ASX/Media Release

31 August 2011

ASTRO JAPAN PROPERTY GROUP - FINANCIAL REPORT OF STAPLED COMPANY, ASTRO JAPAN PROPERTY GROUP LIMITED

Astro Japan Property Group (ASX: AJA) earlier today announced its full year results to 30 June 2011 and released the Appendix 4E (Preliminary Final Report) and the Annual Financial Report covering the operations of the Astro Group as a whole.

In accordance with the *Corporations Act 2001* (Cth), the Astro Group prepares two annual financial reports for release to the ASX: one report which covers the operations of the Astro Group as a whole (released earlier today); and another smaller report which covers the listed stapled company, Astro Japan Property Group Limited and its controlled entity.

In accordance with ASX Listing Rule 4.5, please find attached the Financial Report for Astro Japan Property Group Limited for the period ended 30 June 2011 covering the operations of only the stapled company, Astro Japan Property Group Limited and its controlled entity.

ENDS

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About Astro Japan Property Group (AJA)
Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 41 retail, office and residential properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

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

Astro Japan Property Group Limited

(ABN 25 135 381 663)

Annual Financial Report
30 June 2011

Important: These financial statements should be read in conjunction with the consolidated financial statements of the Astro Group for the year ended 30 June 2011, which were released to the ASX on 31 August 2011

The consolidated financial statements of AJCo Group comprise Astro Japan Property Group Limited (ABN 25 135 381 663) (AJCo), and its controlled entity.

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

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The Directors of Astro Japan Property Group Limited (ABN 25 135 381 663) ("AJCo"), present their report together with the consolidated financial statements of AJCo and its controlled entity ("AJCo Group" or "Group") for the year ended 30 June 2011.

The Astro Japan Property Group

The Astro Japan Property Group ("Astro Group") comprises Astro Japan Property Trust (ARSN 112 799 854) ("AJT") and its controlled entities and AJCo and its controlled entities. The shares in AJCo are stapled to the units in AJT on a 'one for one' basis and together are referred to as "stapled securities". 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. This report is in respect of the AJCo Group.

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 remain unchanged from 30 June 2010 and are:
• ownership of Astro Japan Property Management Limited ("Responsible Entity"), the Responsible Entity of AJT; and
• ownership 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.

Financial and operating review

AJCo Group made a loss before income tax of $3,242,102 for the year ended 30 June 2011 (20 March 2009 to 30 June 2010: $6,857,336 loss).

At the Annual General Meeting on 10 November 2010 securityholders voted in favour of a consolidation of the Astro Group stapled securities. The Astro Group consolidated every 10 stapled securities into 1 stapled security with effect from 19 January 2011. Where the consolidation resulted in a fraction of a security being held by a securityholder, that fraction was rounded up to the nearest whole security. Following the consolidation there were 50,821,741 stapled securities on issue.

On 14 March 2011, the Astro Group completed a fully underwritten institutional placement of 7,623,261 new stapled securities at an issue price of $3.09 per stapled security. A total of approximately $23,556,000 was raised with total transaction costs of $514,000. As part of the placement, AJCo issued 7,623,261 shares (stapled on a one for one basis to units in AJT) at $0.12 per share to raise $914,791 with total transaction costs of $20,109.

Strategic priorities and goals

In the year ended 30 June 2011, the primary source of the AJCo Group's funding was obtained from its deemed parent AJT. As such the future developments of the AJCo Group are reliant on the future developments of the Astro Group. The common board of AJCo and Astro Japan Property Management Limited, the Responsible Entity of AJT, have identified as an issue the potential inability to refinance asset specific loans to JPT Direct Co. Ltd and JPT August Co. Ltd, two of the five TK Operators through which the Astro Group invests in Japan, due to mature in May 2012 and August 2012 respectively. Specific details of this issue and the impact on the Astro Group of a default on the loans to JPTD in May 2012 and/or JPTA in August 2012 are disclosed in the consolidated financial statements of the Astro Group for the financial year ended 30 June 2011. As disclosed in the consolidated financial statements of the Astro Group there is no material uncertainty over the going concern of the Astro Group. Likewise these issues are not expected to impact the going concern of the AJCo Group.

Dividends

The Directors have not declared any dividends for the year ended 30 June 2011 (20 March 2009 to 30 June 2010: nil).

Significant changes in the state of affairs

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

Environmental regulation

To the best of their knowledge and belief after making due enquiry, the Directors have determined that AJCo has complied with all significant environmental regulations applicable to its operations in the jurisdictions 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 2011 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.

Stapled securities on issue

There were 58,445,002 stapled securities on issue as at 30 June 2011 (30 June 2010: 508,212,161). Each stapled security comprises one unit in AJT and one share in AJCo. The Astro Group consolidated every 10 stapled securities into 1 stapled security with effect from 19 January 2011. Where the consolidation resulted in a fraction of a security being held by a securityholder, that fraction was rounded up to the nearest whole security. Following the consolidation there were 50,821,741 stapled securities on issue. As a result of the successful completion of a fully underwritten institutional placement on 14 March 2011, 7,623,261 new stapled securities were issued on 18 March 2011.

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
Allan McDonald Independent Non-Executive Chairman Chairman of the Remuneration Committee Member of the Audit, Risk & Compliance Committee	Allan was appointed as a Director of AJCo on 20 March 2009 and as a Director of the Responsible Entity on 19 February 2005. Allan has extensive experience in the investment and commercial banking fields and is presently associated with a number of companies as a consultant and company director. Allan holds a Bachelor of Economics Degree from the University of Sydney and is a Fellow of the Australian Society of Certified Practicing 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.
Paula Dwyer 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. 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.
John Pettigrew Executive Director, Chief Financial Officer[1]	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 35 years involvement in the property industry. John is a Fellow of the Australian Society of Certified Practicing 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 March 2004. He has had a significant role in structuring and managing listed property trusts since 1980.

