



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 4D HALF YEAR REPORT for the six months ended 31 December 2015

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2015 – 31 December 2015
Previous corresponding period:	1 July 2014 – 31 December 2014

Results for announcement to the Market

	(\$ '000)
Revenues from ordinary activities	Up 222.4% from 9,207 to 29,679
Profit from ordinary activities attributable to unitholders of the Trust	Up 881.7% from 2,822 to 27,704
Net profit for the period attributable to unitholders of the Trust	Up 881.7% from 2,822 to 27,704

Distributions to unitholders	Amount per unit (cents)
<i>Previous corresponding period:</i> Interim distribution	6.7
<i>Current period:</i> Interim distribution (paid 29 February 2016)	8.7
Record date to determine entitlement to final distribution	31 December 2015

Note: Franked amount per unit is not applicable for GJT units.

Distribution reinvestment plan

The Trust's Distribution reinvestment plan was not in operation during the period.

Explanation and discussion of the above results

The significant variance in the revenue and profit comparison to the previous corresponding period above is primarily due to the stronger Japanese Yen compared to previous corresponding period. Refer to the associated ASX results presentation and related announcement for further details on the results for the half-year ended 31 December 2015.

Net Asset Value

	31 December 2015	30 June 2015
Net asset value per unit	\$2.46	\$2.29

Details of controlled entities and associates

There were no new entities over which control was gained during the period, nor any associates or joint venture entities during the period.

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 half-year ended 31 December 2015

The financial report of the Trust for the half-year ended 31 December 2015 is attached to this announcement.

Other significant information

For further information with regards to the Trust result for the half-year ended 31 December 2015, refer to the Directors' report which is attached to this announcement along with the associated ASX results presentation and announcement.

On 29 February 2016 the Responsible Entity announced to the market a major transaction regarding the assets of the Trust (refer to the announcement presentation titled "Proposed sale of the Japanese property portfolio and return of net proceeds to Unitholders"). The proposal, which is subject to unitholder approval, comprises the sale of the Japanese investment properties in which the Trust has an indirect interest, distribution of net equity proceeds to unitholders and wind-up of the Trust.

The aggregate sale price for the Japanese investment properties is expected to be approximately ¥57.8 billion which represents a 2.2% premium to its 31 December 2015 book value. This assumes that Prejeal Utsubo is sold "as is" for approximately ¥0.45 billion which is its current book value. The proposed sale of the Japanese investment properties is conditional on the success of an initial public offering to be undertaken by a newly formed J-REIT on the Tokyo Stock Exchange which is anticipated to complete around August 2016. Details of the proposed transaction are included in the Notice of Meeting and Explanatory Memorandum released to the ASX on 29 February 2016.

Further details with regards to this proposed transaction have been lodged with the ASX.

Compliance statement

This Appendix 4D is based on the financial statements of the Trust for the half-year ended 31 December 2015 which have been reviewed by PricewaterhouseCoopers. Refer to the financial statements for a copy of their review report.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

GALILEO JAPAN TRUST
Financial Report
For the half-year ended 31 December 2015

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GALILEO JAPAN TRUST
Directors' Report
For the half-year ended 31 December 2015

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 half-year ended 31 December 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 half-year ended 31 December 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 half-year ended 31 December 2015 there were 5 directors meetings held and all directors were present. During the half-year ended 31 December 2015 there were 2 meetings held by the Committee of Independent Directors.

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

Financial results

Through its indirect investment in the Japanese TK Business, the Trust holds a beneficial interest in 19 properties (30 June 2015: 19 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 31 December 2015 the fair value of investment property equates to ¥56.55 billion (\$642.8 million) which is up 0.5% (in Japanese yen terms) from 30 June 2015 (¥56.25 billion; \$598.9 million) on a like-for-like basis. The 31 December 2015 value has been determined using independent valuations for all 19 properties prepared by DTZ Debenham Tie Leung KK.

