entitlement paid down	(412,500)
Additional investment	1,350,000
	<b>6,093,764</b>
<b>Share of associate's profits<sup>1</sup></b>	
Income	14,127,808
Expenses	(13,827,697)
<b>Share of Associate's net profit recognised</b>	<b>300,111</b>

<sup>1</sup> The above summary of financial performance represents 100% of the associates income and expenses.

### Summarised financial position of associate<sup>2</sup>

Current assets	434,336
Non-current assets	9,826,894
<b>Total assets</b>	<b>10,261,230</b>
Current liabilities	227,293
Non-current liabilities	-
<b>Total liabilities</b>	<b>227,293</b>
<b>Net assets as reported by associate</b>	<b>10,033,937</b>

<sup>2</sup> The above summary of financial position of associate represents 100% of the associates assets and liabilities.

## 11. Trade and other payables

	Consolidated
	30 Jun 10 \$
Trade payables	126,374
Audit fee accrual	13,500
	<b>139,874</b>

## 12. Provisions

	Consolidated
	30 Jun 10 \$
Annual leave accrual	31,043

The entire annual leave obligation is presented as current as AJCo does not have an unconditional right to defer settlement. However, based on past experience, AJCo does not expect all employees to take the full amount of accrued leave within the next 12 months.

### 13. Deferred lease incentive

	Consolidated 30 Jun 10 \$
Current	2,530
Non-current	17,666
<b>Deferred lease incentive</b>	<b>20,196</b>

The Group received the benefit of an initial rent-free period upon signing the lease for the office premises. This lease incentive benefit has been deferred and is being recognised over the term of the 5 year lease. The aggregate benefit of the lease incentive is recognised as a reduction of rental expense over the term of the lease.

Movements in the deferred lease incentive during the financial period are set out below:

	Consolidated deferred lease incentive accrual \$
Carrying amount at start of period	-
Acquired in business combinations	26,988
Amounts used during the period	(6,792)
Carrying amount at end of period	20,196

### 14. Remuneration of auditors

	Consolidated 30 Jun 10
<b>Audit services:</b>	
<i>Auditors of AJCo Group</i>	
<i>PricewaterhouseCoopers Australia:</i>	
- Audit of financial reports and Australian financial services license audit	30,500
	<b>30,500</b>
<b>Other services:</b>	
<i>Auditors of AJCo Group</i>	
<i>Ernst &amp; Young Australia:</i>	
- Compliance plan audit	20,000
- Administration fee	240
	<b>20,240</b>

### 15. Contributed equity

	Consolidated 30 Jun 10
<b>Securities on issue</b>	
<b>Movements in number of securities</b>	Number
Number at beginning of financial period	-
Issued securities	508,212,161
<b>Number at end of financial period</b>	<b>508,212,161</b>
<b>Movements in contributed equity</b>	\$
Balance at beginning of financial period	-
Equity issued during the period net of transaction costs	26,440,633
<b>Balance at end of financial period</b>	<b>26,440,633</b>

### 16. Reserves

#### Foreign currency translation reserve

Balance at beginning of financial period	-
Currency translation differences arising during the period	(606,215)
<b>Balance at the end of the financial period</b>	<b>(606,215)</b>

The translation reserve comprises all foreign exchange differences arising from the translation of the interests in foreign operations, where their functional currency is different to the presentation currency of the reporting entity.

## 17. Retained profits/(losses)

	Consolidated
	30 Jun 10
	\$
Opening balance	-
Net profit/(loss) attributable to members of AJCo	(6,938,630)
Balance at the end of the period	(6,938,630)

## 18. Business Combinations

### Summary of acquisition

On 7 April 2010, AJCo exercised a convertible note issued by the Responsible Entity. Following conversion, AJCo became the holder of 100% of the issued share capital of the Responsible Entity. This transaction completed the separation of the Responsible Entity from Babcock & Brown.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
Cash paid for convertible notes - redeemed on 7 April	20,707,285
Total purchase consideration	20,707,285

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value
	\$
Cash	5,514,279
Accounts Receivable	170,202
Prepayments	26,381
Fixed Assets	107,033
Payables	(25,338)
Provisions	(28,892)
Tax Payable	(29,390)
Office Lease - rent free period	(26,988)
Net identifiable assets acquired	<b>5,707,287</b>
Add: Goodwill	14,999,998
Net assets acquired	<b>20,707,285</b>

#### i) Recognition of Goodwill

Goodwill of \$14,999,998 has been recognised as the difference in the purchase consideration of \$20,707,285 and the net assets acquired of \$5,707,287. Goodwill is the value attributed by the Board for the value of AJT's Australian management rights acquired from Babcock & Brown. AJPML was acquired to internalise the management rights of the Responsible entity of AJT, and complete the separation of AJT from the Babcock & Brown Group. At the end of the reporting period management have tested the goodwill for impairment and have concluded that it is appropriate to impair goodwill by \$6,999,998, refer to Note 9.

#### ii) Acquired receivables

The fair value of acquired trade receivables is \$170,202. All receivables are expected to be collectible.