[1]Appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of AJCo and the Responsible Entity.

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
Allan McDonald	Ross Human Directions Limited	3 April 2000	14 February 2011
	Billabong International Limited	4 July 2000	Continuing
	Multiplex Property Trust; and Multiplex SITES Trust[1]	22 October 2003	Continuing
	Brookfield Australian Opportunities Fund; Multiplex European Property Fund; and Brookfield Prime Property Fund[2]	1 January 2010	Continuing
	Brookfield Office Properties Inc. (dual listed on NYSE and TSE)	4 May 2011	Continuing
Paula Dwyer	Tabcorp Holdings Limited	30 August 2005	Continuing
	Suncorp Group Limited	26 April 2007	Continuing
	Healthscope Limited	10 March 2010	12 October 2010
	Fosters Group Limited	9 May 2011	Continuing
John Pettigrew	Rubicor Group Limited	2 March 2007	Continuing

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

Directors' Meetings

The number of Directors' meetings (including meetings of the Committees of Directors) held during the year ended 30 June 2011, 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	10	10	10	10	4	4	2	2
Paula Dwyer	10	10	10	10	4	4	2	2
John Pettigrew[1]	10	10	10	10	2	2	1	1

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
[1] Ceased to be a member of the Audit, Risk & Compliance Committee and the Remuneration Committee on 31 December 2010.

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	40,000
Paula Dwyer	20,000
John Pettigrew	15,000

Secretaries

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

Rohan Purdy General Counsel & Company Secretary	Rohan was appointed as Company Secretary of AJCo on 20 March 2009 and as Company Secretary of the Responsible Entity on 16 April 2009. Rohan has extensive experience as a corporate lawyer and company secretary. Rohan has held positions as a senior lawyer at 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.
John Pettigrew Executive Director, Chief Financial Officer[1]	John was appointed as Company Secretary (alternate) of the Responsible Entity and as Company Secretary (alternate) of AJCo on 1 January 2011.
Ian Hay Chief Financial Officer, Manager – Australia & Company Secretary (alternate)	Ian resigned as Company Secretary (alternate) of AJCo and as Company Secretary (alternate) of the Responsible Entity on 31 December 2010.

[1]Appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of AJCo and the Responsible Entity.

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 year ended 30 June 2011. The comparative figures for the year ended 30 June 2010 relate to the period from 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.

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 two Independent Non-Executive Directors. Its members during the financial year were Mr A McDonald (appointed Chair on 1 January 2011), Ms P Dwyer and Mr J Pettigrew who ceased as Chair and as a member on 31 December 2010. The Remuneration Committee meets annually for the purposes of reviewing and making recommendations to the Astro Group Board on the level of remuneration of the senior executives and the Directors.

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

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 focused on achievement of the Astro Group's internal financial and operational objectives. The Astro Group regards achievement of these objectives as the appropriate criteria for determining remuneration rather than simply measuring relative performance against a market index or an external comparator group.

The following table sets out summary information about the Astro Group's earnings and movements in securityholder wealth for the five years to 30 June 2011:

	2011	2010	2009	2008	2007
Net profit attributable to equityholders ($'000)	(22,004)	(111,922)	(365,642)	121,627	129,195
Earnings per security (cents)[1]	(41.52)	(22.02)	(71.94)	23.65	26.71
Distributions per security (cents)[1]	42.50[2]	7.00	9.00	13.05	11.90
Security price ($) as at 30 June[1]	2.83	0.32	0.37	0.87	1.77

[1]Unadjusted per security figures for 2010 and earlier years

[2]Distributions per security for the year ended 30 June 2011 have been adjusted to reflect the 10 to 1 consolidation of stapled securities completed on 19 January 2011

- **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 7% with effect from 1 July 2011.

- **Short term incentive**

Any short term incentive (STI) entitlement is entirely at the discretion of the Remuneration Committee and any discretionary STI is determined based on the results of the Remuneration Committee's assessment of each executive having regard to activities and transactions of the Astro Group during the financial year. Any STI entitlement is paid in cash. The maximum STI bonus in any year is 30% of base salary. An executive is not entitled to receive an STI bonus if they cease employment with the Astro Group prior to the payment date or provide or receive notice of termination of employment on or prior to the payment date. Executives were granted an STI cash bonus as set out in Table 1.

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 2011 were:

Executives	
Mr J Pettigrew	Executive Director, Chief Financial Officer[1]
Mr I Hay	Chief Financial Officer (Resigned on 31 December 2010)
Non-Executive Directors	
Mr F A McDonald	Independent Chairman and Non-Executive Director
Ms P Dwyer	Independent Non-Executive Director

[1]Appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of the Responsible Entity and AJCo.

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 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 executives in the Astro Group.

Remuneration of Executives

Table 1: Remuneration of Executives for the period ended 30 June 2011

Executives	**Year[1]**	**Salary $**	**STI cash bonus[2] $**	**Non-monetary benefits[3] $**	**Super-annuation $**	**Total $**
Mr J Pettigrew[5]	**2011**	112,500	-	-	7,600	120,100
Mr I Hay[4]	**2011**	137,110	-	1,047	7,600	145,757
	2010	51,606	15,000	340	4,645	71,591
Mr R Purdy	**2011**	231,000	20,000	1,415	15,199	267,614
	2010	48,165	30,000	342	4,335	82,842
Total remuneration	**2011**	480,610	20,000	2,462	30,399	533,471
	2010	99,771	45,000	682	8,980	154,433

1. Comparative figures are 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.
2. STI relates to the 12 month period ended 30 June 2011 and was granted on 16 June 2011 and paid on 24 July 2011.
3. Astro Group employees receive salary continuance insurance.
4. Mr I Hay resigned on 31 December 2010.
5. Appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of the Responsible Entity. The above table shows Mr Pettigrew's remuneration for the period 1 January 2011 to 30 June 2011.

