



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 2016

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2015 – 30 June 2016
Previous corresponding period:	1 July 2014 – 30 June 2015

Results for announcement to the Market

As a result of unitholder approval granted at the extraordinary general meeting on 23 March 2016 for the proposed sale of the Japanese property portfolio and the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust, it has been determined that, in accordance with Australian Accounting Standards, the going concern basis of preparation of the financial statements is not appropriate and the financial statements have therefore been prepared on a liquidation basis. Under the liquidation basis of preparation all assets and liabilities are measured at net realisable value. In addition, the equity of the Trust has been reclassified from equity to liabilities on 23 March 2016, being the approval date.

		(\$ '000)
Revenues from ordinary activities	Up 198.7%	from 27,140 to 81,054
Profit from ordinary activities attributable to unitholders of the Trust *	Up 145.3%	from 25,448 to 62,423
Net profit for the period attributable to unitholders of the Trust *	Up 145.3%	from 25,448 to 62,423

* Profit and Net Profit as per the above table represents the total revenue less total expenses of the Trust for the period from 1 July 2015 to 30 June 2016. As a result of the reclassification from equity to liabilities on 23 March 2016 as discussed above, there is a separate disclosure in the income statement of profit for the period from 1 July 2015 to 23 March 2016 and changes in net assets for the period from 24 March 2016 to 30 June 2016.

Distributions to unitholders	Amount per unit (cents)
<i>Previous corresponding period:</i>	
Interim distribution	6.7
Final distribution	8.2
<i>Current period:</i>	
Interim distribution (paid 29 February 2016)	8.7
Final distribution (payable on 31 August 2016)	8.7
Record date to determine entitlement to final distribution	30 June 2016

Note: Franked amount per unit is not applicable. The interim and final distribution relating to the 30 June 2016 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 compared to the previous corresponding period is primarily due to the stronger Japanese yen over the year (average rate for FY2016: A\$1=¥84.98 versus 30 June 2015: A\$1=¥95.55), partially offset by additional costs recorded as a result of the proposed winding up of the Trust as discussed above.

Refer to the associated ASX results presentation and related announcement for further details on the results for the year ended 30 June 2016.

Net Assets Payable to Unitholders (NAV)

As a result of the proposed winding up of the Trust discussed above, as of 23 March 2016 Australian Accounting Standards require that equity of the Trust be reclassified as a liability (net assets payable to unitholders).

The actual amounts payable to unitholders remain exposed to foreign currency movements and the proposed winding up of the Trust completing. Refer to Note 11 and Note 16 in the attached Financial Report for further information.

	30 June 2016	30 June 2015
Net assets payable to unitholders per unit	\$2.79	\$2.29

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 2016

The financial report of the Trust for the year ended 30 June 2016 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 2016 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 2016

GALILEO JAPAN TRUST
Financial Report
For the year ended 30 June 2016

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GALILEO JAPAN TRUST
Directors' Report
For the year ended 30 June 2016

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 2016. 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.

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.

On 23 March 2016, at an extraordinary general meeting, unitholders approved the proposed sale of the Japanese property portfolio (in which the Trust has an indirect interest), the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. The associated Notice of Meeting and Explanatory Memorandum dated 29 February 2016 ('EM') provided that the proposed sale of the Japanese property portfolio was conditional on unitholder approval (granted on 23 March 2016) and the successful listing of a new J-REIT on the Tokyo Stock Exchange ('TSE'). As a result of the proposal approved by unitholders at the extraordinary general meeting on 23 March 2016 it has been determined that, in accordance with Australian Accounting Standards, the going concern basis of preparation of the financial statements is not appropriate and the financial statements have therefore been prepared on a liquidation basis. Under the liquidation basis of preparation all assets and liabilities are measured at net realisable value.

