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

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APPENDIX 4E
Preliminary Final Report
For the year ended 30 June 2015

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2014 – 30 June 2015
Previous corresponding period:	1 July 2013 – 30 June 2014

Results for announcement to the Market

						($ '000)
Revenues from ordinary activities	Down	42.6%	from	47,257	to	27,140
Profit from ordinary activities attributable to unitholders of the Trust	Down	26.6%	from	34,676	to	25,448
Net profit for the period attributable to unitholders of the Trust	Down	26.6%	from	34,676	to	25,448

Distributions to unitholders	Amount per unit (cents)
Previous corresponding period:	
Interim distribution	3.5
Final distribution	7.0
Current period:	
Interim distribution (paid 27 February 2015)	6.7
Final distribution (payable on 28 August 2015)	8.2
Record date to determine entitlement to final distribution	30 June 2015

Note: Franked amount per unit is not applicable. The interim and final distribution relating to the 30 June 2015 financial year is 100% 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

The significant variance in the revenue and profit comparison to the previous corresponding period above is due to the previous corresponding period including a gain from debt forgiveness of $26.1 million relating to a loan facility that was repaid at a discount during that period. Refer to the associated ASX results presentation and related announcement for further details on the results for the year ended 30 June 2015.

Net Asset Value

	30 June 2015	30 June 2014
Net asset value per unit	$2.29	$2.19

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 2015

The financial report of the Trust for the year ended 30 June 2015 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 2015 which have been audited by PricewaterhouseCoopers. Refer to the financial statements for a copy of their audit report.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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 2015.

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 2015 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 2015 there were 12 directors meetings held and all directors 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 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 also a non-executive director of MHPF Premium Farms (Holdings) Pty Ltd and the Northcare Foundation. 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 council member of Macquarie University, a member of the Board of Melbourne Business School and a Director of the Australian Youth Orchestra. 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.

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. Neil has been involved in the assessment of business and real estate opportunities in Japan since 1998 and established Galileo Japan Funds Management Limited in 2006.

Peter Murphy, Executive Director and Chief Operating Officer
Peter has more than 20 years experience in the property industry in numerous capacities including valuations, as well as asset and funds management. Over the past 18 years, he has been directly involved in the management of various listed property entities. Before joining Galileo, Peter was at Multiplex (now Brookfield Multiplex) where he was Divisional Director, Institutional Funds responsible for in excess of $3 billion in funds under management. He was also Group Manager, Marketing and Communications. His role at Galileo entails development and execution of fund and portfolio strategy, acquisitions, divestments, reporting and investor communication.

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 2015. 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 2015	Units held 30 June 2014
Jack Ritch	$1,722	21,000	9,540
Philip Redmond	$820	10,000	10,000
Frank Zipfinger	$1,640	20,000	11,000
Neil Werrett*	$315,566	3,848,364	3,848,364
Peter Murphy	$1,378	16,803	16,803

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd.

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

On-market unit buy-back

During the year the Trust undertook an on-market unit buy-back. As announced to the market on 1 July 2015 a total of 1,059,250 units were bought back at an average price of $1.79 for total consideration of $1,899,873. Following the successful completion of the buy-back, there are 105,385,415 units on issue.

Operating and Financial Review (continued)

Japanese TK Business debt refinancing

As announced to the market in October 2014 the Japanese TK Business completed an early refinance of the Eurobonds ("Refinance") that were issued in October 2013. The Refinance (including associated costs) was funded with new mezzanine loans totalling ¥6.00 billion (A$62.9 million) as well as the net cash proceeds released from the sale of Lions Square in July 2014.

Key points of the Refinance were as follows:

- The maturity date of the new mezzanine loans is the same as the existing senior loan (October 2018)
- The average "all-in" interest rate on the new mezzanine loans (including an interest rate swap on ¥2.0 billion of the principal for the duration of the loan) is 3.3% p.a.
- Upfront fee on the new mezzanine loans of 1.0%
- The new mezzanine loans do not require any principal amortisation (being interest only) and do not include loan to value covenant tests
- The Eurobonds were issued in October 2013 at a par value of ¥6.12 billion (A$64.2 million), a fixed interest coupon of 8.0% per annum, and a maturity date of October 2020. The par value immediately prior to the Refinance was ¥5.90 billion (A$61.8 million). The Eurobonds had a three year lock out period during which early repayment was not permitted, other than when assets were sold. The Japanese TK Business negotiated to pay ¥6.49 billion (A$68.0 million), including accrued interest, to acquire all the Eurobonds effective 24 October 2014
- The refinance resulted in an increase in funds from operations allowing for the increase in distributions to unitholders for the financial year ended 30 June 2015, reflecting the interest expense savings from the date of the Refinance (24 October 2014) to 30 June 2015