#### iii) Revenue and profit contribution

The acquired business contributed revenue from continuing operations of \$3,652,112 and profit for the period of \$nil to the Group for the period from 7 April 2010 to 30 June 2010.

If the acquisition had occurred on 20 March 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been \$6,913,902 and a \$7,398,952 loss respectively. These amounts have been calculated using AJCo's accounting policies.

**19. Notes to the consolidated statement of cash flows**

	Consolidated 30 Jun 10 \$
<b>Reconciliation of the net profit after tax to net cash flows from operating activities</b>	
Profit/(loss) for the year	(6,938,630)
<b>Adjustments for non cash items and items classified as investing or financing activities</b>	
Depreciation expense	7,405
Impairment of goodwill	6,999,998
Equity accounting for investment in associate	(300,111)
<b>Net cash provided by operating activities before changes in assets &amp; liabilities</b>	<b>(231,338)</b>
<b>Change in operating assets and liabilities during the financial period:</b>	
(Increase)/decrease in trade and other receivables	77,418
(Increase)/decrease in prepaid insurance	(580,899)
Increase/(decrease) in trade and other payables	149,764
<b>Net cash flows (used in) / from operating activities</b>	<b>(585,055)</b>

**20. Financial Risk Management**

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

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

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

**(A) Market Risks**

Market risk refers to the potential for changes in the market value of the 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 Group invests or which it manages.

(i) Interest rate risk

The AJCo Group receives interest on its cash at bank at an average rate of 4.50% at period end. All receivables and payables are on interest free terms.

(ii) Currency risk

All of AJCo's assets, liabilities and revenue are denominated in Australian Dollars and therefore AJCo is not exposed to foreign currency risk.

(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 2010 \$	Decrease by 50 bps 2010 \$
<b>Net profit/loss</b>		
Cash and cash equivalents	31,267	(31,267)
<b>Total net profit/loss</b>	<b>31,267</b>	<b>(31,267)</b>

**(B) Credit Risks**

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

AJCo'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.

AJCo 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 AJCo – 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 AJCo.

AJCo has no significant concentrations of credit risk. The credit quality of all financial assets are consistently monitored in order to identify any potential adverse changes in the credit quality. Cash is held with an institution with a Standard & Poor's AA long-term credit rating. Receivables are unrated.

### **(C) Liquidity Risks**

AJCo 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 AJCo's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting 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.

#### **Consolidated**

At 30 June 2010	Less than 6 months	Between 6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	(139,874)	-	-	-	-
Loan payable - related party - AJT <sup>1</sup>	(668,179)	-	-	-	-
Net Maturity	(808,053)	-	-	-	-

<sup>1</sup> The directors of AJPML, as Responsible Entity of AJT, have given an undertaking that repayment of these amounts will be subordinated in favour of all other creditors and AJT has accepted the responsibility of providing and undertake to provide sufficient financial assistance to AJCo as and when it is needed to enable AJCo to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 25 August 2010.

### **(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 15. The analysis of capital is provided in these Notes.

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

### **21. Net fair values**

All financial assets and liabilities have been recognised at the end of the reporting period at their carrying values which are not materially different from the fair values.

The following methods and assumptions are used to determine the Net Fair Values of Financial Assets and Liabilities:

#### Recognised Financial Instruments

##### *Cash, cash equivalents and short term trading securities*

The carrying amount represents fair value because of their short term to maturity.

##### *Fees receivable, other receivables, accounts payable and accrued liabilities*

The carrying amount represents fair value due to their short term to maturity.

## 22. Director and executive disclosures

### (a) Key Management Personnel

#### i) Directors

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

#### ii) Other key management personnel

The following individuals had authority and responsibility for planning, directing and controlling activities of AJCo Group, directly or indirectly, during the financial year:

Name	Position	Employer
Ian Hay	Chief Financial Officer	The Responsible Entity

The Senior Advisor to the Astro Group, Mr Eric Lucas, is a contractor to the Astro Group and is paid a monthly fee of ¥100,000. Separately, the Japan Asset Manager employs Mr Lucas as its Chief Executive Officer and employs the 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.

### (b) Remuneration of Key Management Personnel

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

The Astro Group has a formally constituted Remuneration Committee which is currently comprised of the AJCo Group's three Directors, who are Independent Non-Executive Directors. Its members during the financial year were Mr J Pettigrew (Chair), Ms P Dwyer and Mr A McDonald. The Remuneration Committee meets annually for the purposes of reviewing and making recommendations to the AJCo 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 AJCo Group securityholders, and rewarding, retaining and motivating the AJCo Group's executives and the Directors. Remuneration of Key Management Personnel is set out below:

	Consolidated
	30 Jun 10
	\$
Short-term employee benefits <sup>1</sup>	144,010
Post-employment benefits <sup>1</sup>	11,580

<sup>1</sup> For the period 7 April 2010 to 30 June 2010. No key management personnel remuneration was incurred by the Astro Group before the Responsible Entity became part of the Astro Group on 7 April 2010. No prior year comparative information provided as the period ending 30 June 2010 represents AJCo's first financial year and first period of remuneration reporting.