Key points relating to the financial result for the half-year ended 31 December 2015 are summarised below.

- Net profit for the half-year of \$27.7 million (31 December 2014: \$2.8 million);
- Fair value gain on financial assets held at fair value through profit or loss for the half-year of \$12.1 million (31 December 2014: \$9.1 million);
- Net asset value of \$2.46 per unit at 31 December 2015 (30 June 2015: \$2.29);
- Unrealised foreign exchange gain for the half-year of \$17.6 million as a result of the stronger Japanese yen (\$1.00 = ¥87.98) compared to 30 June 2015 (\$1.00 = ¥93.92);
- At 31 December 2015 current liabilities exceed current assets by \$7.4 million due to the provision for distribution of \$9.2 million that will be paid to unitholders on 29 February 2016. The Trust received \$10.0 million from the TK Business in February 2016 relating to the December 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.

Operating and Financial Review

The foreign exchange rate at 31 December 2015 was A\$1=¥87.98 (30 June 2015: A\$1=¥93.92) while the average foreign exchange rate for the half-year ended 31 December 2015 was A\$1=¥88.11 (31 December 2014: A\$1=¥96.97).

Distributions

As announced to the market on 18 December 2015 the Trust will pay an interim distribution equivalent to 8.7 cents per unit on 29 February 2016. The Trust's Distribution Reinvestment Plan (DRP) is not in operation.

Significant changes in the state of affairs

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, there were no significant changes in the state of affairs of the Trust that occurred during the half-year ended 31 December 2015 and up to the date of this report.

Events subsequent to balance date

Proposed Transaction

On 29 February 2016 the Responsible Entity announced to the market a major transaction regarding the assets of the Trust (refer to the announcement presentation titled "Proposed sale of the Japanese property portfolio and return of net proceeds to Unitholders"). The proposal, which is subject to unitholder approval, comprises the sale of the Japanese investment properties in which the Trust has an indirect interest, distribution of net equity proceeds to unitholders and wind-up of the Trust.

The aggregate sale price for the Japanese investment properties is expected to be approximately ¥57.8 billion which represents a 2.2% premium to its 31 December 2015 book value. This assumes that Prejeal Utsubo is sold "as is" for approximately ¥0.45 billion which is its current book value. The proposed sale of the Japanese investment properties is conditional on the success of an initial public offering to be undertaken by a newly formed J-REIT on the Tokyo Stock Exchange which is anticipated to complete around August 2016. Details of the proposed transaction are included in the Notice of Meeting and Explanatory Memorandum released to the ASX on 29 February 2016.

Prejeal Utsubo Park Building (Utsubo) Structural Compliance

As part of the due diligence for the proposed transaction discussed above, engineering reports and structural reports were commissioned for all 19 properties. The results of a seismic review undertaken at Utsubo concluded that this property was not compliant with current Japanese earthquake building standards. Rectification works at this property to ensure compliance with current standards need to be completed. The estimated costs of the rectification works have been factored into the valuation of the property as at 31 December 2015, with the carrying value decreasing to ¥0.45 billion from ¥0.81 billion at 30 June 2015. The tenants occupying the apartments (64 studio apartments) have been notified of the situation and GJKK is endeavouring to relocate the tenants as soon as possible. Due to the rental income from this property (when it is fully tenanted) contributing approximately 1.1% of total portfolio rental income per annum, the loss of rent from this property is not expected to have a material impact on the Trust's overall operating result. The investment property portfolio is not insured for risks arising from earthquakes. In the event of a major earthquake Utsubo may be more likely to sustain serious damage due to its structural deficiencies. This could result in additional costs, loss of value and potential liability to third parties which is presently unquantifiable.

The Directors are not aware of any matter or circumstance occurring since 31 December 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.

GALILEO JAPAN TRUST
Directors' Report
For the half-year ended 31 December 2015

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.

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 6.