Sale of two Japanese TK Business investment properties

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 ¥2.4 billion ($25.0 million). The sale price represented a 32.5% premium to the last independent valuation of ¥1.8 billion ($18.9 million) as at 31 December 2013.

On 12 December 2014, the Japanese TK business completed the sale of its beneficial interest in Doshoumachi, located in Osaka, for ¥800 million ($8.1 million). The sale price represented a 14% premium to the last reported book value of ¥702 million ($7.1 million) as at 30 June 2014.

Financial results

Through its indirect investment in the Japanese TK Business, the Trust holds a beneficial interest in 19 properties (30 June 2014: 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 2015 the fair value of investment property equates to ¥56.25 billion ($598.9 million) which is down 3.8% from 30 June 2014 (¥58.5 billion; $613.0 million) due to the two sales during the year but up 1.5% on a like-for-like basis (in Japanese yen terms).

Investment property in Australian dollars increased by 3.1% as a result of the stronger Japanese yen at 30 June 2015. The 30 June 2015 value has been determined using independent valuations for seven properties prepared by DTZ Debenham Tie Leung KK, with the remainder of the portfolio being the Directors' assessment of fair value as outlined in Note 7 of the financial statements.

Operating and Financial Review (continued)

Key points relating to the financial result for the year ended 30 June 2015 are summarised below.

- Net profit for the year of $25.5 million (30 June 2014: $34.68 million). The profit for the previous corresponding year included a gain from debt forgiveness of $26.1 million relating to a loan facility that was repaid at a discount;
- Unrealised foreign exchange gain for the year of $5.5 million (30 June 2014: loss of $9.9 million) as a result of the stronger Japanese yen at 30 June 2015 ($1.00 = ¥93.92) compared to 30 June 2014 ($1.00 = ¥95.43);
- Fair value gain on financial assets held at fair value through profit or loss for the year of $21.6 million (30 June 2014: $21.2 million);
- Net asset value of $2.29 per unit at 30 June 2015 (30 June 2014: $2.19);
- At 30 June 2015 current liabilities exceed current assets by $7.0 million due to the provision for distribution of $8.6 million that will be paid to unitholders on 28 August 2015. The Trust received $9.4 million from the TK Business in August 2015 relating to the March 2015 and June 2015 quarter operations, which, when combined with cash already held by the Trust, will be used to fund the distribution payment. 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 foreign exchange rate at the balance date was A$1=¥93.92 (30 June 2014: A$1=¥95.43) while the average foreign exchange rate for the year was A$1=¥95.55 (30 June 2014: A$1=¥92.77).

Distributions

As announced to the market on 23 June 2015 the Trust will pay a distribution for the six months ended 30 June 2015 equivalent to 8.2 cents per unit on 28 August 2015. Together with the interim distribution paid in February 2015 of 6.7 cents per unit, the total distribution for the year ended 30 June 2015 is 14.9 cents per unit. The Trust's Distribution Reinvestment Plan 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 17 *Related party disclosures* of the financial statements. 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 investment properties and other assets held in the TK Business. As the Galileo asset manager in Japan charges a fund management fee of 0.3% per annum, the Responsible Entity fee charged in Australia is 0.1% per annum.

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

Subsequent to 30 June 2015 the Trust has entered into two forward foreign exchange contracts to sell ¥875,000,000 and receive $10,015,708 on 23 February 2016, which will be used to fund trust operating costs and the estimated distribution for the half year ending 31 December 2015.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2015 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.

Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/100 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.

Non-audit services

The Responsible Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience are important. Details of amounts paid or payable to the Trust's auditor (PricewaterhouseCoopers) for audit and non-audit services are set out in Note 4 in the financial statements. The directors of the Responsible Entity are satisfied that the provision of non-audit services by the auditor, as set out in Note 4, did not compromise the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principals relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

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 8.

