Galileo Japan Funds Management Limited
(ACN 121 567 244) (AFSL 305 429)
as Responsible Entity for Galileo Japan Trust
(ARSN 122 465 990)

Level 9,1Alfred Street
Sydney NSW 2000 Australia
GPO Box 4760 Sydney NSW 2001
Telephone: (02) 9240 0333
Facsimile: (02) 9240 0300
ASX Code: GJT
Website: www.galileofunds.com.au

APPENDIX 4E

Preliminary Final Report
For the year ended 30 June 2014

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2013 – 30 June 2014
Previous corresponding period:	1 July 2012 – 30 June 2013

Results for announcement to the Market

The previous corresponding period results have been adjusted to reflect a change in accounting policy for the Trust. Refer to Note 2(b) of the attached financial statements for further details relating to this change.

		($ '000)
Revenues from ordinary activities	% movement not applicable*	from nil to 47,257
Profit from ordinary activities attributable to unitholders of the Trust	% movement not applicable*	from (18,250) to 34,676
Net profit for the period attributable to unitholders of the Trust	% movement not applicable*	from (18,250) to 34,676

* the percentage movement cannot be calculated as the result for the previous corresponding period was a loss or nil

Distributions to unitholders	Amount per unit (cents)
Previous corresponding period:	
Interim distribution	Nil
Final distribution	Nil
Current period:	
Interim distribution (paid 28 February 2014)	3.5
Final distribution (payable on 29 August 2014)	7.0
Record date to determine entitlement to final distribution	30 June 2014

Note: Franked amount per unit is not applicable. The interim and final distribution relating to the 30 June 2014 financial year are100% tax deferred.

Distribution reinvestment plan (DRP)

The Trust's Distribution Reinvestment Plan (DRP) was not in operation during the year.

Explanation and discussion of the above results

Refer to the associated ASX results presentation and related announcement.

Net Asset Value

	30 June 2014	30 June 2013
Net asset value per unit	$2.19	$8.42

Details of controlled entities and associates

There were no new entities over which control was gained during the year, nor any associates or joint venture entities that became part of the consolidated group during the year.

Accounting standards used by foreign entities

Refer to note 2 'Summary of significant accounting policies' in the attached financial report.

Financial report of the Trust for the year ended 30 June 2014

The financial report of the Trust for the year ended 30 June 2014 is attached to this announcement.

Other significant information

Refer to the Directors' report which is attached to this announcement along with the associated ASX results presentation and announcement.

Compliance statement

This Appendix 4E is based on the financial statements of the Trust for the year ended 30 June 2014 which have been audited by PricewaterhouseCoopers. Refer to the financial statements for a copy of their unqualified audit report.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Contents:

The Directors of Galileo Japan Funds Management Limited, the responsible entity (Responsible Entity) of Galileo Japan Trust submit herewith the financial report of Galileo Japan Trust (the 'Trust') for the year ended 30 June 2014.

All amounts in this report are in Australian dollars unless otherwise stated.

Corporate Information

The Trust was registered with the Australian Securities and Investments Commission on 10 November 2006 and listed on the Australian Securities Exchange (ASX) on 18 December 2006. The Responsible Entity of the Trust is incorporated and domiciled in Australia, with its registered office located at Level 9, 1 Alfred Street, Sydney, NSW 2000.

Directors

The following persons have held office as directors of the Responsible Entity during the year ended 30 June 2014 and up to the date of this report:

Jack Ritch	- Independent Non-Executive Chairman
Philip Redmond	- Independent Non-Executive Director
Frank Zipfinger	- Independent Non-Executive Director
Neil Werrett	- Managing Director and Chief Executive Officer
Peter Murphy	- Executive Director and Chief Operating Officer

During the year ended 30 June 2014 there were eight directors meetings held and all directors were present. During the year ended 30 June 2014 there were four meetings held by the Committee of Independent Directors relating to the recapitalisation transaction and all members were present.

Details of directors

Jack Ritch, Non-Executive Chairman
Jack was non-executive Chairman of AMP Capital Investors Limited from April 2004 to March 2009. Prior to that, Jack was Managing Director and Chairman of the company from 1999 to April 2004. From 1987 to 1999, Jack held the position of Director, Property, during which time he was responsible for managing AMP's $9 billion property portfolio. Prior to 1987, he held a variety of other positions within the AMP Group which he joined in 1958. In April 2012 he retired as Chairman of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports). His other activities include Chairman of the Powerhouse Museum Foundation.

Philip Redmond, Non-Executive Director
Philip has over 30 years' experience in the real estate industry in Australia, including 12 years at UBS where he held the position of Managing Director – Head of Real Estate Australasia. Philip has played a leading role in the development of the listed property trust sector within Australia and has a comprehensive understanding of financial markets. Philip is also a Non-Executive Director with Shopping Centres Australasia Group and is a Member of the Australian Institute of Company Directors.

Frank Zipfinger, Non-Executive Director
Frank has over 30 years' experience in the real estate industry. He was formerly a Partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development. Frank was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Frank completed over five years in various roles as a Managing Partner with the firm. Frank is the non-executive chairman of Aspen Property Group (ASX code APZ) and chairman of the Investor Representative Committees of the AMP Capital Wholesale Office Fund and the AMP Capital Wholesale Shopping Centre Fund. Frank is a Member of the Australian Institute of Company Directors. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the Board of Melbourne Business School and President of the school's Alumni Council, and a Director of the Australian Youth Orchestra.

Neil Werrett, Managing Director and Chief Executive Officer
Neil is the Managing Director and Chief Executive Officer and founder of the Trust. Neil was previously Global Head, Corporate Transactions and Product Development at AMP Henderson Global Investors (now AMP Capital Investors), where he was employed for 24 years in various roles covering property and property funds management. Neil's roles at AMP included property acquisitions and disposals, the establishment of the listed property trust business, ongoing capital raisings and participation in the management committee of the trusts. Until 2007, Neil was also Managing Director and Chief Executive Officer of Galileo Shopping America Trust which he established in 2003. Neil has been involved in the assessment of business and real estate opportunities in Japan since 1998 and was the founder of Galileo Japan Funds Management Limited in 2006.

Peter Murphy, Executive Director and Chief Operating Officer
Peter has over 25 years' experience in the property industry in numerous capacities including valuations, asset and funds management. Over the past 18 years, he has been directly involved in the management of various listed property entities. Peter was the CEO of Ronin Property Group which listed in 1996 as AMP Office Trust and had funds under management of approximately $2 billion throughout Australia and New Zealand prior to a merger with Multiplex Group in November 2004. During his employment with Multiplex, Peter was Group Manager, Marketing and Communications and Divisional Director, Institutional Funds responsible for in excess of $3 billion in funds under management.

Details of Company Secretary

Donna Duggan, Company Secretary and Compliance Officer
Donna Duggan is Compliance Officer and Company Secretary for Galileo Japan Funds Management Limited. Donna is a lawyer and has a Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance.

Directors' relevant Interests in the Trust

The number of units held, either directly or indirectly, by the directors of the Responsible Entity at balance date is outlined below along with their entitlement to the estimated distribution for the six months ended 30 June 2014. There are no options to buy units in the Trust held by any of the Directors of the Responsible Entity.

	Distribution Due	Units held 30 June 2014	Units held 30 June 2013
Jack Ritch	$667	9,540	2,829
Philip Redmond	$700	10,000	5,300
Frank Zipfinger	$770	11,000	4,400
Neil Werrett*	$269,385	3,848,364	515,031
Peter Murphy	$1,176	16,803	16,803

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd. As part of the October 2013 recapitalisation, 3,333,333 units were acquired by Galileo Japan Funds Management Limited at the placement issue price of $1.50 per unit.

Principal Activity of the Trust

The principal activity of the Trust is to maximise the returns for unitholders via an indirect investment in a Japanese Tokumei Kumiai ('TK Business') which owns a diverse portfolio of real estate assets in Japan.

Operating and Financial Review

Recapitalisation undertaken during the year ended 30 June 2014

As announced to the market in October 2013 the Trust successfully completed a recapitalisation that has resulted in a simplified capital structure of the Trust and the TK Business, a reduction in gearing, an extension of the maturity of the senior loan facility and allowed for the reinstatement of Trust distributions. The key components of the recapitalisation are outlined below.

i) Institutional book build
The Trust successfully completed an institutional book build which raised $147.5 million with 98,333,333 new units issued at $1.50 per unit. The new units were allotted on 10 October 2013.

ii) Issue of new Eurobonds
The TK Business issued new Eurobonds with a par value of ¥6.12 billion ($67.0 million) at an issue price of ¥6.0 billion ($65.7 million). The Eurobonds have a seven year term and a fixed interest rate of 8% per annum on the par value.

iii) Refinancing of the senior loan
The TK Business made a principal repayment of ¥6.45 billion ($70.6 million), including accrued interest thereon, and the senior loan was refinanced on more favourable terms than those under the old facility, which include:
- extending the maturity date from March 2014 to October 2018;
- reducing the interest margin from 1.75% to 1.25%; and
- removing the principal amortisation requirement during the remaining term of the loan.