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



Jack Ritch
Chairman
Sydney, 29 February 2016



Auditor's Independence Declaration

As lead auditor for the review of Galileo Japan Trust for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish extending to the right.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
29 February 2016

GALILEO JAPAN TRUST
Income Statement
For the half-year ended 31 December 2015

	Note	31 December 2015 \$'000	31 December 2014 \$'000
Revenue and other income			
Fair value gain on financial assets held at fair value through profit or loss	5	12,117	9,078
Unrealised foreign exchange gain		17,561	-
Realised foreign exchange gain		-	125
Interest and other income		1	4
Total revenue and other income		29,679	9,207
Expenses			
Responsible entity fees	10	(326)	(317)
Professional fees		(275)	(178)
Other expenses		(345)	(201)
Unrealised foreign exchange loss		-	(5,689)
Realised foreign exchange loss		(1,029)	-
Total expenses		(1,975)	(6,385)
Net profit before tax for the half-year		27,704	2,822
Income tax expense		-	-
Net profit after tax for the half-year		27,704	2,822
Basic and diluted earnings per unit	7	\$0.26	\$0.03

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

GALILEO JAPAN TRUST
Statement of Comprehensive Income
For the half-year ended 31 December 2015

	31 December 2015	31 December 2014
	\$'000	\$'000
Net profit after tax for the half-year	27,704	2,822
Other comprehensive income	-	-
Total comprehensive Income	27,704	2,822

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

GALILEO JAPAN TRUST
Balance Sheet
31 December 2015

	Note	31 December 2015 \$'000	30 June 2015 \$'000
Assets			
Current Assets			
Cash and cash equivalents	9	1,623	1,797
Trade and other receivables		121	89
Other assets	4	81	-
Total Current Assets		1,825	1,886
Non-Current Assets			
Financial asset held at fair value through profit or loss	5	266,998	248,030
Total Non-Current Assets		266,998	248,030
TOTAL ASSETS		268,823	249,916
Liabilities			
Current Liabilities			
Trade and other payables		101	169
Other liabilities		-	87
Provision for distribution	3	9,168	8,642
Total Current Liabilities		9,269	8,898
TOTAL LIABILITIES		9,269	8,898
NET ASSETS		259,554	241,018
UNITHOLDERS' EQUITY			
Contributed equity	6	526,378	526,378
Accumulated losses		(266,824)	(285,360)
TOTAL EQUITY		259,554	241,018

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

GALILEO JAPAN TRUST
Statement of Changes in Equity
For the half-year ended 31 December 2015

	Contributed Equity \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance 1 July 2015	526,378	(285,360)	241,018
Profit for the half-year	-	27,704	27,704
Transactions with unitholders in their capacity as unitholders:			
Distribution paid or payable	-	(9,168)	(9,168)
Balance 31 December 2015	526,378	(266,824)	259,554
Balance 1 July 2014	528,278	(295,035)	233,243
Profit for the half-year	-	2,822	2,822
Transactions with unitholders in their capacity as unitholders:			
Distribution paid or payable	-	(7,132)	(7,132)
Balance 31 December 2014	528,278	(299,345)	228,933

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

GALILEO JAPAN TRUST
Statement of Cash Flows
For the half-year ended 31 December 2015

	31 December 2015	31 December 2014
	\$'000	\$'000
Cash flows from operating activities		
Interest received	1	4
Operating costs paid	(1,032)	(766)
GST received/(paid)	(5)	426
Net cash outflow from operating activities	(1,036)	(336)
Cash flows from investing activities		
Distributions received	9,442	7,845
Net cash inflow from investing activities	9,442	7,845
Cash flows from financing activities		
Distributions paid	(8,663)	(7,451)
Net cash outflow from financing activities	(8,663)	(7,451)
Net increase/(decrease) in cash and cash equivalents	(257)	58
Effect of foreign exchange movements on cash	83	18
Cash and cash equivalents at the beginning of the period	1,797	4,955
Cash and cash equivalents at the end of the period	1,623	5,031

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

This interim financial report for the half-year ended 31 December 2015 has been prepared in accordance with the requirements of the Trust Constitution, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by the Trust during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

At 31 December 2015 current liabilities exceed current assets by \$7.4 million due to the provision for distribution of \$9.2 million that will be paid to unitholders on 29 February 2016. The Trust received \$10.0 million from the TK Business in February 2016 relating to the December 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 report was approved by the Board of Directors on 29 February 2016.