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

Jack Ritch
Chairman
Sydney, 26 August 2015

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Auditor's Independence Declaration

As lead auditor for the audit of Galileo Japan Trust for the year ended 30 June 2015, 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
26 August 2015

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	Note	30 June 2015 $'000	30 June 2014 $'000
Revenue and other income			
Fair value gain on financial assets held at fair value through profit or loss	7	21,589	21,178
Debt forgiveness – foreign currency loan facility		-	26,061
Unrealised foreign exchange gain		5,544	-
Interest and other income		7	18
Total revenue and other income		**27,140**	**47,257**
Expenses			
Finance costs – foreign currency loan facility		-	(1,045)
Responsible entity fees and costs	17	(630)	(639)
Auditors remuneration	4	(322)	(308)
Professional fees		(234)	(255)
Other expenses		(395)	(407)
Realised foreign exchange loss		(24)	-
Unrealised foreign exchange loss		-	(9,927)
Financial instrument loss	9	(87)	-
Total expenses		**(1,692)**	**(12,581)**
Net profit before tax for the year		**25,448**	**34,676**
Income tax	5	-	-
Net profit after tax for the year		**25,448**	**34,676**
Basic and diluted earnings per unit	13	$0.24	$0.44

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

	30 June 2015 $'000	30 June 2014 $'000
Net profit after tax for the year	25,448	34,676
Other comprehensive income	-	-
Total comprehensive Income	**25,448**	**34,676**

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

	Note	30 June 2015 $'000	30 June 2014 $'000
Assets			
Current Assets			
Cash and cash equivalents	15	1,797	4,955
Trade and other receivables	6	89	571
Total Current Assets		**1,886**	**5,526**
Non-Current Assets			
Financial asset held at fair value through profit or loss	7	248,030	235,416
Total Non-Current Assets		**248,030**	**235,416**
TOTAL ASSETS		**249,916**	**240,942**
Liabilities			
Current Liabilities			
Trade and other payables	8	169	248
Other liabilities	9	87	-
Provision for distribution	3	8,642	7,451
Total Current Liabilities		**8,898**	**7,699**
TOTAL LIABILITIES		**8,898**	**7,699**
NET ASSETS	12	**241,018**	**233,243**
UNITHOLDERS' EQUITY			
Contributed equity	10	526,378	528,278
Accumulated losses	11	(285,360)	(295,035)
TOTAL EQUITY		**241,018**	**233,243**

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 2015

	Contributed Equity $'000	Accumulated Losses $'000	Total Equity $'000
Balance 1 July 2014	**528,278**	**(295,035)**	**233,243**
Profit for the year	-	25,448	25,448
Transactions with unitholders in their capacity as unitholders:			
Buy-back of share capital	(1,900)	-	(1,900)
Distribution paid or payable	-	(15,773)	(15,773)
Balance 30 June 2015	**526,378**	**(285,360)**	**241,018**

	Contributed Equity $'000	Accumulated Losses $'000	Total Equity $'000
Balance 1 July 2013	**386,856**	**(318,534)**	**68,322**
Profit for the year	-	34,676	34,676
Transactions with unitholders in their capacity as unitholders:			
Issue of share capital	147,500	-	147,500
Costs incurred in relation to equity issued	(6,078)	-	(6,078)
Distribution paid or payable	-	(11,177)	(11,177)
Balance 30 June 2014	**528,278**	**(295,035)**	**233,243**

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 2015

	Note	30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities			
Interest received		7	18
Operating costs paid		(1,634)	(4,093)
GST received/(paid)		456	(436)
Net cash outflow from operating activities	**18**	**(1,171)**	**(4,511)**
Cash flows from investing activities			
Investment in financial assets held at fair value through profit or loss		-	(123,359)
Distributions received	**7**	14,486	8,714
Net cash inflow/(outflow) from investing activities		**14,486**	**(114,645)**
Cash flows from financing activities			
Proceeds from the issue of units		-	147,500
Costs incurred in relation to issue of units		-	(6,078)
On-market unit buy-back	**10**	(1,900)	-
Distributions paid to unitholders		(14,650)	(3,726)
Repayment of borrowings		-	(14,086)
Net cash inflow/(outflow) from financing activities		**(16,550)**	**123,610**
Net increase/(decrease) in cash and cash equivalents		(3,235)	4,454
Effect of foreign exchange movements on cash		77	(9)
Cash and cash equivalents at the beginning of the year		**4,955**	**510**
Cash and cash equivalents at the end of the year	**15**	**1,797**	**4,955**