The above recapitalisation has simplified the capital structure of the Trust and the TK Business by:

i) refinancing and extending the maturity of the senior loan;
ii) repaying in full the mezzanine Eurobonds;
iii) repaying in full the convertible Eurobonds; and
iv) repaying in full the foreign currency loan at a discount to par of 68%.

Financial results

The adoption of AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* has resulted in significant presentation and disclosure changes for the financial statements of the Trust. Refer to Note 2(b) *Application of new and revised accounting standards* for further details of the change in accounting policy and its impact.

Through its indirect investment in the Japanese TK Business, the Trust holds a beneficial interest in 21 properties (30 June 2013: 21 properties). The fair value of investment property held by the TK Business is a significant component of the fair value of the Trust's investment in the TK Business. At 30 June 2014 the fair value of investment property equates to ¥58.5 billion ($613.0 million) which is up 1.9% (in ¥ terms) from 30 June 2013 (¥57.38 billion; $626.1 million) however, lower in Australian dollar terms as a result of the weaker Japanese yen.

The 30 June 2014 value has been determined using independent valuations for nine properties prepared by DTZ Debenham Tie Leung KK (DTZ). Seven properties were also valued by DTZ at 31 December 2013. The balance of the portfolio is recorded at the Directors' assessment of fair value.

Operating and Financial Review (continued)

Key points relating to the financial result for the year ended 30 June 2014 are summarised below.

- Fair value gain on financial assets held at fair value through profit or loss of $21.2 million (30 June 2013: loss of $2.5 million);
- Unrealised foreign exchange loss for the year of $9.9 million (30 June 2013: $11.9 million) as a result of the weaker Japanese yen ($1.00 = ¥95.43) compared to 30 June 2013 ($1.00 = ¥91.64);
- Net asset value of $2.19 per unit at 30 June 2014;
- The repayment in full of the foreign currency loan at a discount of 68% to its par value has resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the year;
- There is a net current asset deficiency at balance date equal to $2.2 million. This is as a result of the provision for distribution of $7.5 million which will be paid to unitholders on 29 August 2014. The funds from operations for the June 2014 quarter of $4.2 million that will partially fund the distribution to unitholders were paid by the TK Business to the Trust in August 2014 per the normal cash waterfall process that takes place after the end of each calendar quarter. These funds, together with the funds already received by the Trust for the March 2014 quarter, are available for the Trust to use for the distribution to unitholders.

Distributions

As announced to the market on 20 June 2014 the Trust will pay a distribution for the six months ended 30 June 2014 equivalent to 7.0 cents per unit on 29 August 2014. Together with the interim distribution paid in February 2014 of 3.5 cents per unit, the total distribution for the year ended 30 June 2014 is 10.5 cents per unit. This equates to an annualised distribution yield of 9.7% on an issue price of $1.50 for new units issued on 10 October 2013.

The Trust's Distribution Reinvestment Plan (DRP) is not in operation.

Fees Paid by the Trust to the Responsible Entity

Fees paid or payable to the Responsible Entity for services provided during the year are determined in accordance with the Trust Constitution and disclosed in Note 18 *Related party disclosures* of the financial statements. The Responsible Entity is entitled to receive a base responsible entity fee up to 0.4% per annum of the Trust's direct and indirect proportionate interest (i.e. 98.5%) in the properties and other assets held in the TK Business. As the TK operator in Japan charges an asset management fee of 0.3% per annum, the Responsible Entity fee charged in Australia is 0.1% per annum.

From September 2009 and up until the October 2013 refinance, the Responsible Entity agreed to waive its base fee (0.1% per annum) and put in place an operating cost recovery arrangement. The Trust was liable to reimburse the Responsible Entity for operating costs of up to $50,000 per month relating to costs for the ongoing management of the Trust. The payment of these costs was deferred until all outstanding obligations to the Mezzanine and Convertible Eurobond holders and the foreign currency facility lender were repaid.

As discussed in Note 10 *Borrowings and* Note 15 *Segment information,* the mezzanine and convertible Eurobond noteholders and the lender under the foreign currency loan facility were repaid as part of the Trust recapitalisation that occurred in October 2013. Subsequently, the accumulated outstanding cost recovery charge at the date of the October 2013 recapitalisation of $2.4 million was paid by the Trust to the Responsible Entity and the payment of the 0.1% per annum responsible entity fee commenced from that date.

Likely developments and expected results of operations

The trust will continue to pursue strategies aimed at maximising the returns for unitholders and enhancing unitholder value via its indirect investment in a Japanese TK Business. Information on likely developments and expected results of operations have not been included in this annual financial report as the Directors believe it would be likely to result in unreasonable prejudice to the Trust.

Events subsequent to balance date

As announced to the market on 24 July 2014, the Japanese TK business completed the sale of its beneficial interest in Lions Square, located in Saitama prefecture, Greater Tokyo for ¥2.385 billion ($25.0 million). The Trust's investment in the TK Business at 30 June 2014 includes this property at the sale price.

On 22 August 2014, the Responsible Entity announced its intention to undertake an on-market buy-back of the Trust's units. The buy-back will be funded through the net proceeds released from the recent sale of Lions Square. Should market conditions permit, the Trust intends to buy-back up to the lesser of $5.0 million worth of units, and 10% of the Trust's present issued capital. Further details are set out in the Appendix 3C released to the market on 22 August 2014.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2014 not otherwise dealt with in the financial report that has significantly or may significantly alter the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial periods.

Significant changes in the state of affairs

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, including the successful recapitalisation of the Trust, there were no significant changes in the state of affairs of the Trust that occurred during the year ended 30 June 2014 and up to the date of this report.

Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Indemnification and insurance of directors, officers and auditors

The Responsible Entity has insured the directors and officers against liabilities incurred in their role as directors and officers of the Responsible Entity. The Trust reimburses the Responsible Entity based on the benefit it receives under the policy. The directors and officers are indemnified out of the assets of the Trust as long as they act in accordance with the Trust Constitution and the Corporations Act 2001. The auditor of the Trust is in no way indemnified out of the assets of the Trust, nor has the Trust indemnified or agreed to indemnify an auditor of the Trust against a liability incurred as an auditor.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Responsible Entity support the principles of corporate governance. The Responsible Entity's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

Environmental regulation

To the best of the Directors' knowledge the operations of the Trust have been undertaken in compliance with the applicable environmental regulations in each jurisdiction in which the Trust operates.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 forms part of this report and is set out on page 9.

This report is signed in accordance with a resolution of the Directors of the Responsible Entity.

Jack Ritch
Chairman
Sydney, 28 August 2014

Auditor's Independence Declaration

As lead auditor for the review of Galileo Japan Trust for the year ended 30 June 2014, 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.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
28 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

GALILEO JAPAN TRUST
Income Statement
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013* $'000
Revenue and other income			
Fair value gain on financial assets held at fair value through profit or loss	**8**	21,178	-
Debt forgiveness – foreign currency loan facility	**10**	26,061	-
Interest and other income		18	-
Total revenue and other income		**47,257**	**-**
Expenses			
Fair value loss on financial assets held at fair value through profit or loss	**8**	-	(2,521)
Finance costs – foreign currency loan facility		(1,045)	(3,807)
Responsible entity fees and costs	**18**	(639)	(600)
Auditors remuneration	**5**	(308)	(294)
Professional fees		(255)	(615)
Other expenses		(407)	(392)
Unrealised foreign exchange loss		(9,927)	(11,898)
Total expenses		**(12,581)**	**(20,127)**
Net profit/(loss) before tax for the year		**34,676**	**(20,127)**
Income tax gain	**6**	-	1,877
Net profit/(loss) after tax for the year		**34,676**	**(18,250)**
Basic and diluted earnings/(loss) per unit	**14**	$0.44	($2.25)

* refer to Note 3 for restatement as a result of a change in accounting policy

The Income Statement should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013* $'000
Net profit/(loss) after tax for the year		34,676	(18,250)
Other comprehensive income		-	-
Total comprehensive Income		**34,676**	**(18,250)**