### (c) Security holdings

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

Name	Number of stapled securities			
	Balance at start of year	Change as a result of stapling <sup>1</sup>	Change during the year	Balance at end of year
Allan McDonald	-	300,000	100,000	400,000
Paula Dwyer	-	200,000	-	200,000
John Pettigrew	-	150,000	-	150,000
Ian Hay	-	20,000	20,000	40,000

<sup>1</sup> These securities were previously held as units in AJT and upon stapling these units became stapled securities.

### (d) Directors loans and other transactions

There were no loans or other transactions made to or from the directors of the company during the year.

### 23. Related parties

#### (a) Key management personnel

Disclosures relating to key management personnel are set out in Note 22. 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 22. 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 payments/(receipts) between the Group and related parties for the relevant financial year.

	Consolidated 30 Jun 10 \$
<b>Related party:</b>	
<b>Astro Japan Property Trust</b>	
Base fees received for Responsible Entity services	(514,021)
Fees received for arranging services	(3,138,091)
<b>Spring Investments Co. Ltd</b>	
Acquisition of investment	5,733,348
Distribution received from Spring	(270,980)
Return of capital	(412,500)
Additional investment	1,350,000
	30 Jun 10 \$

#### Outstanding balances

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

<b>Receivable</b>	
Base fees receivable for Responsible Entity services	71,792
<b>Payables</b>	
Loan payable to Astro Japan Property Trust	(668,179)

### 24. Contingent asset and liabilities

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

### 25. Lease commitments

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

	Consolidated 30 Jun 10 \$
No later than 1 year	112,359
Later than 1 year and no later than 5 years	373,593
Later than 5 years	-
Total lease commitments	485,952

## 26. Trust liabilities and right of indemnity

The Responsible Entity acts as trustee of AJT and liabilities have been incurred on behalf of AJT in the company's capacity as Responsible Entity. The Responsible Entity has a right of indemnity to recover such liabilities out of the assets of AJT.

Liabilities incurred on behalf of AJT are not recognised in the financial statements when it is not probable that the Responsible Entity will have to meet any of those liabilities from its own resources. When it is probable that the Responsible Entity would have to meet a liability of AJT and not have the benefit of the right of indemnity, a liability for the deficiency in right of indemnity is brought to account. Details of AJT liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed below.

### Astro Japan Property Trust

	30 Jun 10 \$'000
Total liabilities	50,163
Right of Indemnity for liabilities incurred by the Responsible Entity on behalf of AJT not recorded in the financial statements of the Responsible Entity was:	50,163

The right of indemnity does not extend to any liabilities of the Responsible Entity acting in its own capacity. The assets of AJT were sufficient to discharge all liabilities of AJT at 30 June 2010.

## 27. Parent entity financial information

### a) Summary financial information

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

	30 Jun 10 \$
<b>Statement of financial position</b>	
Current Assets	26,980
Total Assets	20,405,113
Current Liabilities	932,243
Total Liabilities	932,243
<i>Shareholder' equity</i>	
Issued capital	26,440,631
Retained Earnings	(6,967,760)
<b>Profit or loss for the period</b>	<b>(6,967,760)</b>
<b>Total comprehensive income</b>	<b>(6,967,760)</b>

The individual financial statements for the parent entity are prepared on a going concern basis, refer to note 1(a) for details of a letter of support provided by AJT.

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

The parent entity has not given any guarantees as at 30 June 2010.

### c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010.

## 28. Events occurring after the end of the reporting period

The Directors are not aware of any matter or circumstance occurring since 30 June 2010 not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of AJCo Group, the results of those operations, or the state of affairs of AJCo Group in subsequent financial years.

- 1 In the opinion of the Directors of Astro Japan Property Group Limited (AJCo):
  - a) the Financial Statements and Notes set out on pages 11 to 28 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 2010 and of its performance for the year ended 30 June 2010; and
    - ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) there are reasonable grounds to believe that AJCo will be able to pay its debts as and when they become due and payable.
- 2 Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- 3 The Directors have been given the declarations by the Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

Dated 25 August 2010.

This declaration is made in accordance with a resolution of the Directors.



F A McDonald  
Director  
Astro Japan Property Group Limited

## Independent auditor's report to the stapled security holders of Astro Japan Property Group Limited

### Report on the financial report

We have audited the accompanying financial report of Astro Japan Property Group Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Astro Japan Property Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Independent auditor's report to the stapled security holders of  
Astro Japan Property Group Limited (continued)**

*Auditor's opinion*

In our opinion:

- (a) the financial report of Astro Japan Property Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

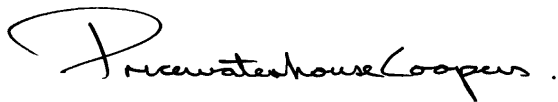
We have audited the remuneration report included in pages 3 to 6 of the directors' report for the period ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Astro Japan Property Group Limited for the period ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of Astro Japan Property Group Limited (the company) for the period ended 30 June 2010 included on the Astro Japan Property Group web site. The company's directors are responsible for the integrity of the Astro Japan Property Group web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



AJ Wilson  
Partner  
25 August 2010



TJO Peel  
Partner  
25 August 2010