(b) Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Comparatives

Where applicable, certain comparative figures are restated in order to comply with the current half-year presentation of the financial statements.

New and Amended Accounting Standards

There have been no new or revised accounting standards or interpretations which are effective from the periods beginning on or after 1 July 2015 that impact the interim financial results.

Note 2. Summary of significant accounting policies (continued)

(c) 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 period and the amounts of revenues and expenses recognised during the reporting period. 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 5 *Financial asset at fair value through profit or loss*.

(d) 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.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 3. Provision for distribution

As announced to the market on 18 December 2015 the Trust will pay an interim distribution equivalent to 8.7 cents per unit on 29 February 2016. The provision for distribution for the half-year ended 31 December 2015 is \$9,168,531 (31 December 2014: \$7,131,793).

Note 4. Other assets

The other asset at 31 December 2015 includes \$71,000 (30 June 2015: \$87,000 – liability) representing the mark-to-market value of the forward foreign currency trades completed on 7 July 2015 for ¥400.0 million and 25 August 2015 for ¥475.0 million which were entered into to hedge the foreign exchange risk associated with the distribution that the Trust receives from the TK Business. These forward foreign currency contracts were settled on 23 February 2016 for \$10.0 million and will be used to pay the December 2015 distribution and provide working capital for the Trust.

Note 5. 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 financial assets or liabilities. The Trust holds a Level 2 financial asset which is discussed in Note 4: *Other assets*.

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

	31 December 2015 \$'000	30 June 2015 \$'000
Financial asset held at fair value through profit or loss:		
Unlisted investments (Level 3)	266,998	248,030

Note 5. 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.

	31 December 2015	30 June 2015
	\$'000	\$'000
Unlisted investment - balance at the beginning of the period	248,030	235,416
Fair value gain recognised in income statement	12,117	21,589
Distributions from TK Business	(9,442)	(14,486)
Foreign exchange movements	16,293	5,511
Unlisted investment - balance at the end of the period	266,998	248,030

The fair value gain recognised in the income statement includes an unrealised gain of \$1.7 million relating to investment property revaluations and an unrealised loss of \$0.3 million relating to the mark-to-market of the interest rate swap (30 June 2015: unrealised gain \$6.5 million relating to investment property revaluations and \$0.5 million unrealised gain relating to the mark-to-market of the interest rate swap). Also see Note 8 *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 8 *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 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.

All 19 investment properties have been independently valued by DTZ Debenham Tie Leung KK (DTZ) at 31 December 2015.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 5. Financial asset at fair value through profit or loss (continued)

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

	31 December 2015 \$'000	30 June 2015 \$'000
Fair value at the beginning of the period	598,914	613,015
Additions to investment property	1,742	2,244
Sold during the period	-	(33,026)
Revaluation adjustments	1,668	6,646
Foreign currency translation movements	40,436	10,035
Fair value at the end of the period	642,760	598,914

The table below summarises (by property segment) the fair value of the TK Business investment properties.

TK Business investment properties	Fair Value 31 December 2015 \$'000	Fair Value 30 June 2015 \$'000
Retail/Leisure	252,330	234,987
Office	265,629	243,612
Residential	84,565	82,730
Mixed Use	15,572	14,587
Industrial	24,664	22,998
Total	642,760	598,914

(ii) Borrowings (TK Business)

The TK Business has three borrowing facilities which are carried at amortised cost. The balance of each facility at 31 December 2015 approximates fair value. Further details of these borrowings are included in Note 8 *Segment information*.