* refer to Note 3 for restatement as a result of a change in accounting policy

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Balance Sheet
30 June 2014

	Note	30 June 2014 $'000	30 June 2013* $'000	1 July 2012* $'000
Assets				
Current Assets				
Cash and cash equivalents	**16**	4,955	510	483
Trade and other receivables	**7**	571	103	307
Total Current Assets		**5,526**	**613**	**790**
Non-Current Assets				
Financial asset held at fair value through profit or loss	**8**	235,416	109,605	130,083
Total Non-Current Assets		**235,416**	**109,605**	**130,083**
TOTAL ASSETS		**240,942**	**110,218**	**130,873**
Liabilities				
Current Liabilities				
Trade and other payables	**9**	248	525	2,559
Provision for distribution	**4**	7,451	-	-
Total Current Liabilities		**7,699**	**525**	**2,559**
Non-Current Liabilities				
Borrowings	**10**	-	39,101	40,072
Other		-	2,270	1,670
Total Non-Current Liabilities		**-**	**41,371**	**41,742**
TOTAL LIABILITIES		**7,699**	**41,896**	**44,301**
NET ASSETS	**13**	**233,243**	**68,322**	**86,572**
UNITHOLDERS' EQUITY				
Contributed equity	**11**	528,278	386,856	386,856
Accumulated losses	**12**	(295,035)	(318,534)	(300,284)
TOTAL EQUITY		**233,243**	**68,322**	**86,572**

* refer to Note 3 for restatement as a result of a change in accounting policy

The Balance Sheet should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Changes in Equity
For the year ended 30 June 2014

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance 1 July 2013*	**386,856**	**-**	**(318,534)**	**68,322**	**-**	**68,322**
Profit for the year	-	-	34,676	34,676		34,676
Transactions with unitholders in their capacity as unitholders:						
Issue of share capital	147,500	-	-	147,500	-	147,500
Costs incurred in relation to equity issued	(6,078)	-	-	(6,078)	-	(6,078)
Distribution paid or payable	-	-	(11,177)	(11,177)		(11,177)
Balance 30 June 2014	**528,278**	**-**	**(295,035)**	**233,243**	**-**	**233,243**
Balance 1 July 2012 (as reported)	**386,856**	**72,347**	**(372,631)**	**86,572**	**2,598**	**89,170**
Adjustment due to change in accounting policy*	-	(72,347)	72,347	-	(2,598)	(2,598)
Restated total equity at the beginning of the year	**386,856**	**-**	**(300,284)**	**86,572**	**-**	**86,572**
Loss for the year	-	-	(18,250)	(18,250)	-	(18,250)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-	-	-
Distribution paid or payable	-	-	-	-	-	-
Balance 30 June 2013 (restated)	**386,856**	**-**	**(318,534)**	**68,322**	**-**	**68,322**

* refer to Note 3 for restatement as a result of a change in accounting policy

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Cash Flows
For the year ended 30 June 2014

	Note	30 June 2014 $'000	30 June 2013* $'000
Cash flows from operating activities			
Interest received		18	-
Operating costs paid		(4,093)	(1,389)
GST received/(paid)		(436)	22
Net cash outflow from operating activities	**19**	**(4,511)**	**(1,367)**
Cash flows from investing activities			
Investment in financial assets held at fair value through profit or loss	**8**	(123,359)	-
Distributions received	**8**	8,714	1,394
Net cash inflow/(outflow) from investing activities		**(114,645)**	**1,394**
Cash flows from financing activities			
Proceeds from the issue of units		147,500	-
Costs incurred in relation to issue of units		(6,078)	-
Distributions paid to unitholders		(3,726)	-
Repayment of borrowings		(14,086)	-
Net cash inflow from financing activities		**123,610**	**-**
Net increase in cash and cash equivalents		4,454	27
Effect of foreign exchange movements on cash		(9)	-
Cash and cash equivalents at the beginning of the year		**510**	**483**
Cash and cash equivalents at the end of the year	**16**	**4,955**	**510**

* refer to Note 3 for restatement as a result of a change in accounting policy

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. General information

Galileo Japan Trust (the 'Trust') was established pursuant to the Trust Constitution and was registered as a managed investment scheme with the Australian Securities and Investments Commission on 10 November 2006. The Trust was listed on the Australian Securities Exchange on 18 December 2006.

The Trust's aim is to maximise the returns for unitholders via an indirect investment in a Japanese Tokumei Kumiai ('TK Business') which owns a diverse portfolio of real estate assets in Japan.

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the periods presented unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Trust is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

There is a net current asset deficiency at balance date equal to $2.2 million. This is as a result of the provision for distribution of $7.5 million which will be paid to unitholders on 29 August 2014. The funds from operations for the June 2014 quarter of $4.2 million that will partially fund the distribution to unitholders were paid by the TK Business to the Trust in August 2014 per the normal cash waterfall process that takes place after the end of each calendar quarter. These funds, together with the funds already received by the Trust for the March 2014 quarter, are available for the Trust to use for the distribution to unitholders. As a result, the Directors believe there are reasonable grounds that, at the date of this report, the Trust will be able to pay its debts as and when they become due and payable.

The financial report was approved by the Board of Directors on 28 August 2014.

Critical accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets and liabilities reported at the end of the year and the amounts of revenues and expenses recognised during the year. Although the estimates are based on management's best knowledge, actual results may ultimately differ from these. Where any such judgements are made they are indicated within the relevant accounting policies and related note in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the fair value of assets and liabilities within the financial statements of the Trust are described in Note 2(b) *Application of new and revised accounting standards* and Note 8 *Financial assets at fair value through profit or loss.*

Note 2. Summary of significant accounting policies (continued)

(b) Application of new and revised accounting standards

Certain new accounting standards and interpretations have been published, some of which are applicable for the current reporting period and some which are applicable in future reporting periods. The Responsible Entity's assessment of the application and impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect the classification and measurement of financial assets and liabilities. The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and the Trust does not expect to adopt the new standard before the operative date.

Changes in accounting policy or disclosure as a result of new accounting standards adopted during the year

The Trust has applied the following standards and amendments for first time during the year:

(i) AASB 10 Consolidated Financial Statements and AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
(ii) AASB 12 Disclosure of Interests in Other Entities;
(iii) AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy in the current period;
(iv) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
(v) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

The adoption of the new standards and amendments outlined above has no material impact on the measurement or disclosures of the annual financial report with the exception of AASB10, AASB 12 and AASB 13 as set out below:

AASB 10 *Consolidated Financial Statements* and AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*

The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether, for Australian accounting purposes, an investor controls an investee. The Responsible Entity has determined that, while judgemental, given the structure of the investment in the TK Business (refer to Note 8), the Trust continues to control the TK Business as defined in Australian Accounting Standards.

The amendments made by AASB 2013-5 introduce an exemption from consolidation requirements for investment entities. This accounting standard is effective for annual reporting periods beginning on or after 1 January 2014, but can be adopted early. The Responsible Entity has elected to early adopt this accounting standard. It defines an investment entity and sets out the accounting treatment and measurement requirements of investments in other entities. The Responsible Entity has determined that the Trust meets the definition of an investment entity for the purpose of the application of this accounting standard and it has therefore changed its accounting policy with respect to its investments. The TK Business, which was previously consolidated, is now accounted for at fair value through profit or loss. The early adoption of this accounting standard has resulted in significant presentation and disclosure changes for the financial statements of the Trust, the impact of which is shown in Note 3 of the financial statements.

Note 2. Summary of significant accounting policies (continued)

(b) Application of new and revised accounting standards

AASB 12 Disclosure of Interests in Other Entities

AASB 12 requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'.

The adoption of AASB 12 has impacted the Group's level of disclosures in certain of the above noted areas, but has not impacted the Group's financial position or results of operations. AASB 12 provides relief from disclosing comparative information in the first year of adopting the standard. As a result comparative information has not been disclosed for the new disclosure requirements of AASB 12.

AASB 13 Fair Value measurement

This accounting standard establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Additional disclosure for financial assets and liabilities is required for the first time in this financial report.

Consequential amendments were also made to other accounting standards via AASB 2011-8 which has resulted in additional disclosures regarding the fair value of financial instruments.

The adoption of other amendments and changes in accounting standards that were effective in this reporting period did not result in any material changes to the financial report.

(c) Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the accounting policies referred to in Note 2(b) above.

Foreign currency

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

Translation of foreign currency transactions
Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transactions. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at rates of exchange current at that date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on assets and liabilities carried at fair value are reported separately in the Income Statement.

The foreign exchange rate at the balance date was A$1=¥95.43 (30 June 2013: A$1=¥91.64) while the average foreign exchange rate for the year ended 30 June 2014 was A$1=¥92.77 (30 June 2013: A$1=¥89.79). Foreign exchange differences arising on translation are recorded in the Income Statement.

Note 2. Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into cash and are subject to an insignificant risk of change in value.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less any impairment losses (bad debts), which represents fair value for the Trust. An estimate of provision for doubtful debts is made when collection is no longer probable. Bad debts are written off to the Income Statement as incurred. Receivables from related parties are carried at the nominal amount due.