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

Executives	Fixed remuneration[1] %	STI cash bonus %	Total
Mr J Pettigrew	100.00	-	100.00
Mr I Hay	100.00	-	100.00
Mr R Purdy	92.49	7.51	100.00

[1] 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 2011.

Executive Employment Contracts

The base salaries for executives as at 30 June 2011, in accordance with their employment contracts are shown below:

Executives	Base remuneration per employment contract
Mr J Pettigrew	$ 225,000
Mr R Purdy	$ 231,000

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

Length of Contract	▪ Open-ended
Frequency of base remuneration review	▪ Annual
Benefits	▪ Entitled to participate in Astro Group benefit plans that are made available
Incentive remuneration	▪ Eligible for an award of short term incentive remuneration (if any) as described above
Termination of employment	▪ For Mr Pettigrew, employment can be terminated by either party providing three months' written notice and the Astro Group may elect to pay Mr Pettigrew three months' salary in lieu of notice ▪ For Mr Purdy, employment can be terminated by either party providing two 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[1]	Independent Non-Executive Director (for period 1 July 2010 to 31 December 2010)

[1]Appointed Chief Financial Officer on 1 January 2011 and continued as a Director. Prior to this Mr Pettigrew was an Independent Non-Executive Director of the Responsible Entity and AJCo.

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 $239,500 (excluding superannuation). Based on the Remuneration Committee's annual review of Non-Executive Director fees conducted on 16 June 2011, there will be no change to the fees for the 12 month period commencing 1 July 2011.

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[1]	$96,500
Audit, Risk & Compliance Committee	Chair	$6,500

[1] Executive director is not paid an additional fee for directorship

Table 3: Remuneration of Directors for the period ended 30 June 2011

Directors	Year[1]	Short term - salary and fees $	Post-employment- Superannuation $	Total $
Mr F A McDonald	**2011**	136,500	12,285	148,785
	2010	31,307	2,818	34,125
Ms P Dwyer	**2011**	103,000	9,270	112,270
	2010	23,624	2,126	25,750
Mr J Pettigrew[2]	**2011**	58,000	5,220	63,220
	2010	22,133	1,992	24,125
Total remuneration	**2011**	297,500	26,775	324,275
	2010	77,064	6,936	84,000

[1] Comparative figures given for the year ended 30 June 2010 are 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.
[2]Appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of the Responsible Entity and AJCo. The above table shows Mr Pettigrew's remuneration for the period 1 July 2010 to 31 December 2010.

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 AJCo 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 9 and forms part of this Directors' Report.

Non audit services

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

The Directors have considered the position and, in accordance with advice received from the audit committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor, PricewaterhouseCoopers, of the AJCo Group, its related practices and non-related audit firms:

	Year ended 30/06/2011 $	Period ended 30/06/2010 $
Tax Advisory services	26,550	-
Taxation compliance services	19,096	-
Total non audit fees	**45,646**	**-**

Basis of Preparation

The financial report for AJCo as at 30 June 2011 has been prepared on a going concern basis as the Directors, after reviewing AJCo's going concern status, have concluded that AJCo has reasonable grounds to expect to be able to pay its debts as and when they become due and payable.

Dated 31 August 2011.

Signed in accordance with a resolution of the Directors.

Allan McDonald
Director
Astro Japan Property Group Limited

Auditor's independence declaration

As lead auditor for the audit of Astro Japan Property Group Limited for the year ended 30 June 2011, 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.

TJO Peel
Partner
PricewaterhouseCoopers

Sydney
31 August 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Note	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Revenue			
Revenue	2(a)	1,744,035	3,652,112
Financing income	2(b)	215,438	161,390
Share of net profit of associate	10	1,901,111	300,111
Total revenue and other income		**3,860,584**	**4,113,613**
Expenses			
Operating expenses	3	(2,102,686)	(3,962,534)
Impairment of goodwill	9	(5,000,000)	(6,999,998)
Base fees		-	(8,417)
Total expenses		**(7,102,686)**	**(10,970,949)**
Profit/(loss) before income tax		**(3,242,102)**	**(6,857,336)**
Income tax benefit/(expense)	4	(516,998)	(81,294)
Profit/(loss) for the period		**(3,759,100)**	**(6,938,630)**
Other comprehensive income			
Foreign exchange translation differences	16	(761,633)	(606,215)
Total comprehensive income/(expense) for the period		**(4,520,733)**	**(7,544,845)**
Total comprehensive income/(expense) for the year is attributable to:			
Members of the Company		(4,520,733)	(7,544,845)
Basic and diluted earnings/(losses) per share	5	(7.09¢)	(13.65¢)

The consolidated statement of comprehensive income is to be read in conjunction with the Notes to the financial statements set out on pages 14 to 31.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2011