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 $7.0 million. This is as a result of the provision for distribution of $8.6 million which will be paid to unitholders on 28 August 2015. The Trust received $9.4 million from the TK Business in August 2015 relating to the March 2015 and June 2015 quarter operations, which, when combined with cash already held by the Trust, will be used to fund the distribution payment. 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 statements were authorised for issue by the directors of the Responsible Entity on 26 August 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

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 7 *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 15 Revenue from contracts with customers (effective from 1 January 2018)

AASB 15 *Revenue from contracts with customers* is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires the notion of control to replace the existing notion of risks and rewards. It is expected that AASB 15 will change certain current practices in the market. For example, bundled goods and services that are distinct shall be recognised separately and the point at which revenue is able to be recognised may shift. A new 5-step process for the recognition of revenue will have to be adopted.

AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 replaces the multiple classification and measurement models in AASB 139 Financial instruments. It will simplify the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss can now be presented within other comprehensive income; this change can be adopted early without adopting AASB 9

The Responsible Entity is yet to finalise its assessment of the impact these two new standards may have on the Trusts financial statements. The Responsible Entity does not anticipate that the Trust will adopt these standards early.

(c) Foreign currency translation

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=¥93.92 (30 June 2014: A$1=¥95.43) while the average foreign exchange rate for the year ended 30 June 2015 was A$1=¥95.55 (30 June 2014: A$1=¥92.77). Foreign exchange differences arising on translation are recorded in the Income Statement.

(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.

Note 2. Summary of significant accounting policies (continued)

(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.

(j) Revenue

Revenue is recognised at fair value of the consideration received net of the amounts of goods and services tax or consumption tax 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

All expenses, including fees paid to the Responsible Entity, are brought to account on an accruals basis.

Note 2. Summary of significant accounting policies (continued)

(l) 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 2014, 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.

(m) 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.

(n) 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.

(o) 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 and consistent 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.

Note 2. Summary of significant accounting policies (continued)

(p) 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.

(q) Comparative figures

The comparative figures represent the year ended 30 June 2014.

(r) Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/100 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. Provision for Distribution

As announced to the market on 23 June 2015 the Trust will pay a distribution for the six months ended 30 June 2015 equivalent to 8.2 cents per unit ($8.6 million) on 28 August 2015. Together with the interim distribution paid in February 2015 of 6.7 cents per unit ($7.2 million), the total distribution for the year ended 30 June 2015 is 14.9 cents per unit ($15.8 million).

Note 4. Auditor's remuneration

The auditor of the Trust in Australia is PricewaterhouseCoopers.

	30 June 2015 $	30 June 2014 $
Amounts paid or payable to the Trust's audit firm for:		
- Audit of the financial report	274,610	270,297
- Audit of the Trust compliance plan	11,500	10,868
- Tax services (statutory services)	36,054	26,548
	322,164	307,713
- Other non-audit related services	-	150,000
- Other non-statutory tax services	-	88,000
	322,164	**545,713**

Note 5. Income tax

	30 June 2015 $'000	30 June 2014 $'000
Income tax credit:		
Withholding tax	-	-
Reconciliation of tax:		
Net profit before tax for the year	25,448	34,676
Tax at the Australian rate of 30% (2014: 30%)	(7,634)	(10,403)
Tax effect of tax credits not taken into account	7,634	10,403
	-	-

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 6. Trade and other receivables

	30 June 2015 $'000	30 June 2014 $'000
GST	24	481
Prepayments	65	90
	89	**571**

Note 7. 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%.

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 2015 $'000	30 June 2014 $'000
Financial asset held at fair value through profit or loss:		
Unlisted investments (Level 3)	248,030	235,416

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 2015 $'000	30 June 2014 $'000
Unlisted investment - balance at the beginning of the year	235,416	109,605
Fair value gain recognised in income statement	21,589	21,178
Investment in TK Business	-	123,359
Distributions from TK Business	(14,486)	(8,714)
Foreign exchange movements	5,511	(10,012)
Unlisted investment - balance at the end of the year	**248,030**	**235,416**

Note 7. Financial asset at fair value through profit or loss

The fair value gain recognised in the income statement includes an unrealised gain of $6.5 million relating to investment property revaluations and an unrealised gain of $0.5 million relating to the mark-to-market of the interest rate swap in the TK Business (30 June 2014: unrealised gain $8.4 million relating to investment property revaluations and $2.8 million unrealised loss relating to the mark-to-market of the interest rate swap). Also see Note 14 *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 14 *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 by 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 movement being greater than 5% of the previous carrying value, a valuation adjustment is recorded.