Events subsequent to balance date

On 5 August 2016 a new J-REIT, Sakura Sogo REIT, received approval to list its investment units on the TSE. Key dates relating to the public offer are outlined below:

Official Launch	-	Friday 5 August 2016
Investor Roadshow	-	Tuesday 9 August to Monday 22 August 2016
Expected Listing Date	-	Thursday 8 September 2016

On 31 August 2016 Sakura Real Estate Funds Management Inc. ('SREFM'), the asset manager for Sakura Sogo REIT announced to the TSE the final issue price and number of new securities relating to the proposed initial public offering ('IPO'). SREFM also confirmed the target listing date of 8 September 2016 and that an underwriting agreement has been executed with SMBC Nikko Securities Inc. Based on the current timetable it is anticipated that GJFML will announce the record date and amount of the initial special distribution in late September 2016. The IPO of Sakura Sogo J-REIT remains subject to market and execution risks.

The net assets payable to unitholders as at 30 June 2016 is \$2.79 per unit. This is based on the foreign exchange rate at the balance date, being A\$1=¥76.23. The net assets per unit payable to unitholders is subject to fluctuations in the prevailing exchange rate. The foreign exchange rate on 31 August 2016 was A\$1=¥77.48 which equates to net assets per unit payable to unitholders of \$2.75.

As indicated in the EM, any distributions from the proposed sale of the Japanese Property Portfolio in which GJT has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust will be subject to the prevailing AUD/JPY exchange rate at the time any net sale proceeds are received by the Trust from the TK Business and converted into Australian dollars.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2016 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 year ended 30 June 2016

Directors

The following persons have held office as directors of the Responsible Entity during the year ended 30 June 2016 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 2016 there were 12 directors' meetings held and all directors were present. During the year ended 30 June 2016 there were also 13 meetings held by the Committee of Independent Directors.

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 chairman of the Investor Representative Committees of the AMP Capital Wholesale Office Fund and the AMP Capital 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 Chairman of Oneland Programs Ltd, 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.

GALILEO JAPAN TRUST
Directors' Report
For the year ended 30 June 2016

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 Governance Institute of 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 2016. 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 2016	Units held 30 June 2015
Jack Ritch	\$1,827	21,000	9,540
Philip Redmond	\$870	10,000	10,000
Frank Zipfinger	\$2,175	25,000	11,000
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.

Operating and Financial Review

Sale of Japanese TK Business investment property

On 28 April 2016, the Japanese TK business completed the sale of its beneficial interest in Utsubo, Osaka for ¥450 million (\$5.4 million). The sale price was equal to the forecast sale proceeds outlined in the EM.

Financial results

As a result of the proposal approved by unitholders at the extraordinary general meeting on 23 March 2016 it has been determined that, in accordance with Australian Accounting Standards, the going concern basis of preparation of the financial statements is not appropriate and the financial statements have therefore been prepared on a liquidation basis. Under the liquidation basis of preparation all assets and liabilities are measured at net realisable value.

In addition, as the unitholders have approved the proposed sale and the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust, the units on issue have been reclassified from equity to liabilities on 23 March 2016, being the approval date.

GALILEO JAPAN TRUST
Directors' Report
For the year ended 30 June 2016

Key points relating to the financial result for the year ended 30 June 2016 are summarised below.

- Net result for the year of \$62.4 million (30 June 2015: \$25.5 million).
- Unrealised foreign exchange gain for the year of \$58.5 million (30 June 2015: gain of \$5.5 million) as a result of the stronger Japanese yen at 30 June 2016 (\$1.00 = ¥76.23) compared to 30 June 2015 (\$1.00 = ¥93.92);
- Fair value gain on financial assets held at fair value through profit or loss for the year of \$22.5 million (30 June 2015: \$21.6 million);
- Net assets payable to unitholders of \$294.3 million or \$2.79 per unit at 30 June 2016 (net asset value per unit at 30 June 2015: \$2.29);
- The foreign exchange rate at the balance date was A\$1=¥76.23 (30 June 2015: A\$1=¥93.92) while the average foreign exchange rate for the year was A\$1=¥84.98 (30 June 2015: A\$1=¥95.55).

Through its indirect investment in the Japanese TK Business, the Trust holds a beneficial interest in 18 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 30 June 2016 the fair value of investment property equates to ¥57.36 billion (\$752.5 million) being the agreed sale price outlined in the EM. This represents an increase of 2.0% from 30 June 2015 (¥56.25 billion; \$598.9 million) and an increase of 3.5% on a like-for-like basis (in Japanese yen terms). Investment property in Australian dollars increased by 25.6% as a result of the stronger Japanese yen at 30 June 2016.