	Note	30 Jun 11 $	30 Jun 10 $
Current assets			
Cash and cash equivalents	6	5,011,826	4,893,988
Trade and other receivables	7	-	20,992
Prepaid insurance		554,072	607,280
Fees receivable - related party - AJT	23	193,294	71,792
Loan receivable - related party - AJT	23	1,472,431	-
Total current assets		**7,231,623**	**5,594,052**
Non-current assets			
Property, plant and equipment	8	69,589	90,190
Investment in associate accounted for using the equity method	10	5,426,524	6,093,764
Intangible assets	9	3,034,253	8,046,333
Deferred tax asset	4(d)	22,319	-
Total non-current assets		**8,552,685**	**14,230,287**
Total assets		**15,784,308**	**19,824,339**
Current liabilities			
Trade and other payables	11	129,319	139,874
Loan payable - related party - AJT	23	-	668,179
Provisions	12	25,584	31,043
Deferred lease incentive	13	1,472	2,530
Current tax liabilities		324,379	69,259
Total current liabilities		**480,754**	**910,885**
Non-current liabilities			
Deferred lease incentive	13	21,667	17,666
Deferred tax liability	4(e)	14,644	-
Total non-current liabilities		**36,311**	**17,666**
Total liabilities		**517,065**	**928,551**
Net assets		**15,267,243**	**18,895,788**
Equity			
Contributed equity	15	27,332,821	26,440,633
Reserves	16	(1,367,848)	(606,215)
Retained profits/(accumulated losses)	17	(10,697,730)	(6,938,630)
Total equity		**15,267,243**	**18,895,788**

The consolidated statement of financial position is to be read in conjunction with the Notes to the financial statements set out on pages 14 to 31.

	Note	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Cash flows from operating activities			
Receipt of responsible entity fees		1,784,786	487,454
Payments from continuing operations		(2,219,753)	(1,179,703)
Interest received		223,051	161,390
Japanese withholding tax paid		(180,894)	(54,196)
Australian income taxes paid		(46,498)	-
Net cash (outflow)/inflow from operating activities	19	**(439,308)**	**(585,055)**
Cash flows from investing activities			
Payment for the acquisition of subsidiary, net of cash acquired		-	(15,193,006)
Payment for investment in associate		-	(7,083,348)
Investment income received from associate		904,468	270,980
Return of capital from associate		902,250	412,500
Purchase of property, plant and equipment		(1,150)	(5,503)
Payment of development costs		-	(31,392)
Net cash inflow/(outflow) from investing activities		**1,805,568**	**(21,629,769)**
Cash flows from financing activities			
Equity issued		914,791	26,440,633
Equity issue and consolidation transaction costs		(22,603)	-
Loan (to)/from AJT		(2,140,610)	668,179
Net cash inflow/(outflow) from financing activities		**(1,248,422)**	**27,108,812**
Net increase/(decrease) in cash and cash equivalents		**117,838**	**4,893,988**
Cash and cash equivalents at the beginning of the reporting period		4,893,988	-
Cash and cash equivalents at the end of the reporting period	6	**5,011,826**	**4,893,988**

The consolidated statements of cash flows are to be read in conjunction with the Notes of the financial statements set out on pages 14 to 31.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2011

	Note	Contributed Equity	Reserves	Total
		$	$	$
Total equity at 20 March 2009		**-**	**-**	**-**
Foreign exchange translation differences		**-**	(606,215)	(606,215)
Net income/(expense) recognised directly in equity	16	**-**	**(606,215)**	**(606,215)**
Profit/(loss) for the period		-	**(6,938,630)**	**(6,938,630)**
Total comprehensive income/(expense) for the period		-	**(7,544,845)**	**(7,544,845)**
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of transaction costs	15	26,440,633	-	26,440,633
Total transactions with equity holders in their capacity as equity holders		**26,440,633**	**-**	**26,440,633**
Total equity at 30 June 2010		**26,440,633**	**(7,544,845)**	**18,895,788**
Total equity at 1 July 2010		**26,440,633**	**(7,544,845)**	**18,895,788**
Foreign exchange translation differences	16	-	(761,633)	(761,633)
Net income/(expense) recognised directly in equity		**-**	**(761,633)**	**(761,633)**
Profit/(loss) for the period		-	**(3,759,100)**	**(3,759,100)**
Total comprehensive income/(expense) for the period		**-**	**(4,520,733)**	**(4,520,733)**
Transactions with equity holders in their capacity as equity holders				
10 to 1 consolidation of stapled securities transaction costs	15	(2,494)	-	(2,494)
Issue of stapled securities, net of transaction costs	15	894,682	-	894,682
Total transactions with equity holders in their capacity as equity holders		**892,188**	**-**	**892,188**
Total equity at 30 June 2011		**27,332,821**	**(12,065,578)**	**15,267,243**

The consolidated statement of changes in equity is to read in conjunction with the Notes to the financial statements set out on pages 14 to 31.

1. Statement of Significant Accounting Policies

(a) Basis of preparation

Astro Japan Property Group Limited (AJCo) is domiciled in Australia. The AJCo Group comprises AJCo and its controlled entity, Astro Japan Property Management Limited.

The consolidated financial report for AJCo as at 30 June 2011 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.

In the year ended 30 June 2011, the primary source of the AJCo Group's funding was obtained from its deemed parent AJT. As such the future developments of the AJCo Group are reliant on the future developments of the Astro Group. The common board of AJCo and Astro Japan Property Management Limited, the Responsible Entity of AJT, have identified as an issue the potential inability to refinance asset specific loans to JPT Direct Co. Ltd and JPT August Co. Ltd, two of the TK Operators through which the Astro Group invests in Japan, due to mature in May 2012 and August 2012 respectively. Specific details of this issue and the impact on the Astro Group of a default on the loans to JPTD in May 2012 and/or JPTA in August 2012 are disclosed in the consolidated financial statements of the Astro Group for the financial year ended 30 June 2011. As disclosed in the consolidated financial statements of the Astro Group there is no material uncertainty over the going concern of the Astro Group. Likewise these issues are not expected to impact the going concern of the AJCo Group.