The fair value of investment property 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.

As at 30 June 2015 there have been seven investment properties independently valued by DTZ Debenham Tie Leung KK. A further six assets were independently valued at 31 December 2014.

The table below shows the movement in the TK Business investment properties from the previous year.

	30 June 2015 $'000	30 June 2014 $'000
Fair value at the beginning of the year	613,015	626,146
Additions to investment property	2,244	2,708
Sold during the period	(33,026)	-
Revaluation adjustments	6,646	9,028
Foreign currency translation movements	10,035	(24,867)
Fair value at the end of the year	**598,914**	**613,015**

Note 7. 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
Retail/Leisure	**$234,987** (30 June 2014: $227,392)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.19% (2014:6.45%) 2.93% (2014:2.00%) 6.24% (2014:6.27%) 6.21% (2014:6.52%) 0.17% (2014:0.00%)
Office	**$243,612** (30 June 2014: $243,110)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	5.02% (2014:5.12%) 5.11% (2014:5.68%) 4.71% (2014:4.79%) 4.81% (2014:4.82%) 0.65% (2014:0.60%)
Residential	**$82,730** (30 June 2014: $79,849)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.17% (2014:6.34%) 4.61% (2014:4.98%) 5.99% (2014:6.01%) 6.08% (2014:6.04%) -0.09% (2014:0.00%)
Mixed Use (Confomall)	**$14,587** (30 June 2014: $14,199)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.57% (2014:6.67%) 5.40% (2014:5.01%) 6.20% (2014:6.40%) 6.57% (2014:6.10%) 0.40% (2014:0.00%)
Mixed Use (Lions Square)	**$nil** (30 June 2014: $24,992)	Property sold in July 2014	N/A
Industrial	**$22,998** (30 June 2014: $23,473)	Capitalisation rate Vacancy rate Discount rate Terminal yield Rental growth rate	6.89% (2014:6.71%) 5.00% (2014:3.29%) 6.97% (2014:6.87%) 6.95% (2014:6.80%) 0.00% (2014:0.00%)
Total	**$598,914** (30 June 2014: $613,015)		

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.

(ii) Borrowings (TK Business)

The TK Business has three borrowing facilities which are all subject to floating interest rates and carried at amortised cost. The balance of each facility at 30 June 2015 approximates fair value. Further details of these borrowings are included in Note 14 *Segment information.*

Note 8. Trade and other payables

	30 June 2015 $'000	30 June 2014 $'000
Trade payables	58	47
Accrued expenses	111	201
	169	**248**

Note 9. Other liabilities

	30 June 2015 $'000	30 June 2014 $'000
Financial instrument - foreign currency liability (mark-to-market)	87	-

The foreign currency liability at 30 June 2015 represents the mark-to-market value of the forward foreign currency trade completed on 18 June 2015 for ¥895.0 million which settled on 25 August 2015 for $9.44 million and will be used to pay the June 2015 distribution and provide working capital for the Trust.

Note 10. Contributed equity

During the year the Trust undertook an on-market unit buy-back. As announced to the market on 1 July 2015 a total of 1,059,250 units were bought back at an average price of $1.79 for a total consideration of $1,899,873.23. Following the successful completion of the buy-back, there are 105,385,415 units on issue.