Note 6. Contributed equity

	31 December 2015 \$'000	30 June 2015 \$'000
Contributed equity at the beginning of the period	526,378	528,278
Equity bought back during the period	-	(1,900)
Contributed equity at the end of the period	526,378	526,378

	31 December 2015 (Units)	30 June 2015 (Units)
Number of units on issue at the beginning of the period	105,385,415	106,444,665
Number of units bought back during the period	-	(1,059,250)
Number of units on issue at the end of the period	105,385,415	105,385,415

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.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 7. Earnings per unit

	31 December 2015	31 December 2014
Basic and diluted earnings (per unit)	\$0.26	\$0.03
Profit used in the calculation of earnings per unit (\$'000)	\$27,704	\$2,822

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 105,385,415 (2014: 106,444,665).

Note 8. Segment information

As disclosed in Note 5 *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

	31 December 2015 \$'000	30 June 2015 \$'000
TK Business assets		
Cash and cash equivalents	19,627	20,216
Restricted cash	42,561	38,586
Other TK Business assets	4,185	5,732
Investment property (refer Note 5 for details)	642,760	598,914
Total TK Business assets	709,133	663,448
TK Business liabilities		
Other TK Business liabilities	(10,193)	(11,264)
Tenant security deposits	(34,475)	(32,204)
Interest rate swap liability	(2,716)	(2,254)
Borrowings (refer below for details)	(390,440)	(365,747)
Total TK Business liabilities	(437,824)	(411,469)
TK Business net assets	271,309	251,979
Non-controlling interest share of TK Business net assets	(4,311)	(3,949)
Investment in TK Business	266,998	248,030
Trust assets	1,825	1,886
Total Trust assets	268,823	249,916

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 8. Segment information (continued)

TK Business borrowings

	Maturity date	31 December 2015	30 June 2015
		\$'000	\$'000
Non-Current			
Senior bank loan (i)	October 2018	322,982	302,555
Mezzanine loan – senior (ii)	October 2018	33,729	31,596
Mezzanine loan – junior (iii)	October 2018	33,729	31,596
Total TK Business borrowings		390,440	365,747

Details of the TK Business loan facilities are included below.

(i) Senior bank loan

This ¥28.41 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 31 December 2015 is ¥28.41 billion (\$323.0 million) (June 2015: ¥28.41 billion). 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 (LTV) covenant test. There is a quarterly DSCR covenant test using a threshold of 1.9x. The actual DSCR for the December 2015 quarter was 2.3x (June 2015 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 1.60% for the half-year ended 31 December 2015.

(ii) Mezzanine loan - senior

This ¥2.97 billion loan is a Japanese yen denominated loan with a balance at 31 December 2015 of ¥2.97 billion (\$33.7 million) (June 2015: ¥2.97 billion). 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 1.44% for the half-year ended 31 December 2015.

(iii) Mezzanine loan - junior

This ¥2.97 billion loan is a Japanese yen denominated loan with a balance at 31 December 2015 of ¥2.97 billion (\$33.7 million) (June 2015: ¥2.97 billion). 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.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 8. Segment information (continued)

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.

	31 December 2015	31 December 2014
	\$'000	\$'000
TK Business operating performance		
Rental income	27,424	27,364
Other income	7	36
Property expenses	(9,719)	(9,237)
Finance costs	(3,774)	(4,398)
Amortisation of finance costs	(261)	(1,818)
Premium on Eurobond repayment	-	(5,082)
Unrealised loss interest rate swap	(310)	(5)
Investment property revaluations	1,666	4,729
Operating expenses	(2,553)	(2,289)
Non-controlling interest	(363)	(222)
Fair value gain recognised in the income statement	12,117	9,078
Trust operating income	17,562	129
Trust operating expenses	(1,975)	(6,385)
Net profit before income tax for the period	27,704	2,822