The financial report was authorised for issue by the Directors on 31 August 2011. 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 2011 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 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 controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to AJCo. 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) Changes in accounting policy

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:
• AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
• AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*
• AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
• AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* , and
• AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* .

The AJCo Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:
• AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* . None of the items in the financial statements had to be restated as the result of applying this standard.

(e) 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(r)(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(r)(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.

(f) 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.

(g) Comparative period figures

AJCo was incorporated on 20 March 2009. The comparatives shown in the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and relevant notes are for the period 20 March 2009 to 30 June 2010, representing the first financial reporting period for AJCo.

(h) Cash and cash equivalents

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

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

ii) Responsible entity fees

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

All other revenue is recognised on an accruals basis.

(j) Tax

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

ii) Tax consolidation - Australia
AJCo and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

iii) Japanese withholding tax
Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20% 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 Investment 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.

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Intangible assets

i) Goodwill

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

(s) Investments in associates accounted for using the equity method

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

The AJCo 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 received from associate reduce the AJCo Group's carrying amount of the investment.

When the AJCo Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the AJCo 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 AJCo Group and its associate are eliminated to the extent of the AJCo 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 AJCo Group.

(t) 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.

(u) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the AJCo Group as lessee are classified as operating leases (see Note 25 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.

(v) 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.

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity, AJCo, disclosed in note 26 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.

(y) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The AJCo 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 AJCo 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 AJCo Group will apply the amended standard from 1 July 2011. When the amendments are applied, the AJCo Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The AJCo Group is yet to assess the full impact of the revised standard. However, initial indications are that it is unlikely to have a significant impact.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The AJCo Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the AJCo Group's disclosures. The AJCo Group intends to apply the amendment from 1 July 2011.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The AJCo Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

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 2009-11 *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)

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* (effective 1 July 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the AJCo Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the AJCo group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by The AJCo group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to AJCo's investments .

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The AJCo group is still assessing the impact of these amendments.

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.

The AJCo Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

2. Revenue

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
a) Revenue from continuing operations		
Base fee – AJT	1,712,488	514,021
Arranging fees	31,547	3,138,091
Total revenue from continuing operations	**1,744,035**	**3,652,112**
(b) Financing income		
Financing income	215,438	161,390
Total financing income	**215,438**	**161,390**

3. Expenses

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Employee expenses & Directors fees (including payroll tax)[1]	1,133,563	338,417
Insurance	371,246	100,095
Depreciation and amortisation	33,831	7,405
Defined contribution plan	75,833	17,847
Regulatory and registrar costs	7,469	48,601
Minimum lease payments	113,342	27,097
Audit fees	47,875	50,740
Professional fees	91,978	1,001
Premises expenses	50,903	16,666
IT expenses	38,210	9,367
Internalisation arrangement expenses	-	3,307,383
Recruitment fees	25,653	-
Travel expenses	42,251	22,230
Other expenses	70,532	15,685
Total expenses	**2,102,686**	**3,962,534**

[1]Comparative figures are for the period 7 April 2010 to 30 June 2010. No employee expenses or directors fees were incurred by the AJCo Group before AJPML became part of the AJCo Group on 7 April 2010.

4. Income tax expense/(benefit)

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
(a) Income tax expense		
Current tax expense/(benefit)	524,673	81,294
Deferred tax expense/(benefit)	(7,675)	-
(b) Reconciliation of tax expense		
Profit/(loss) before income tax	(3,242,102)	(6,857,336)
Tax expense/(benefit) at the prima facie Australian tax rate of 30%	(972,630)	(2,057,201)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Goodwill impairment	1,500,000	2,099,999
Overhead costs	2,436	38,496
	529,806	**81,294**
Adjustments for current tax of prior periods	(5,133)	-
Deferred Australian tax asset on audit accrual	(7,702)	-
Deferred Australian tax asset on lease incentive	(6,942)	-
Deferred Australian tax asset on employee entitlements	(7,675)	-
Deferred Australian tax liability on prepayments	14,644	-
Income tax expense/(benefit)	**516,998**	**81,294**

(c) Amounts recognised directly in equity

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

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee entitlements	7,675	-
Audit accrual	7,702	-
Lease incentive	6,942	-
	22,319	**-**
Movements:		
Opening balance at beginning of year	-	-
(Debited)/Credited to the Consolidated Statements of Comprehensive Income	22,319	-
Closing balance at the end of the year	**22,319**	**-**
Deferred tax expected to be recovered within 12 months	**15,819**	**-**
Deferred tax expected to be recovered after more than 12 months	**6,500**	**-**
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Prepayments	14,644	-
	14,644	**-**
Movements:		
Opening balance at beginning of year	-	-
Debited/(Credited) to the Consolidated Statements of Comprehensive Income	14,644	-
Closing balance at the end of the year	**14,644**	**-**
Deferred tax expected to be settled within 12 months	**14,644**	**-**
Deferred tax to be settled after more than 12 months	**-**	**-**

At 30 June 2011, the AJCo Group has an unrecognised deferred tax asset of $3,998,725 (30 June 2010: $2,100,000) relating to investment in associate and impairment of goodwill. These balances have not been recognised since they do not meet the recognition criteria under AASB 112 Income Taxes. The AJCo Group will assess the unrecognised deferred tax asset at future reporting dates, which may result in the deferred tax asset being subsequently recognised.

5. Earnings/(losses) per stapled security

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Basic and diluted	(7.09¢)	(13.65¢)
Profit/(loss) attributable to securityholders used in calculating basic and diluted earnings per security	(3,759,100)	(6,938,630)
Weighted average number of securities used as denominator in calculating basic and diluted earnings per security[1]	52,993,848	50,821,741

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

[1] The June 2010 weighted average number of securities and EPSs have been adjusted for the security consolidation effective 19 January 2011. Refer to note 15(a) for further details on the security consolidation.