	30 June 2015 $'000	30 June 2014 $'000
Contributed equity at the beginning of the year	528,278	386,856
Equity bought back during the year	(1,900)	-
Equity issued during the year	-	147,500
	526,378	534,356
Costs incurred in relation to the equity issued during the year	-	(6,078)
Contributed equity at the end of the year	**526,378**	**528,278**

	30 June 2015 (Units)	30 June 2014 (Units)
Number of units on issue at the beginning of the year	106,444,665	8,111,332
Number of units bought back during the year	(1,059,250)	-
Number of units issued during the year	-	98,333,333
Number of units on issue at the end of the year	**105,385,415**	**106,444,665**

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 11. Accumulated losses

	30 June 2015 $'000	30 June 2014 $'000
Balance at beginning of the year	(295,035)	(318,534)
Net profit after tax for the year	25,448	34,676
Distributions paid/payable during the year	(15,773)	(11,177)
Balance at the end of the year	**(285,360)**	**(295,035)**

Note 12. Net asset value

	30 June 2015 $'000	30 June 2014 $'000
Total assets	249,916	240,942
Total liabilities	(8,898)	(7,699)
Net assets	**241,018**	**233,243**
Total number of units on issue	105,385,415	106,444,665
Net asset value per unit	$2.29	$2.19

Note 13. Earnings per unit

	30 June 2015	30 June 2014
Basic and diluted earnings ($per unit)	0.24	0.44
Profit used in the calculation of profit per unit ($'000)	25,448	34,676

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 profit per unit (EPU) is 106,225,533 (2014: 79,234,619).

Note 14. Segment information

As disclosed in Note 7 *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 TK Business and 98.5% of the TK Business net assets.

TK Business assets and liabilities

	30 June 2015 $'000	30 June 2014 $'000
TK Business assets		
Cash and cash equivalents	20,216	10,216
Restricted cash	38,586	34,658
Other TK Business assets	5,732	5,888
Investment property (refer Note 7 for details)	598,914	613,015
Total TK Business assets	**663,448**	**663,777**
TK Business liabilities		
Other TK Business liabilities	(11,264)	(10,384)
Tenant security deposits	(32,204)	(34,566)
Interest rate swap liability	(2,254)	(2,684)
Borrowings (refer below for details)	(365,747)	(377,369)
Total TK Business liabilities	**(411,469)**	**(425,003)**
TK Business net assets	**251,979**	**238,774**
Non-controlling interest share of TK Business net assets	(3,949)	(3,358)
Investment in TK Business	**248,030**	**235,416**
Trust assets	1,886	5,526
Total Trust assets	**249,916**	**240,942**

Note 14. Segment information (continued)

TK Business borrowings

	Maturity date	30 June 2015 $'000	30 June 2014 $'000
Senior bank loan (i)	October 2018	302,555	314,367
Mezzanine loan – senior (ii)	October 2018	31,596	-
Mezzanine loan – junior (iii)	October 2018	31,596	-
Eurobonds (iv)		-	63,002
Total TK Business borrowings		**365,747**	**377,369**

As announced to the market in October 2014 the Japanese TK Business completed an early refinance of the Eurobonds ("Refinance") that were issued in October 2013. The Refinance was funded with new mezzanine loans totaling ¥6.00 billion (A$62.9 million) as well as the net cash proceeds released from the sale of Lions Square in July 2014.

Details of the TK Business loan facilities are included below.

(i) Senior bank loan

This ¥28.4 billion loan facility is denominated in Japanese yen, is secured by a mortgage over 19 investment properties and contains cross default provisions with the Mezzanine loans. The loan balance at 30 June 2015 is ¥28.4 billion ($302.6 million) (June 2014: ¥30.0 billion - $314.4 million) following a partial repayment using proceeds from the two investment properties sold during the year. The maturity date is 11 October 2018 and the loan 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 covenant test. There is a quarterly DSCR covenant test using a threshold of 1.9x. The actual DSCR for the June 2015 quarter was 2.3x (June 2014 quarter 2.3x).

There is a coterminous interest rate swap associated with this loan facility 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 1.61% for the year ended 30 June 2015.

(ii) Mezzanine loan - senior

This ¥2.97 billion loan was entered into as part of the refinance undertaken in October 2014. It is a Japanese yen denominated loan with a balance at 30 June 2015 of ¥2.97 billion ($31.6 million) following a partial repayment using proceeds from the investment property sold in December 2014. The loan has a maturity date of 11 October 2018 and an interest rate of 1.25% over 3-month Japanese LIBOR. There is no principal amortisation requirement and no loan to value covenants. There is no DSCR test for this loan.

There is a coterminous interest rate swap associated with this Mezzanine loan facility to swap floating interest rate payments to fixed interest rate payments. The notional value of the interest rate swap is ¥2.0 billion and the fixed rate payable under the swap agreement is 0.24%. Through the use of this interest rate swap the effective interest rate per annum on this loan was 1.45% for year ended 30 June 2015.