(f) Financial assets at fair value through profit or loss

The Trust classifies its investment in the TK Business as a financial asset at fair value through profit or loss. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

Purchases and sales of financial assets are recognised on trade date, the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

(g) Impairment of assets

The directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of determining 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. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(h) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for the goods and services provided, whether or not billed to the Trust. Payables to related parties are carried at the principal amount. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Contributed equity

Issued and paid up units are recognised at the fair value of the consideration received or receivable. Any transaction costs arising directly from the issue of ordinary units are recognised directly in equity as a reduction of the proceeds received provided that they would not have been incurred had these instruments not been issued. The Trust has a perpetual life unless it is terminated.

Note 2. Summary of significant accounting policies (continued)

(j) Revenue

Revenue is recognised at fair value of the consideration received net of the amounts of goods and services tax (GST) or consumption tax (CT) payable to taxation authorities. Interest revenue is recognised on an accruals basis using the effective interest rate method. Distribution revenue is recognised when there is a right to receive the distribution payment.

(k) Expenditure

Expenditure is brought to account on an accruals basis. Fees paid to the Responsible Entity are brought to account on an accruals basis.

(l) Finance costs

Finance costs incurred in establishing borrowing facilities are capitalised and amortised over the term of the facility. Finance costs incurred in drawing funds under a loan are transaction costs which are offset against the proceeds of the loan and other interest expenses are expensed as incurred. Where there is a deemed extinguishment of a loan due to a substantial modification of the terms of an existing financial liability, the pre-existing capitalised finance costs and any costs incurred in relation to that loan modification are expensed in the period of the extinguishment.

(m) Taxation

i) Australian income tax
Under current Australian income tax legislation, the Trust is not liable for income tax provided unitholders are presently entitled to all of the Trust's taxable distributable income at 30 June each year and any taxable gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Rather, unitholders should be subject to tax on their proportionate share of the taxable income of the Trust. Distributions received by unitholders in excess of their proportionate share of the taxable income of the Trust for an income year will be in the form of tax deferred distributions, and should be applied to reduce unitholders capital gains tax cost base of their units. Tax deferred amounts are usually attributable to allowances for building, plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

ii) Japanese withholding tax
Effective as of 1 January 2013, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20.42% withholding tax on the distribution of profits under TK arrangements. The 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 withholding tax described above however, is only imposed on an actual distribution of profit to investors.

(n) Goods and services tax and consumption tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) or Japanese consumption tax (consumption tax), except where the amount of GST or consumption tax incurred is not recoverable from the Australian Tax Office (ATO) or Japanese tax authority ("tax authorities"). In these latter circumstances the GST or consumption tax 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 or consumption tax included. The net amount of GST or consumption tax recoverable from, or payable to, the tax authorities is included as a current asset or liability in the statement of financial position. The GST or consumption tax 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.

Note 2. Summary of significant accounting policies (continued)

(o) Earnings per unit

Basic and diluted earnings per unit are calculated as net profit after tax divided by the weighted average number of ordinary units.

(p) Segment reporting

Segment income, expenditure, assets and liabilities are those that are directly attributed to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets are assets used by segments and consist primarily of cash, receivables (net of allowances) and investments. While the Trust's investment in the TK Business is carried at fair value through the profit or loss, the Directors believe that it is relevant to provide segment information on the underlying assets, liabilities and performance of the TK Business. Therefore, segment information is presented on the same basis as that used for internal reporting and analysis purposes, in a manner consistent with the internal reporting to the chief operating decision maker, being the Board of Directors.

(q) Distributions

A provision for distribution is recognised as a liability when it is declared, determined or made publicly available on or before the reporting date. Provisions are measured at the present value and management's best estimate of the expenditure required to settle the present obligation at the balance date.

(r) Comparative figures

The comparative figures represent the year ended 30 June 2013. Where applicable, certain comparative figures are restated in order to comply with the current year presentation of the financial statements, as outlined in Note 3 *Changes in accounting policy*.

(s) Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and the financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Note 3. Changes in accounting policy

As disclosed in Note 2(b) the Trust has early adopted AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*. This accounting standard defines an investment entity and sets out the accounting treatment and measurement requirements of investments in other entities. As a consequence of adopting this accounting standard, the accounting treatment of the Trust's investment in the TK Business is recorded at fair value as a single line item in the balance sheet with changes in value being recorded through the income statement.

Restated comparative information is provided in the table below to show the effect of early adopting this accounting standard.

Restated Comparative Income Statement

	30 June 2013 (as reported) $'000	Increase/ (decrease) $'000	30 June 2013 (restated) $'000
Revenue and other income			
Rental income	60,022	(60,022)	-
Gain on financial instruments	381	(381)	-
Interest and other income	9	(9)	-
Total revenue and other income	**60,412**	**(60,412)**	**-**
Expenses			
Fair value loss on financial assets held at fair value through profit or loss	-	(2,521)	(2,521)
Property expenses	(18,811)	18,811	-
Finance costs – foreign currency loan	(3,807)	-	(3,807)
Finance costs – other borrowings	(27,139)	27,139	-
Loss on investment property revaluations	(10,251)	10,251	-
Loss on disposal of investment property	(1,057)	1,057	-
Unrealised foreign exchange loss	-	(11,898)	(11,898)
Other expenses	(7,468)	5,567	(1,901)
Total expenses	**(68,533)**	**48,406**	**(20,127)**
Loss before tax for the year	**(8,121)**	**(12,006)**	**(20,127)**
Income tax credit	1,877	-	1,877
Loss after income tax for the year	**(6,244)**	**(12,006)**	**(18,250)**
Other comprehensive income:			
Foreign exchange translation adjustments	(11,898)	11,898	-
Total comprehensive loss for the year	**(18,142)**	**(108)**	**(18,250)**
Net loss attributable to:			
- Unitholders of the Trust	(6,352)	(11,898)	(18,250)
- Non-controlling interest	108	(108)	-
	(6,244)	**(12,006)**	**(18,250)**
Total comprehensive loss attributable to:			
- Unitholders of the Trust	(18,250)	18,250	-
- Non-controlling interest	108	(108)	-
	(18,142)	**18,142**	**-**

Note 3. Changes in accounting policy (continued)

As a result of the above changes, basic and diluted earnings per share have also been restated.

	30 June 2013 (as reported)	30 June 2013 (restated)
Basic and diluted loss ($per unit)	(0.78)	(2.25)
Loss used in the calculation of Loss per unit ($'000)	(6,352)	(18,250)

Restated balance sheet – 30 June 2012

	30 June 2012 (as reported) $'000	Increase/ (decrease) $'000	30 June 2012 (restated) $'000
Assets			
Current Assets			
Cash and cash equivalents	43,416	(42,933)	483
Trade and other receivables	4,771	(4,464)	307
Total Current Assets	**48,187**	**(47,397)**	**790**
Non-Current Assets			
Investment Property	743,504	(743,504)	-
Financial asset held at fair value through profit or loss	-	130,083	130,083
Total Non-Current Assets	**743,504**	**(613,421)**	**130,083**
TOTAL ASSETS	**791,691**	**(660,818)**	**130,873**
Liabilities			
Current Liabilities			
Trade and other payables	17,410	(14,851)	2,559
Borrowings	13,821	(13,821)	-
Tenant security deposits	10,490	(10,490)	-
Derivatives	423	(423)	-
Total Current Liabilities	**42,144**	**(39,585)**	**2,559**
Non-Current Liabilities			
Borrowings	626,752	(586,680)	40,072
Tenant security deposits	31,955	(31,955)	-
Other	1,670	-	1,670
Total Non- Current Liabilities	**660,377**	**(618,635)**	**41,742**
TOTAL LIABILITIES	**702,521**	**(658,220)**	**44,301**
NET ASSETS	**89,170**	**(2,598)**	**86,572**
Unitholders Equity			
Contributed equity	386,856	-	386,856
Reserves	72,347	(72,347)	-
Accumulated losses	(372,631)	72,347	(300,284)
Total parent entity interest	**86,572**	**-**	**86,572**
Non-Controlling interest	2,598	(2,598)	-
Total Equity	**89,170**	**(2,598)**	**86,572**

Note 3. Changes in accounting policy (continued)