6. Cash and cash equivalents

	30 Jun 11 $	30 Jun 10 $
Cash at bank	4,865,826	4,747,988
Cash – bank guarantee	146,000	146,000
Total cash and cash equivalents	**5,011,826**	**4,893,988**

7. Trade and other receivables

	30 Jun 11 $	30 Jun 10 $
Current		
GST receivable	-	20,992
Trade and other receivables	**-**	**20,992**

8. Property, plant and equipment

	Computer Equipment $	Office Equipment $	Fixtures and Fittings $	Total $
Period ended 30 June 2010				
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)
Closing net book amount	**61,886**	**15,793**	**12,511**	**90,190**
At 30 June 2010				
Cost	66,479	16,430	12,720	95,629
Accumulated Depreciation	(4,593)	(637)	(209)	(5,439)
Net book amount	**61,886**	**15,793**	**12,511**	**90,190**
Year ended 30 June 2011				
Opening balance	61,886	15,793	12,511	90,190
Additions	400	-	750	1,150
Disposals	-	-	-	-
Depreciation	(18,824)	(2,087)	(839)	(21,751)
Closing net book amount	**43,462**	**13,706**	**12,422**	**69,589**
At 30 June 2011				
Cost	66,879	16,430	13,470	96,779
Accumulated Depreciation	(23,417)	(2,724)	(1,048)	(27,190)
Net book amount	**43,462**	**13,706**	**12,422**	**69,589**

9. Intangible assets

	Software $	Goodwill $	Total $
Period ended 30 June 2010			
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**
At 30 June 2010			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(1,966)	(6,999,998)	(7,001,964)
Net book amount	**46,333**	**8,000,000**	**8,046,333**
Year ended 30 June 2011			
Opening balance	46,333	8,000,000	8,046,333
Impairment charge	-	(5,000,000)	(5,000,000)
Amortisation charge	(12,080)	-	(12,080)
Closing net book amount	**34,253**	**3,000,000**	**3,034,253**
At 30 June 2011			
Cost	48,299	14,999,998	15,048,297
Accumulated amortisation and impairment	(14,046)	(11,999,998)	(12,014,044)
Net book amount	**34,253**	**3,000,000**	**3,034,253**

(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 goodwill is attributable to the AJCo's investment in AJPML.

Management have deemed it appropriate to impair goodwill by $5,000,000 to a carrying value of $3,000,000 to reflect a decrease in the calculated recoverable amount of the goodwill. This has been driven by the value of the Astro Group's investment properties falling 9.1% during the period, as a result of both divestments and revaluations, reducing the adjusted gross asset value and the assumption that asset specific loans to JPT Direct Co. Ltd and JPT August Co. Ltd due to mature in May 2012 and August 2012 respectively will not be refinanced.

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 AJCo Group has adopted a methodology which assumes a “market” level of base fee income to arrive at a theoretical recurring profit after tax level and then calculates the net present value based on a discount rate of 12%, this rate is based upon the ten year risk-free rate plus an equity risk premium. The theoretical "market" value of base fees (27.5bps) 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 assumes nil growth in the gross asset value from financial year 2012 onward 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	Economic interest	30 Jun 11 $	30 Jun 10 $
Carrying amounts				
Spring Investment Co, Ltd.	Asset Management	30%	5,426,524	6,093,764

AJCo has a 30% economic interest in Spring Investment Co, Ltd. ("Japan Asset Manager"). The investment is held in Japanese Yen. The initial interest is 30%, reducing to 25% over time once the preferred entitlement is paid in full. Until the preferred entitlement is fully paid, AJCo's share of profit from Spring Investment Co, Ltd. ("Japan Asset Manager") is calculated as the lower of 100% of the net profit of the Spring TK or 30% of the adjusted net profit of the Spring TK (adjusted net profit is calculated by adding back the bonus expenses for the period to the net profit of the Spring TK). Preferred entitlement refers to a preferred distribution commencing 1 January 2012 from the Japan Asset Manager, capped at ¥90 million per year, payable until a total of ¥314 million has been paid. The Japan Asset Manager has voluntarily begun preferred entitlement payments prior to 1 January 2012, and as at 30 June 2011 the balance of the preferred entitlement was ¥206m. AJCo'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.

Movements in carrying amounts

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Carrying amount at the beginning of the financial period	**6,093,764**	-
Acquisition of investment	-	5,733,348
Share of net profit of associate	1,901,111	300,111
Effect of changes in exchange rates	(761,633)	(606,215)
Distribution paid from Spring	(904,468)	(270,980)
Return of capital - preferred entitlement paid down	(902,250)	(412,500)
Additional investment	-	1,350,000
	5,426,524	**6,093,764**
Share of associate’s profits [1]		
Income	3,204,911	14,127,808
Expenses	(1,303,800)	(13,827,697)
Share of Associate's net profit recognised	**1,901,111**	**300,111**

[1] Based on the formula for the AJCo Group's entitlement to the Japan Asset Manager's profit under the Spring TK Agreement, as outlined above, the AJCo Group is entitled to 30% of the adjusted net profit of the Spring TK for the year ended 30 June 2011, with the entitlement to 30% of the adjusted net profit of the Spring TK for the half year ended 31 December 2010 being capped at $914,000 (¥72.7m) by agreement between the Japan Asset Manager and AJCo. The above summary of financial performance represents 30% of the associate's income and expenses adjusted for bonus expenses for the year ended 30 June 2011, and adjusted for the entitlement to 30% of the adjusted net profit of the Spring TK for the half year ended 31 December 2010 being capped at $914,000 (¥72.7m). The AJCo Group's entitlement to the Japan Asset Manager's profit for the period to 30 June 2010 was 100% of the net profit as this was the lower of the two options.