Note 9. Cash and cash equivalents

	31 December 2015	30 June 2015
	\$'000	\$'000
Trust operating accounts	1,623	1,797
	1,623	1,797

Note 10. Related party disclosures

Responsible Entity Fees

	31 December 2015	31 December 2014
	\$'000	\$'000
Responsible entity fee	326	317
Total amount paid/payable to the Responsible Entity	326	317

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.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the half-year ended 31 December 2015

Note 10. Related party disclosures (continued)

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 31 December 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 31 December 2015	Units held 30 June 2015
Jack Ritch	\$1,827	21,000	21,000
Philip Redmond	\$870	10,000	10,000
Frank Zipfinger	\$1,740	20,000	20,000
Neil Werrett*	\$334,808	3,848,364	3,848,364
Peter Murphy	\$1,462	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.

	31 December 2015 \$'000	31 December 2014 \$'000
Fund management fee (TK operator services) – Galileo Japan K.K.	1,070	954
Asset management fee (specific asset management) – Galileo Japan K.K.	191	122
Disposition fee – Galileo Japan K.K.	-	328
Debt arrangement fee – Galileo Japan K.K.	-	309

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.

Galileo Japan K.K. is entitled to a debt arrangement fee equivalent to 0.50% of the principal amount of the debt arranged.

Note 11. 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 12. Events subsequent to balance date

Proposed Transaction

On 29 February 2016 the Responsible Entity announced to the market a major transaction regarding the assets of the Trust (refer to the announcement presentation titled "Proposed sale of the Japanese property portfolio and return of net proceeds to Unitholders"). The proposal, which is subject to unitholder approval, comprises the sale of the Japanese investment properties in which the Trust has an indirect interest, distribution of net equity proceeds to unitholders and wind-up of the Trust.

The aggregate sale price for the Japanese investment properties is expected to be approximately ¥57.8 billion which represents a 2.2% premium to its 31 December 2015 book value. This assumes that Prejeal Utsubo is sold "as is" for approximately ¥0.45 billion which is its current book value. The proposed sale of the Japanese investment properties is conditional on the success of an initial public offering to be undertaken by a newly formed J-REIT on the Tokyo Stock Exchange which is anticipated to complete around August 2016. Details of the proposed transaction are included in the Notice of Meeting and Explanatory Memorandum released to the ASX on 29 February 2016.

Prejeal Utsubo Park Building (Utsubo) Structural Compliance

As part of the due diligence for the proposed transaction discussed above, engineering reports and structural reports were commissioned for all 19 properties. The results of a seismic review undertaken at Utsubo concluded that this property was not compliant with current Japanese earthquake building standards. Rectification works at this property to ensure compliance with current standards need to be completed. The estimated costs of the rectification works have been factored into the valuation of the property as at 31 December 2015, with the carrying value decreasing to ¥0.45 billion from ¥0.81 billion at 30 June 2015. The tenants occupying the apartments (64 studio apartments) have been notified of the situation and GJKK is endeavouring to relocate the tenants as soon as possible. Due to the rental income from this property (when it is fully tenanted) contributing approximately 1.1% of total portfolio rental income per annum, the loss of rent from this property is not expected to have a material impact on the Trust's overall operating result. The investment property portfolio is not insured for risks arising from earthquakes. In the event of a major earthquake Utsubo may be more likely to sustain serious damage due to its structural deficiencies. This could result in additional costs, loss of value and potential liability to third parties which is presently unquantifiable.

The Directors are not aware of any matter or circumstance occurring since 31 December 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.

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 7 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, 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 31 December 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-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. The Trust has operated during the period in accordance with the Trust Constitution (as amended).

Signed in accordance with a resolution of the Directors.



Jack Ritch
Chairman

Dated at Sydney this 29 February 2016



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galileo Japan Trust (the Trust), which comprises the balance sheet as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Galileo Japan Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galileo Japan Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galileo Japan Trust is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A handwritten signature in black ink, appearing to read 'E A Barron', with a long horizontal flourish extending to the right.

E A Barron
Partner

Sydney
29 February 2016