Restated balance sheet – 30 June 2013

	30 June 2013 (as reported) $'000	Increase/ (decrease) $'000	30 June 2013 (restated) $'000
Assets			
Current Assets			
Cash and cash equivalents	36,394	(35,884)	510
Trade and other receivables	6,385	(6,282)	103
Total Current Assets	**42,779**	**(42,166)**	**613**
Non-Current Assets			
Investment Property	626,146	(626,146)	-
Financial asset held at fair value through profit or loss	-	109,605	109,605
Total Non-Current Assets	**626,146**	**(516,541)**	**109,605**
TOTAL ASSETS	**668,925**	**(558,707)**	**110,218**
Liabilities			
Current Liabilities			
Trade and other payables	11,461	(10,936)	525
Borrowings	399,082	(399,082)	-
Tenant security deposits	5,276	(5,276)	-
Derivatives	-	-	-
Total Current Liabilities	**415,819**	**(415,294)**	**525**
Non-Current Liabilities			
Borrowings	148,961	(109,860)	39,101
Tenant security deposits	30,847	(30,847)	-
Other	2,270	-	2,270
Total Non-Current Liabilities	**182,078**	**(140,707)**	**41,371**
TOTAL LIABILITIES	**597,897**	**(556,001)**	**41,896**
NET ASSETS	**71,028**	**(2,706)**	**68,322**
Unitholders Equity			
Contributed equity	386,856	-	386,856
Reserves	60,449	(60,449)	-
Accumulated losses	(378,983)	60,449	(318,534)
Total parent entity interest	**68,322**	**-**	**68,322**
Non-Controlling interest	2,706	(2,706)	-
Total Equity	**71,028**	**(2,706)**	**68,322**

Note 3. Changes in accounting policy (continued)

Restated statement of cash flow

	30 June 2013 (as reported) $'000	Increase/ (decrease) $'000	30 June 2013 (restated) $'000
Cash flows from operating activities			
Rental and other property income received	57,422	(57,422)	-
Property and other expenses paid	(17,951)	17,951	-
Interest and other income received	9	(9)	-
Borrowing costs and interest paid	(14,023)	14,023	-
Other operating costs paid to suppliers	(7,581)	6,192	(1,389)
Tenant security deposits	(1,370)	1,370	-
Consumption tax/GST received/(paid)	(1,016)	1,038	22
Net cash inflow/(outflow) from operating activities	**15,490**	**(16,857)**	**(1,367)**
Cash flows from investing activities			
Additions to investment properties	(2,845)	2,845	-
Proceeds from the disposal of investment properties	19,621	(19,621)	-
Distributions received	-	1,394	1,394
Net cash intflow from investing activities	**16,776**	**(15,382)**	**1,394**
Cash flows from financing activities			
Repayment of borrowings	(33,828)	33,828	-
Finance costs paid	(1,991)	1,991	-
Net cash outflow from financing activities	**(35,819)**	**35,819**	**-**
Net increase/(decrease) in cash and cash equivalents	(3,553)	3,580	27
Effect of foreign exchange movements on cash	(3,469)	3,469	-
Cash and cash equivalents at the beginning of the year	**43,416**	**(42,933)**	**483**
Cash and cash equivalents at the end of the year	**36,394**	**(35,884)**	**510**

Note 4. Provision for Distribution

As announced on 20 June 2014 the Trust will pay a distribution for the six months ended 30 June 2014 equivalent to 7.0 cents per unit on 29 August 2014. The provision for distribution at 30 June 2014 is $7,451,127 (30 June 2013: nil).

Note 5. Auditor's remuneration

The auditor of the Trust in Australia is PricewaterhouseCoopers.

	30 June 2014 $	30 June 2013 $
Amounts received or receivable by the Trust's audit firm for:		
- Audit of the financial report	270,297	268,000
- Audit of the Trust compliance plan	10,868	11,000
- Tax services (statutory services)	26,548	15,000
	307,713	294,000
- Other non-audit related services (Trust recapitalisation)	150,000	-
- Tax services (non-statutory services)	88,000	48,000
	545,713	**342,000**

Note 6. Income tax

	30 June 2014 $'000	30 June 2013 $'000
Income tax credit:		
Withholding tax	**-**	**1,877**
Reconciliation of tax:		
Net profit/(loss) before tax for the year	34,676	(20,127)
Tax at the Australian rate of 30% (2013: 30%)	(10,403)	6,038
Tax effect of tax credits not taken into account	10,403	(6,038)
Japanese withholding tax provision reversed during the year	-	1,877
	-	**1,877**

Japanese withholding tax is only imposed on the distribution of taxable income from the TK Business to the Trust. Distributions made to the Trust by the TK Business during the year were not subject to Japanese withholding tax as they did not constitute a distribution of taxable income.

Note 7. Trade and other receivables

	30 June 2014 $'000	30 June 2013 $'000
GST	481	59
Prepayments	90	44
	571	**103**

Note 8. Financial asset at fair value through profit or loss

The Trust's interest in the portfolio of real estate assets in Japan is via a Tokumei Kumiai (TK) investment structure. Under Japanese commercial law, a TK is not a legal entity but a contractual relationship or a series of contractual relationships between one or more TK investors and the TK operator. In a TK arrangement, the TK investor makes TK investments into the business of an operator as defined by the TK agreement governing the arrangement.

The TK operator exclusively conducts the business in its own name and under its sole control in accordance with the TK agreement. The TK investor (in this case the Trust) has no rights to make any business decisions with respect to the TK business and has no voting rights in relation to the TK operator. Under the TK agreement, the TK investor is entitled to a proportional share of the profits and losses of the TK business which, in the case of the Trust, is 97%.

As described in Note 2(b) *Summary of significant accounting policies*, the Responsible Entity has early adopted AASB 2013-5 Investment Entities and accordingly, the Trust's investment in the TK Business is recognised as a financial asset held at fair value through profit or loss.

Determination of fair value

Fair value hierarchy
Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

- **Level 1** – valued by reference to quoted prices in active markets for identical assets or liabilities;
- **Level 2** – valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- **Level 3** – valued using valuation techniques or models that are based on unobservable inputs.

The fair value of the financial instrument held at balance date is derived using valuation techniques or models that are based on unobservable inputs and are therefore classified as Level 3 on the fair value hierarchy.

The Trust holds no Level 1 or Level 2 financial assets or liabilities.

The following table shows recurring financial assets that are measured at fair value at each balance date.

	30 June 2014 $'000	30 June 2013 $'000
Financial asset held at fair value through profit or loss:		
Unlisted investments (Level 3)	235,416	109,605

Note 8. Financial asset at fair value through profit or loss (continued)

The following table shows a reconciliation of the opening balance to the closing balance for unlisted investments in Level 3 of the fair value hierarchy. The fair value of the unlisted investment is determined in Japanese yen and translated at the relevant period end foreign exchange rate.

	30 June 2014 $'000	30 June 2013 $'000
Unlisted investment - balance at the beginning of the year	109,605	130,083
Fair value gain/(loss) recognised in income statement	21,178	(2,521)
Investment in TK Business	123,359	-
Distributions from TK Business	(8,714)	(1,394)
Foreign exchange movements	(10,012)	(16,563)
Unlisted investment - balance at the end of the year	**235,416**	**109,605**

The fair value gain/(loss) recognised in the income statement includes an unrealised gain of $8.4 million relating to investment property revaluations and an unrealised loss of $2.8 million relating to the mark-to-market of the interest rate swap (30 June 2013: unrealised loss $10.2 million relating to investment property revaluations and $0.4 million unrealised gain relating to the mark-to-market of the interest rate swap). Also see Note 15 *Segment information* for further details.

Fair value techniques using unobservable inputs

The fair value of the investment in the TK Business at balance date is determined by reference to the assets and liabilities of the underlying investment at balance date. The key components of the assets and liabilities of the TK Business are the investment properties and borrowings which are summarised in Note 15 *Segment information*.

(i) Investment property

At each reporting date the fair value of the Trusts indirect investment in the TK's investment property portfolio is assessed by the Directors. Fair value is determined based on either an independent market valuation by professionally qualified valuers or an assessment by the Directors. Independent valuations of the investment properties are obtained at least every three years, whenever the Responsible Entity believes there may have been a significant change in fair value within the period or to confirm current market valuation benchmarks, such as capitalisation rates and market rents. Where a property has not been independently revalued during the reporting period the Directors make an assessment of fair value and if that assessment results in the fair value being greater than 5% of the previous carrying value, a valuation adjustment is recorded.

The fair value of property investments is primarily determined by reference to the capitalisation of income method and the discounted cashflow method. These methods require assumptions and judgement in relation to the future receipt of contractual rents, expected future market rents, rental void periods, maintenance requirements, property capitalisation rates or estimated yields and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

Nine investment properties have been independently valued by DTZ Debenham Tie Leung KK (DTZ) at 30 June 2014. A further seven investment properties were independently valued by DTZ at 31 December 2013.