Note 14. Segment information (continued)

TK Business borrowings

(iii) Mezzanine loan - junior

This ¥2.97 billion loan was entered into as part of the refinance undertaken in October 2014. It is a Japanese yen denominated loan with a balance at 30 June 2015 of ¥2.97 billion ($31.6 million) following a partial repayment using proceeds from the investment property sold in December 2014. The loan has a maturity date of 11 October 2018 and an interest rate of 5.05% over 3-month Japanese LIBOR. There is no principal amortisation requirement and no loan to value covenants. There is no DSCR test for this loan.

(iv) Eurobonds

The Eurobonds were repaid as part of the refinance undertaken in October 2014. The Eurobonds were issued in October 2013 at a par value of ¥6.12 billion (A$64.2 million), a fixed interest coupon of 8.0% per annum, and a maturity date of October 2020. The par value immediately prior to repayment was ¥5.90 billion (A$61.8 million). The Eurobonds had a three year lock out period during which early repayment was not permitted, other than when assets were sold. The Japanese TK Business negotiated to pay ¥6.49 billion (A$68.0 million), including accrued interest to acquire all the Eurobonds effective 24 October 2014.

TK Business operating result

The executive team measures and evaluates the performance of 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 2015 $'000	30 June 2014 $'000
TK Business operating performance		
Rental income	52,925	55,630
Other income	55	16
Property expenses	(18,087)	(19,640)
Finance costs	(7,889)	(14,182)
Amortisation of finance costs	(2,098)	(956)
Premium on Eurobond repayment	(5,158)	-
Unrealised gain/(loss) interest rate swap	465	(2,761)
Investment property revaluations	6,646	9,028
Operating expenses	(4,678)	(5,417)
Non-controlling interest	(592)	(540)
Fair value gain recognised in the income statement	**21,589**	**21,178**
Trust operating income	5,551	26,079
Trust operating expenses	(1,692)	(12,581)
Net profit before income tax for the year	**25,448**	**34,676**

Note 15. Cash and cash equivalents

	30 June 2015 $'000	30 June 2014 $'000
Cash at bank	1,797	4,955
	1,797	**4,955**

Note 16. 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.

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.

Note 16. Capital and financial risk management (continued)

(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.

A 10% increase in the average AUD:JPY exchange rate from 95.55 to 105.11 for the year ended 30 June 2015 would result in a reduction in net profit in the Income Statement of $1.3 million. A 10% decrease in the average exchange rate from 95.55 to 86.00 for the year ended 30 June 2015 would result in an increase in net profit in the Income Statement of $1.6 million.

A 10% increase in the spot AUD:JPY exchange rate from 93.92 to 103.31 as at 30 June 2015 would result in a decrease in net assets in the balance sheet of $20.0 million or $0.19 per unit. A 10% decrease in the spot AUD:JPY exchange rate from 93.92 to 84.53 as at 30 June 2015 would result in an increase in net assets in the balance sheet of $24.5 million or $0.23 per unit.

A sensitivity of 10% 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.

Note 16. Capital and financial risk management (continued)

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 14 *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 2014 refinance, the Trust entered into an interest rate swap equating to ¥24.0 billion ($255.5 million) to swap floating interest rate payments to fixed interest rate payments. The fixed rate payable under the swap agreement is 0.4%, resulting in the effective interest rate per annum on this loan being 1.6%.

An increase/(decrease) in the market rate of 0.05% for the borrowings not subject to an interest rate swap would result in increased/(decreased) interest expense of approximately $41,000. 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.

(ii) Interest rate risk (continued)

The Trust's exposure to interest rate risk on its financial instruments at 30 June 2015 and 30 June 2014 are detailed below.

30 June 2015	Weighted Average Interest Rate	< 1 Year $'000	1 – 5 Years $'000	> 5 Years $'000	Non-interest Bearing $'000	Total $'000
Financial assets:						
Cash – AUD	0.03%	1,797	-	-	-	1,797
Trade and other receivables		-	-	-	89	89
Financial asset at FVTPL	Note 7				248,030	248,030
Total financial assets					**248,119**	**249,916**
Financial liabilities:						
Trade and other Payables		-	-	-	169	169
Other liabilities		-	-	-	87	87
Total financial liabilities		**-**			**256**	**256**

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 7	-	-	-	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**

Note 16. Capital and financial risk management (continued)

(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 2015 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.