Summarised financial position of associate[2]

	30 Jun 11 $	30 Jun 10 $
Current assets	1,293,923	130,301
Non-current assets	2,008,105	2,948,068
Total assets	**3,302,028**	**3,078,369**
Current liabilities	374,604	68,188
Total liabilities	**374,604**	**68,188**
Net assets as reported by associate	**2,927,424**	**3,010,181**

[2] The above summary of financial position of associate represents 30% of the associate's assets and liabilities.

11. Trade and other payables

	30 Jun 11 $	30 Jun 10 $
Trade payables	80,114	126,374
Audit fee accrual	24,110	13,500
GST payable	25,095	-
	129,319	**139,874**

12. Provisions

	30 Jun 11 $	30 Jun 10 $
Annual leave accrual	25,584	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

	30 Jun 11 $	30 Jun 10 $
Current	1,472	2,530
Non-current	21,667	17,666
Deferred lease incentive	**23,139**	**20,196**

The AJCo 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:

	Deferred lease incentive accrual 30 Jun 11 $	Deferred lease incentive accrual 30 Jun 10 $
Carrying amount at start of period	20,196	-
Acquired in business combinations	-	26,988
Additional provisions recognised	2,943	-
Amounts used during the period	-	(6,792)
Carrying amount at end of period	**23,139**	**20,196**

14. Remuneration of auditors

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Audit services:		
Auditors of AJCo Group		
PricewaterhouseCoopers Australia:		
- Audit of financial reports	34,150	25,500
- Australian financial services license audit	5,225	5,000
- Compliance plan audit	8,500	-
	47,875	**30,500**
Other services:		
Auditors of AJCo Group		
PricewaterhouseCoopers:		
- Tax advisory services	26,550	-
- Taxation compliance services	19,096	-
	45,646	**-**
Auditors of AJCo Group		
Ernst & Young Australia:		
- Compliance plan audit	-	20,000
- Administration fee	-	240
	-	**20,240**

15. Contributed equity

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Securities on issue		
Movements in number of securities	Number	Number
Number at beginning of financial period	508,212,161	-
10 to 1 consolidation of securities	(457,390,420)	-
Issue of securities	7,623,261	508,212,161
Number at end of financial period	**58,445,002**	**508,212,161**
Movements in contributed equity	$	$
Balance at beginning of financial period	26,440,633	-
Equity issued upon stapling net of transaction costs	-	26,440,633
10 to 1 consolidation of securities transaction costs	(2,494)	-
Issue of securities, net of issue costs	894,682	-
Balance at end of financial period	**27,332,821**	**26,440,633**

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

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of AJCo in proportion to the number of shares held.

(a) Consolidation of securities
At the Annual General Meeting on 10 November 2010 securityholders voted in favour of a consolidation of the Astro Group stapled securities. The Astro Group consolidated every 10 stapled securities into 1 stapled security with effect from 19 January 2011. Where the consolidation resulted in a fraction of a security being held by a securityholder, that fraction was rounded up to the nearest whole security. Following the consolidation there were 50,821,741 stapled securities on issue.

(b) Equity raising
On 14 March 2011, the Astro Group completed a fully underwritten institutional placement of 7,623,261 new stapled securities at an issue price of $3.09 per stapled security. A total of approximately $23,556,000 was raised with total transaction costs of $514,000. As part of the placement, AJCo issued 7,623,261 shares (stapled on a one for one basis to units in AJT) at $0.12 per share to raise $914,791 with total transaction costs of $20,109.

16. Reserves

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Foreign currency translation reserve		
Balance at beginning of financial period	(606,215)	-
Currency translation differences arising during the period	(761,633)	(606,215)
Balance at the end of the financial period	**(1,367,848)**	**(606,215)**

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)

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Opening balance	(6,938,630)	-
Net profit/(loss) attributable to members of AJCo	(3,759,100)	(6,938,630)
Balance at the end of the period	**(10,697,730)**	**(6,938,630)**

18. Dividends

(a) Ordinary securities

No dividends have been paid or declared for the financial year ended 30 June 2011 (2010: $nil)

(b) Franked dividends

The franked portions of any final dividends declared after 30 June 2011 may be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2012.

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	173,476	-

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

19. Notes to the consolidated statement of cash flows

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Reconciliation of the net profit after tax to net cash flows from operating activities		
Profit/(loss) for the year	(3,759,100)	(6,938,630)
Adjustments for non cash items and items classified as investing or financing activities		
Depreciation and amortisation expense	33,831	7,405
Impairment of goodwill	5,000,000	6,999,998
Equity accounting for investment in associate	(1,901,111)	(300,111)
Net cash provided by operating activities before changes in assets & liabilities	**(626,380)**	**(231,338)**
Change in operating assets and liabilities during the financial period:		
(Increase)/decrease in trade and other receivables	(100,511)	77,418
(Increase)/decrease in prepaid insurance	53,208	(580,899)
(Increase)/decrease in deferred tax assets	(22,319)	-
Increase/(decrease) in current tax liabilities	255,120	-
Increase/(decrease) in deferred tax liability	14,644	-
Increase/(decrease) in trade and other payables, provisions and deferred lease incentives	(13,070)	149,764
Net cash flows (used in) / from operating activities	**(439,308)**	**(585,055)**

20. Financial Risk Management

The AJCo 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 AJCo Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the AJCo Group.