Note 8. Financial asset at fair value through profit or loss (continued)

The table below summarises (by property segment) the quantitative information about the significant unobservable inputs used in determining the fair value of the TK Business investment properties:

Property segment	Fair Value ($'000)	Unobservable input used to measure Fair Value	Weighted average unobservable inputs (30 June 2014)
Retail/Leisure	**$227,392** (30 June 2013: $241,707)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.45% 2.00% 6.27% 6.52% 0.00%
Office	**$243,110** (30 June 2013: $243,889)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	5.12% 5.68% 4.79% 4.82% 0.60%
Residential	**$79,849** (30 June 2013: $81,187)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.34% 4.98% 6.01% 6.04% 0.00%
Mixed Use (Confomall)	**$14,199** (30 June 2013: $14,732)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.67% 5.01% 6.40% 6.10% 0.00%
Mixed Use (Lions Square)	**$24,992** (30 June 2013: $19,642)	N/A – property carried at selling price (refer Note 21)	N/A
Industrial	**$23,473** (30 June 2013: $24,989)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.71% 3.29% 6.87% 6.80% 0.00%
Total	**$613,015** (30 June 2013: $626,146)		

Sensitivity information

Generally, a change in the assumption made for the capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. An amount within the range of the two valuations is then adopted by the valuer.

The interrelationships of the unobservable inputs and fair value can be summarised as follows:

a) The higher the capitalisation rate and expected vacancy rate, the lower the fair value;
b) The higher the discount rate and terminal yield, the lower the fair value; and
c) The higher the rental growth rate, the higher the fair value.

Note 8. Financial asset at fair value through profit or loss (continued)

(ii) Borrowings (TK Business)

The TK Business has two borrowing facilities which are carried at amortised cost, which approximates fair value and are summarised in the table below. Further details of the TK Business borrowings are included in Note 15 *Segment information*.

	Interest rate/ coupon % p.a.	30 June 2014 $'000	30 June 2013 $'000
Senior bank loan	Floating	314,367	399,082
Eurobonds	8.0%	63,002	-
Mezzanine Eurobonds + Convertible Eurobonds	Fixed	-	110,480
		377,369	**509,562**

Note 9. Trade and other payables

	30 June 2014 $'000	30 June 2013 $'000
Trade payables	47	18
Accrued expenses	201	507
	248	**525**

Note 10. Borrowings

	30 June 2014 $'000	30 June 2013 $'000
Foreign currency loan facility	-	39,101

As announced to the market in October 2013 the Trust successfully completed a recapitalisation, which included the repayment of the foreign currency loan facility. The foreign currency loan was deemed to be repaid in full following a principal payment of ¥1.27 billion ($13.9 million) as part of the October 2013 recapitalisation. The principal payment of ¥1.27 billion equated to a 68% discount to the par value of the loan at the time the payment was made. This has resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the year ended 30 June 2014.

Note 11. Contributed equity

	30 June 2014 $'000	30 June 2013 $'000
Contributed equity at the beginning of the year	386,856	386,856
Equity issued during the year	147,500	-
	534,356	386,856
Costs incurred in relation to the equity issued during the year	(6,078)	-
Contributed equity at the end of the year	**528,278**	**386,856**

Note 11. Contributed equity (continued)

	30 June 2014 (Units)	30 June 2013 (Units)
Number of units on issue at the beginning of the year	8,111,332	8,111,332
Number of units issued during the year	98,333,333	-
Number of units on issue at the end of the year	**106,444,665**	**8,111,332**

As stipulated in the Trust Constitution, each unit represents the right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units. Each unit issued ranks equally for the purpose of distributions, voting and in the event of termination of the Trust.

Note 12. Accumulated losses

	30 June 2014 $'000	30 June 2013 $'000
Balance at beginning of the year	(318,534)	(300,284)
Net profit/(loss) after tax for the year	34,676	(18,250)
Distributions paid/payable during the year	(11,177)	-
Balance at the end of the year	**(295,035)**	**(318,534)**

Note 13. Net asset value

	30 June 2014 $'000	30 June 2013 $'000
Total assets	240,942	110,218
Total liabilities	(7,699)	(41,896)
Net assets	**233,243**	**68,322**
Total number of units on issue	106,444,665	8,111,332
Net asset value per unit	$2.19	$8.42

The decline in net asset value per unit from $8.42 to $2.19 is primarily as a result of the October 2013 recapitalisation where 98,333,333 units were issued at $1.50 each.

Note 14. Earnings per unit

	30 June 2014	30 June 2013
Basic and diluted earnings/(loss) ($per unit)	0.44	(2.25)
Profit/(loss) used in the calculation of Loss per unit ($'000)	34,676	(18,250)

There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU. The weighted average number of units used in determining basic and diluted loss per unit (EPU) is 79,234,619 (2013: 8,111,332).

Note 15. Segment information

As disclosed in Note 8 *Financial asset at fair value through profit or loss*, the Trust has an indirect investment in a TK Business in Japan. The TK Business owns a diverse portfolio of real estate assets in Japan, has borrowings and other assets and liabilities. The TK Business is the key reporting segment that management analyse in assessing the underlying components of the Trust's investment.

The figures in this segment note represent 100% of the operating results and net assets of the TK Business. The contractual arrangement between the Trust and the TK Business entitles the Trust to 97% of the profits and losses of the business of the TK and 98.5% of the TK net assets.

TK Business assets and liabilities

	30 June 2014 $'000	30 June 2013 $'000
TK Business assets		
Cash and cash equivalents	10,216	2,241
Restricted cash	34,658	33,642
Other TK Business assets	5,888	6.903
Investment property (refer Note 8 for details)	613,015	626,146
Total TK Business assets	**663,777**	**668,932**
TK Business liabilities		
Other TK Business liabilities	(10,384)	(10,936)
Tenant security deposits	(34,566)	(36,123)
Interest rate swap liability	(2,684)	-
Borrowings (refer below for details)	(377,369)	(509,562)
Total TK Business liabilities	**(425,003)**	**(556,621)**
TK Business net assets	**238,774**	**112,311**
Non-controlling interest share of TK Business net assets	(3,358)	(2,706)
Investment in TK Business	**235,416**	**109,605**
Trust assets	5,526	613
Total Trust assets	**240,942**	**110,218**

TK Business borrowings

	Maturity date	30 June 2014 $'000	30 June 2013 $'000
Current			
Senior bank loan (i)		-	399,082
		-	**399,082**
Non-Current			
Senior bank loan (i)	October 2018	314,367	-
Eurobonds (ii)	October 2020	63,002	-
Mezzanine Eurobonds (iii)		-	88,224
Convertible Eurobonds (iv)		-	22,256
		377,369	**110,480**
Total TK Business borrowings		**377,369**	**509,562**

Note 15. Segment information (continued)

As announced to the market in October 2013 the Trust successfully completed a recapitalisation that provided capital to the TK Business which allowed the TK Business to issue new Eurobonds, refinance the senior bank loan and to repay certain borrowings. Details are included below.

(i) Senior bank loan

This loan facility is denominated in Japanese yen and was refinanced in October 2013 after making a principal repayment of ¥6.45 billion, including accrued interest thereon.

Prior to being refinanced in October 2013 the loan facility had a maturity date of 31 March 2014, an interest rate margin of 1.75% above 3-month Japanese LIBOR, mandatory principal repayments equivalent to 3.0% per annum on the outstanding principal balance and a debt service coverage ratio (DSCR) covenant of 1.5x (as defined).

The loan balance at 30 June 2014 is ¥30.0 billion (June 2013: ¥36.6 billion), is secured by a mortgage over 21 investment properties and contains cross default provisions with the Eurobonds. The maturity date has been extended to 11 October 2018 and has an interest rate margin of 1.25% over 3-month Japanese LIBOR. There are no undrawn amounts for this facility and no loan to value (LTV) covenant test. There is a DSCR covenant test of 1.7x (as defined) and the actual DSCR for the June 2014 quarter was 2.3x.

As part of the October 2013 refinance, a five year interest rate swap was entered into equating to 80% of the senior loan principal balance to swap floating interest rate payments to fixed interest rate payments. The notional value of the interest rate swap is ¥24.0 billion and the fixed rate payable under the swap agreement is 0.4%. Through the use of this interest rate swap the effective interest rate per annum on this loan was 1.6%.

(ii) Eurobonds

As part of the October 2013 recapitalisation new Eurobonds with a par value of ¥6.12 billion ($64.1 million) and an issue price of $¥6.0 billion ($62.9 million) were issued by the TK Business on the following terms:

- Fixed 8% interest coupon per annum on the par value for the term of the Eurobonds;
- 7 year term;
- No LTV or DSCR covenant;
- Mandatory prepayment upon the sale of an asset at release price without penalty; and
- Voluntary prepayment lock out in years 1 to 3. Voluntary prepayments between years 3 and 4 can be made at 104% of the principal amount being repaid. No penalty for voluntary prepayments after year 4.