(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 can comprise a combination of measures, including, maintaining sufficient cash balances and cash reserves, 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 a distribution reinvestment plan. The TK Business minimises liquidity risk by maintaining what it believes to be sufficient working capital cash balances and cash reserves for capital expenditure, property taxes, insurance and leasing fees.

(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 a combination of measures, including, spreading maturities of borrowings, using interest rate derivatives and reviewing potential transactions to understand the impact on the Trust and TK Business credit positions. The TK Business uses interest rate derivatives to manage its exposure to floating interest rates during the term of its debt facilities. As at 30 June 2015, 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 14 Segment information*.

Note 16. Capital and financial risk management (continued)

(g) Offsetting financial assets and financial liabilities

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

Note 17. Related party disclosures

Responsible Entity Fees

	30 June 2015 $'000	30 June 2014 $'000
Responsible entity fee	630	473
Cost recovery charge	-	166
Total amount paid/payable to the Responsible Entity	**630**	**639**

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 investment properties and other assets held in the TK Business. As the Galileo asset manager in Japan charges a fund management fee of 0.3% per annum, the Responsible Entity fee charged in Australia is 0.1% per annum.

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 2015. 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 2015	Units held 30 June 2014
Jack Ritch	$1,722	21,000	9,540
Philip Redmond	$820	10,000	10,000
Frank Zipfinger	$1,640	20,000	11,000
Neil Werrett*	$315,566	3,848,364	3,848,364
Peter Murphy	$1,378	16,803	16,803

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd.

Related Party Transactions

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

	30 June 2015 $'000	30 June 2014 $'000
Fund management fee (TK operator services) – Galileo Japan K.K.	1,928	2,001
Asset management fee (specific asset management) – Galileo Japan K.K.	246	306
Disposition fee – Galileo Japan K.K.	328	270
Debt arrangement fee – Galileo Japan K.K.	309	-

Note 17. Related party disclosures (continued)

Details of related party services

Galileo Japan K.K. provides fund management services, due diligence services and other financial and operating support services to the TK Operator and receives a fee equivalent to 0.30% per annum of gross assets for providing these services Galileo Japan K.K. provides specific asset management services and other financial and operating support services relating to specific investment properties in the TK Business and receives a fee equivalent to 0.30% per annum of the asset fair value for providing these services.

Galileo Japan K.K. is entitled to a disposition fee equivalent to 1.0% of the sale price of properties sold. The fee payable during the year ended 30 June 2015 relates to the sale of Lions Square and Doshoumachi.

Galileo Japan K.K. is entitled to a debt arrangement fee equivalent to 0.50% of the principal amount of the debt arranged. The fee payable during the year ended 30 June 2015 relates to the refinancing of the Eurobonds with ¥6.0 billion in new mezzanine loans.

Note 18. Reconciliation of cash flows from operating activities

	30 June 2015 $'000	30 June 2014 $'000
Net profit after tax	25,448	34,676
Debt forgiveness – foreign currency loan	-	(26,061)
Fair value gain on Financial Assets through profit or loss	(21,589)	(21,178)
Realised foreign exchange loss relating to investing activities	24	-
Net unrealised foreign exchange loss/(gain)	(5,457)	9,927
Finance costs – amortisation of fair value discount	-	1,045
Net cash used by operating activities before changes in assets and liabilities	(1,574)	(1,591)
Changes in assets and liabilities during the year:		
Decrease/(increase) in trade and other receivables	482	(468)
Decrease in trade and other payables	(79)	(2,452)
Net cash outflow from operating activities	**(1,171)**	**(4,511)**

Note 19. 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 20. Events subsequent to balance date

Subsequent to 30 June 2015 the Trust has entered into two forward foreign exchange contracts to sell ¥875,000,000 and receive $10,015,708 on 23 February 2016, which will be used to fund trust operating costs and the estimated distribution for the half year ending 31 December 2015.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2015 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 9 to 33 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 2015 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 26 August 2015

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 2015, 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 of responsible entity's declaration.

Directors of responsible entity's 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 of the responsible entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 of the responsible entity, 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*.

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Auditor's opinion

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

(a) giving a true and fair view of the trust's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
26 August 2015