The AJCo Group uses different methods to measure different types of 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 AJCo Group's investment positions or revenue streams. There are various types of market risks including exposures associated with interest rates, equity market prices, currency rates and the general market values of asset classes in which the AJCo Group invests or which it manages.

(i) Interest rate risk
The AJCo Group receives interest on its cash at bank at an average rate of 4.79% at period end. All receivables and payables are on interest free terms.

(ii) Currency risk
The AJCo Group has a 30% economic interest in the Japan Asset Manager which is denominated in JPY. As a result, the AJCo Group is exposed to currency risk with respect to movements in the AUD/JPY exchange rate.

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

The AJCo Group does not mitigate the effect of currency exposure on the Consolidated Statement of Financial Position.

(iii) Sensitivity analysis

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

	Increase by 50 bps		Decrease by 50 bps	
	2011	2010	2011	2010
	$	$	$	$
Net profit/loss				
Cash and cash equivalents	25,059	31,267	(25,059)	(31,267)
Total net profit/loss	**25,059**	**31,267**	**(25,059)**	**(31,267)**

(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.

At 30 June 2011	Less than 6 months	Between 6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	(129,319)	-	-	-	-
Current tax payable	(324,379)	-	-	-	-
Net Maturity	**(453,698)**	**-**	**-**	**-**	**-**
At 30 June 2010					
Payables	(139,874)	-	-	-	-
Loan payable - related party - AJT [1]	(668,179)	-	-	-	-
Net Maturity	**(808,053)**	**-**	**-**	**-**	**-**

[1] The directors of AJPML, as Responsible Entity of AJT, have agreed that repayment of these amounts will be subordinated in favour of all other creditors and AJT has accepted the responsibility of providing and undertakes 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 distribution policy of the AJCo Group; issue new securities through a private or public placement; activate the Distribution Reinvestment Plan (DRP); issue securities under a Security Purchase Plan (SPP); 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 the Responsible Entity and also AJCo 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 the Astro Group, directly or indirectly, during the financial year:

Name	Position	Employer
Ian Hay[1]	Chief Financial Officer	The Responsible Entity

[1] Mr I Hay resigned on 31 December 2010. Mr J Pettigrew was appointed Chief Financial Officer on 1 January 2011. Prior to this Mr Pettigrew was an Independent Non-Executive Director of AJCo and 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 two Independent Non-Executive Directors. Its members during the financial year were Mr A McDonald (appointed Chair on 1 January 2011), Ms P Dwyer and Mr J Pettigrew who ceased as Chair and as a member on 31 December 2010. 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 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:

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Short-term employee benefits[1]	548,157	144,010
Post-employment benefits[1]	41,974	11,580

[1] Comparative figures are 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.

(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.

	Number of stapled securities		
Name	Balance at start of year[1]	Change during the year	Balance at end of year
Allan McDonald	40,000	-	40,000
Paula Dwyer	20,000	-	20,000
John Pettigrew	15,000	-	15,000
Ian Hay[2]	4,000	-	-

[1] The number of securities held at the start of the year have been adjusted for the stapled security consolidation effective as at 19 January 2011. Refer to note 15(a) for further details on the stapled security consolidation.
[2] Ian Hay ceased as CFO on 31 December 2010.

(d) Directors loans and other transactions

There were no loans or other transactions made to or from the Directors of AJCo 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 receipts/(payments) between the AJCo Group and related parties for the relevant financial year.

	30 Jun 11 $	20 Mar 09 to 30 Jun 10 $
Related party:		
Astro Japan Property Trust		
Base fees received for Responsible Entity services	1,712,488	514,021
Fees received for arranging services	31,547	3,138,091
Spring Investment Co, Ltd		
Acquisition of investment	-	(5,733,348)
Distribution received from Spring	904,468	270,980
Return of capital	902,250	412,500
Additional investment	-	(1,350,000)

	30 Jun 11 $	30 Jun 10 $
Outstanding balances		
The following balances are outstanding at the reporting date in relation to transactions with related parties:		
Receivable		
Base fees receivable for Responsible Entity services	193,294	71,792
Loan receivable from Astro Japan Property Trust	1,472,431	-
Payables		
Loan payable to Astro Japan Property Trust	-	(668,179)

24. Contingent asset and liabilities

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

	30 Jun 11 $	30 Jun 10 $
No later than 1 year	119,086	112,359
Later than 1 year and no later than 5 years	287,011	373,593
Later than 5 years	-	-
Total lease commitments	**406,097**	**485,952**

26. Parent entity financial information

(a) Summary financial information

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

	30 Jun 11 $	30 Jun 10 $
Statement of financial position		
Current Assets	2,522,391	26,980
Total Assets	16,998,275	20,405,113
Current Liabilities	376,550	932,243
Total Liabilities	376,550	932,243
Shareholder's equity		
Issued capital	27,332,819	26,440,631
Retained Earnings	(10,711,094)	(6,967,760)
	16,621,725	**19,472,871**
Profit or loss for the period	**(3,743,334)**	**(6,967,760)**
Total comprehensive income	**(3,743,334)**	**(6,967,760)**

(b) Guarantees entered into by the parent entity

The parent entity has not given any guarantees as at 30 June 2011 (30 June 2010: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011.

27. Events occurring after the end of the reporting period

The Directors are not aware of any matter or circumstance occurring since 30 June 2011 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 14 to 31 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 2011 and of its performance for the year ended 30 June 2011; 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 31 August 2011.

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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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 procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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*.

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T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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 2011 and of its performance for the year ended on that date

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(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 4 to 7 of the directors' report for the year ended 30 June 2011. 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 year ended 30 June 2011, 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 year ended 30 June 2011 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

PricewaterhouseCoopers

TJO Peel

TJO Peel
Partner

Sydney
31 August 2011