(iii) Mezzanine Eurobonds

The outstanding balance of the mezzanine Eurobonds were repaid in full by the TK Business as part of the October 2013 recapitalisation.

(iv) Convertible Eurobonds

The outstanding balance of the convertible Eurobonds were repaid in full by the TK Business as part of the October 2013 recapitalisation.

Note 15. Segment information (continued)

TK Business operating result

The executive team manages the Trust's investment in the TK Business on a fair value basis and also reviews the underlying operating performance of the TK Business. Additional information on the underlying operating performance of the TK Business as well as the fair value adjustments recorded by the Trust is noted below.

	30 June 2014 $'000	30 June 2013 $'000
TK Business operating performance		
Rental income	55,630	60,022
Other income	16	8
Property expenses	(19,640)	(18,811)
Finance costs	(15,138)	(27,139)
Unrealised gain/(loss) interest rate swap	(2,761)	381
Loss on sale of investment property	-	(1,057)
Investment property revaluations	9,029	(10,251)
Operating expenses	(5,418)	(5,566)
Non-controlling interest	(540)	(108)
Fair value gain/(loss) recognised in the income statement	**21,178**	**(2,521)**
Trust operating income	26,079	-
Trust operating expenses	(12,581)	(17,606)
Net profit/(loss) before income tax for the year	**34,676**	**(20,127)**

Note 16. Cash and cash equivalents

	30 June 2014 $'000	30 June 2013 $'000
Cash at bank	4,955	510
	4,955	**510**

Note 17. Capital and financial risk management

The Trust, either directly or via its investment in the TK Business, undertakes transactions in a range of financial instruments including:

> cash and cash equivalents
> receivables
> unlisted investments
> payables
> borrowings
> derivatives

These activities expose the Trust to a variety of financial risks including capital risk, market risk (including currency risk, interest rate risk, real estate risk and refinancing risk), credit risk and liquidity risk.

Note 17. Capital and financial risk management (continued)

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

Risk management is carried out by executive management under policies approved by the Board of Directors of the Responsible Entity.

(a) Capital risk

The Trust's objective when managing capital is to maintain an optimal capital structure to reduce the cost of capital and to safeguard its ability to continue as a going concern.

Capital management is monitored in two main ways:

(i) *Balance sheet management* – achieved by maintaining an appropriate mix of equity and debt capital and ensuring gearing levels remain in line with the board approved policies. When debt levels exceed certain thresholds distributions can be suspended to allow for cash to be used to repay debt.

The Trust protects its equity in the TK Business property portfolio (via its investment into the TK Business) by ensuring that the TK Business has insurance cover with credit worthy insurers. The current insurance policies do not include earthquake cover.

(ii) *Income statement management* – the primary objective is to maintain a stabilised distributable earnings profile for unitholders in Australian dollars from the equity investment in foreign currency. The main source of income is from the investment property portfolio (held via the investment in the TK Business). The TK Business minimises risks associated with the investment properties by investing in a diverse portfolio of real estate, including sector, location and tenant diversification.

(b) Market risk

Market risk is separated into foreign exchange risk, being the effect of the movement in foreign currencies on the Trust's operations, and interest rate risk, being the effect of the movement in interest rates on the Trust's operations.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Trust's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

The Trust's foreign currency risk arises primarily from:

> net investments in foreign operations

> forecast transactions for receipt in foreign currencies and payment in Australian dollars

As disclosed to the market, there is currently no foreign currency hedging in place for the Trust's investment in the TK Business or on the income the Trust earns from the TK Business. It is the current intention of the Responsible Entity to translate the Japanese Yen the Trust receives each quarter into Australian dollars within 10 business days of its receipt, subject to the Board of Directors deciding otherwise prior to the transaction.

Note 17. Capital and financial risk management (continued)

A 5% increase in the average AUD:JPY exchange rate from 92.77 to 97.41 for the year ended 30 June 2014 would result in a reduction in net profit in the Income Statement of $0.6 million. A 5% decrease in the average exchange rate from 92.77 to 88.13 for the year ended 30 June 2014 would result in an increase in net profit in the Income Statement of $0.6 million.

A 5% increase in the spot AUD:JPY exchange rate from 95.43 to 100.20 as at 30 June 2014 would result in a decrease in net assets in the balance sheet of $11.4 million or $0.11 per unit. A 5% decrease in the spot AUD:JPY exchange rate from 95.43 to 90.66 as at 30 June 2014 would result in an increase in net assets in the balance sheet of $12.6 million or $0.12 per unit.

A sensitivity of 5% is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in exchange rates may exceed the range shown above.

(ii) Interest rate risk

The Trust is exposed to interest rate risk on its cash assets as well as the cash assets, borrowings and certain derivative financial instruments of the TK Business. The policy for the level of fixed rate borrowings is set by the board of directors of the Responsible Entity. This risk is managed by ensuring that the Trust and the TK Business maintain an appropriate mix of fixed and floating interest rate instruments and to enter into interest rate derivatives when considered necessary after careful analysis.

Cash flow interest rate risk can be managed by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps it is agreed with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts calculated by reference to agreed notional principal amounts.

The use of interest rate swap contracts to hedge interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for payments to unitholders and that such losses may exceed the amount invested in such instruments. The profitability of the Trust may be adversely affected during any period as a result of changing interest rates.

Interest rate swap contracts to fix the interest rate on certain of its borrowings can be used by the Trust and the TK Business. The requirements for hedge accounting could not be met and therefore the interest rate swap contracts do not qualify for hedge accounting. As a result any movement in the fair market value of the interest rate swap derivatives held by the TK Business is recorded in the income statement as part of the fair value gain on financial assets. The fair market value of the interest rate swap contract is included in the carrying value of the financial asset in the balance sheet.

As disclosed in Note 15: *Segment information* the TK Business has a senior bank loan with an interest rate margin of 1.25% over 3-month Japanese LIBOR. As part of the October 2013 refinance, the Trust entered into a five year interest rate swap equating to 80% of the principal balance outstanding to swap floating interest rate payments to fixed interest rate payments.

The notional value of the interest rate swap is ¥24.0 billion ($251.5 million) and the fixed rate payable under the swap agreement is 0.4%. Through the use of this interest rate swap the effective interest rate per annum on this loan was 1.6%.

An increase/(decrease) in the market rate of 0.05% for the 20% of the senior loan facility not subject to an interest rate swap would result in increased/(decreased) interest expense of approximately $32,000. A sensitivity of 0.05% is considered reasonable given the current level of interest rates and the volatility observed both on an historical basis and market expectations for future movement. Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in interest rates may exceed the amounts above.

Note 17. Capital and financial risk management (continued)

(ii) Interest rate risk (continued)

The Trust's exposure to interest rate risk on its financial instruments at 30 June 2014 and 30 June 2013 are detailed below.

30 June 2014	**Weighted Average Interest Rate**	**< 1 Year $'000**	**1 – 5 Years $'000**	**> 5 Years $'000**	**Non-interest Bearing $'000**	**Total $'000**
Financial assets:						
Cash – AUD	0.05%	4,955	-	-	-	4,955
Trade and other receivables		-	-	-	571	571
Financial asset at FVTPL	Note 8	-	-	-	235,416	235,416
Total financial assets		**4,955**	**-**	**-**	**235,987**	**240,942**
Financial liabilities:						
Trade and other Payables		248	-	-	-	248
Total financial liabilities		**248**	**-**	**-**		**248**

30 June 2013	**Weighted Average Interest Rate**	**< 1 Year $'000**	**1 – 5 Years $'000**	**> 5 Years $'000**	**Non-interest Bearing $'000**	**Total $'000**
Financial assets:						
Cash – AUD	0.1%	510	-	-	-	510
Trade and other receivables	-	-	-	-	103	103
Financial asset at FVTPL	Note 8	-	-	-	109,605	109,605
Total financial assets		**510**	**-**	**-**	**109,708**	**110,218**
Financial liabilities:						
Borrowings	Note 10	-	39,101	-	-	39,101
Trade and other Payables		-	-	-	525	525
Total financial liabilities		**-**	**39,101**	**-**	**525**	**39,626**

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangement. The Trust's maximum exposure to credit risk at 30 June 2014 in relation to each class of recognised financial instruments is the carrying amount of those instruments in the statement of financial position. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The TK Business has a credit policy for all tenants and rents are payable monthly in advance. In the event of default by an occupational tenant, the TK Business will suffer a rental shortfall and could incur additional related costs. TK Business management review external reports on the credit quality of tenants and monitors rental arrears on a monthly basis. Any rental arrears that are greater than 30 days old are provided for in the financial statements. Amounts that are less than 30 days old are assessed on a case by case basis. The TK Business has no significant concentration of credit risk as the exposure is spread over a large number of tenants.

With respect to credit risk arising from other financial assets, which comprise cash and cash equivalents, the Trust's exposure to credit arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The credit risk on cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions.

Note 17. Capital and financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Trust or the TK Business will encounter in realising assets or otherwise raising funds to meet its financial commitments. Investments in property are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price, even if sales should occur shortly after the valuation date.

Investments in property are illiquid, however, the Trust (via the TK Business) has tried to mitigate the associated risk by investing in desirable properties in prime locations. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, the ability to close out market positions, and the option to raise funds through the issue of new securities or via the distribution reinvestment plan.

(e) Investment property risk

The Trust is subject to investment property risk via its investment in the TK Business. Investment property and net operating income derived from such investments are subject to volatility and may be affected adversely by a number of factors. Factors include, national, regional and local economic conditions which may be adversely affected by industry slowdowns or continued weakness in specific industry segments, construction quality, age and design, demographic factors, retroactive changes to building or similar codes, and increases in operating expenses (such as energy costs). The TK Business minimises investment property risk by investing in a diverse portfolio of real estate, including sector, location and tenant diversification.

(f) Refinancing risk

Refinancing risk is the risk that unfavourable interest rate and credit market conditions result in an unacceptable increase in the Trust's exposure to credit margins and interest cost. Refinancing risk arises when the Trust and/or the TK Business is required to obtain debt to fund existing and new debt positions. The Trust and the TK Business are exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Trust and the TK Business can manage this risk by spreading maturities of borrowings, using interest rate derivatives and reviewing potential transactions to understand the impact on the Trust and TK Business credit positions. As at 30 June 2014, the exposure to refinancing risk by the Trust and TK Business can be assessed by considering the maturity dates of its borrowings as disclosed in *Note 15 Segment information*.

(g) Offsetting financial assets and financial liabilities

There are no recognised financial instruments that are offset in the balance sheet.

Note 18. Related party disclosures

Responsible Entity Fees

	30 June 2014 $'000	30 June 2013 $'000
Responsible entity fee	473	-
Cost recovery charge	166	600
Total amount paid/payable to the Responsible Entity	**639**	**600**

Under the terms of the Trust Constitution, the Responsible Entity is entitled to receive a base responsible entity fee up to 0.4% per annum of the Trust's direct and indirect proportionate interest (i.e. 98.5%) in the properties and other assets held in the TK Business. As the TK operator in Japan charges an asset management fee of 0.3% per annum, the Responsible Entity fee charged in Australia is 0.1% per annum.

From September 2009 and up until the October 2013 refinance, the Responsible Entity agreed to waive its base fee (0.1% per annum) and put in place an operating cost recovery arrangement. The Trust was liable to reimburse the Responsible Entity for operating costs of up to $50,000 per month relating to costs for the ongoing management of the Trust. The payment of these costs was deferred until all outstanding obligations to the Mezzanine and Convertible Eurobond holders and the foreign currency facility lender were repaid.

As discussed in Note10 *Borrowings and* Note 15 *Segment information,* the mezzanine and convertible Eurobond noteholders and the lender under the foreign currency loan facility were repaid as part of the Trust recapitalisation that occurred in October 2013. Subsequently, the accumulated outstanding cost recovery charge at the date of the October 2013 recapitalisation of $2.4 million was paid by the Trust to the Responsible Entity and the payment of the 0.1% per annum responsible entity fee commenced from that date.

Directors interest in the Trust

The number of units held, either directly or indirectly, by the directors of the Responsible Entity at balance date is outlined below along with their entitlement to the estimated distribution for the six months ended 30 June 2014. There are no options to buy units in the Trust held by any of the Directors of the Responsible Entity.

	Distribution Due	Units held 30 June 2014	Units held 30 June 2013
Jack Ritch	$667	9,540	2,829
Philip Redmond	$700	10,000	5,300
Frank Zipfinger	$770	11,000	4,400
Neil Werrett*	$269,385	3,848,364	515,031
Peter Murphy	$1,176	16,803	16,803

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd. As part of the October 2013 recapitalisation, 3,333,333 units were acquired by Galileo Japan Funds Management Limited at the placement issue price of $1.50 per unit.

Note 18. Related party disclosures (continued)

Related Party Transactions

The items below represent amounts paid or payable to related parties.

	30 June 2014 $'000	30 June 2013 $'000
Foreign currency loan	-	19,551
Disposition fee – Galileo Japan K.K.	270	556
Asset management fee – Galileo Japan K.K.	4,088	4,382

Foreign currency loan
The lender for the foreign currency loan was Galileo Finance Pty Limited, which is 50% owned by an entity controlled by Mr Neil Werrett who is the Chief Executive Officer and Executive Director of the Responsible Entity. This loan was repaid in full following a principal payment of ¥1.27 billion ($14.1 million) as part of the October 2013 recapitalisation. The principal payment of ¥1.27 billion equated to a 68% discount to the par value of the loan at the time the payment was made, which resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the year ended 30 June 2014.

Other transactions
Galileo Japan K.K. provides asset management services, due diligence services and other financial and operating support services to the TK Operator and receives fees as outlined in the table above for providing these services.

Galileo Japan K.K. is entitled to a disposition fee equivalent to 1% of the sale price of properties sold. The fee payable at 30 June 2014 relates to the sale of Lions Square as disclosed in Note 21 *Events subsequent to balance date*. The fee payable at 30 June 2013 relating to unpaid disposition fees for assets sold by the TK Business was paid during the year ended 30 June 2014.

Note 19. Reconciliation of cash flows from operating activities

	30 June 2014 $'000	30 June 2013 $'000
Net profit/(loss) after tax	34,676	(18,250)
Debt forgiveness – foreign currency loan	(26,061)	-
Fair value loss/(gain) on Financial Assets through profit or loss	(21,178)	2,521
Unrealised foreign exchange loss	9,927	11,898
Finance costs – amortisation of fair value discount	1,045	3,807
Income tax gain	-	(1,877)
Net cash used by operating activities before changes in assets and liabilities	(1,591)	(1,901)
Changes in assets and liabilities during the year:		
Decrease/(increase) in trade and other receivables	(468)	119
Increase/(decrease) in trade and other payables	(2,452)	415
Net cash outflow from operating activities	**(4,511)**	**(1,367)**

Note 20. Commitments and contingent liabilities

The Directors of the Responsible Entity are not aware of any commitments or contingent liabilities in relation to the Trust which should be brought to the attention of Unitholders as at the date of this report.

Note 21. Events subsequent to balance date

As announced to the market on 24 July 2014, the Japanese TK business completed the sale of its beneficial interest in Lions Square, located in Saitama prefecture, Greater Tokyo for ¥2.385 billion ($25.0 million). As announced to the market on 24 July 2014, the Japanese TK business completed the sale of its beneficial interest in Lions Square, located in Saitama prefecture, Greater Tokyo for ¥2.385 billion ($25.0 million). The Trust's investment in the TK Business at 30 June 2014 includes this property at the sale price.

On 22 August 2014, the Responsible Entity announced its intention to undertake an on-market buy-back of the Trust's units. The buy-back will be funded through the net proceeds released from the recent sale of Lions Square. Should market conditions permit, the Trust intends to buy-back up to the lesser of $5.0 million worth of units, and 10% of the Trust's present issued capital. Further details are set out in the Appendix 3C released to the market on 22 August 2014.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2014 not otherwise dealt with in the financial report that has significantly or may significantly alter the operations of the Trust, the results of its operations or the state of affairs of the Trust in subsequent financial periods.

GALILEO JAPAN TRUST

Directors' Declaration

1. In the opinion of the directors of Galileo Japan Funds Management Limited, the Responsible Entity for Galileo Japan Trust (the "Trust"):

   (a) the financial statements and notes set out on pages 10 to 40 are in accordance with the Corporations Act 2001, including:

      (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

      (ii) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (b) there are reasonable grounds to believe that, as at the date of this report, the Trust will be able to pay its debts as and when they become due and payable.

2. Note 2(a) confirms that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. The Directors have been given declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Jack Ritch
Chairman

Dated at Sydney this 28 August 2014

Independent auditor's report to the members of Galileo Japan Trust

Report on the financial report

We have audited the accompanying financial report of Galileo Japan Trust (the trust), which comprises the balance sheet as at 30 June 2014, the income statement, 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.

Directors' responsibility for the financial report

The directors of Galileo Japan Funds Management Limited (the responsible entity) 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 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: 1300 799 615, F: 1300 799 618, www.pwc.com.au

pwc

Auditor's opinion

a) In our opinion, the financial report of Galileo Japan Trust is in accordance with the *Corporations Act 2001,* including:

   i) giving a true and fair view of the trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
28 August 2014