Distributions

As announced to the market on 21 June 2016 the Trust will pay a distribution for the six months ended 30 June 2016 of 8.7 cents per unit on 31 August 2016. Together with the interim distribution paid in February 2016 of 8.7 cents per unit, the total distribution for the year ended 30 June 2016 is 17.4 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 19 *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

Other than matters already included in the Directors' Report, 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.

Rounding of amounts

The Trust is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission relating to the 'rounding' 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 Instrument 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 *Auditors remuneration* 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. PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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



Jack Ritch
Chairman
Sydney, 31 August 2016



Auditor's Independence Declaration

As lead auditor for the audit of Galileo Japan Trust for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
31 August 2016

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GALILEO JAPAN TRUST
Income Statement
For the year ended 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Revenue and other income			
Fair value gain on financial assets held at fair value through profit or loss	8	22,531	21,589
Unrealised foreign exchange gain		58,522	5,544
Interest and other income		1	7
Total revenue and other income		81,054	27,140
Expenses			
Responsible entity fees and costs	19	(676)	(630)
Auditors remuneration	4	(391)	(322)
Transaction costs and Trust wind-up costs	5	(5,298)	-
Borrowing costs (distribution)	3	(9,169)	-
Professional fees		(347)	(234)
Other expenses		(517)	(395)
Realised foreign exchange loss		(1,783)	(24)
Unrealised financial instrument loss	10	(450)	(87)
Total expenses		(18,631)	(1,692)
Net result before tax for the year		62,423	25,448
Income tax	6	-	-
Net result after tax for the year		62,423	25,448
Increase in net assets attributable to unitholders	11	(16,959)	-
Profit for the period from 1 July 2015 to 23 March 2016/year	11/13	45,464	25,448
Basic and diluted earnings per unit		\$0.59	\$0.24

The above Income Statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Comprehensive Income
For the year ended 30 June 2016

	30 June 2016 \$'000	30 June 2015 \$'000
Net profit after tax for the period from 1 July 2015 to 23 March 2016/year	45,464	25,448
Other comprehensive income	-	-
Total comprehensive Income for the period from 1 July 2015 to 23 March 2016/year	45,464	25,448

The above Statement of Comprehensive Income has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Balance Sheet
30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Assets			
Current Assets			
Cash and cash equivalents	17	1,422	1,797
Trade and other receivables	7	134	89
Financial asset at fair value through profit or loss (held for sale)	8	307,498	-
Total Current Assets		309,054	1,886
Non-Current Assets			
Financial asset held at fair value through profit or loss	8	-	248,030
Total Non-Current Assets		309,054	248,030
TOTAL ASSETS		309,054	249,916
Liabilities			
Current Liabilities			
Trade and other payables	9	5,163	169
Other liabilities	10	450	87
Accrued borrowing costs (distribution)	3	9,169	8,642
Net assets payable to unitholders	11	294,272	-
Total Current Liabilities		309,054	8,898
TOTAL LIABILITIES		309,054	8,898
NET ASSETS		-	241,018
UNITHOLDERS' EQUITY			
Contributed equity	12	-	526,378
Accumulated losses	13	-	(285,360)
TOTAL EQUITY		-	241,018

The above Balance Sheet has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Changes in Equity
For the year ended 30 June 2016

	Contributed Equity \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance 1 July 2015	526,378	(285,360)	241,018
Profit for the period to 23 March 2016	-	45,464	45,464
Transactions with unitholders in their capacity as unitholders:			
Distribution paid or payable during the period ended 23 March 2016	-	(9,169)	(9,169)
Transfer to Net Assets Payable to Unitholders	(526,378)	249,065	(277,313)
Balance 30 June 2016	-	-	-
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

The above Statement of Changes in Equity has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Cash Flows
For the year ended 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities			
Interest received		1	7
Operating costs paid		(2,213)	(1,634)
GST received/(paid)		(67)	456
Net cash outflow from operating activities	18	(2,279)	(1,171)
Cash flows from investing activities			
Distributions received	8	19,457	14,486
Net cash inflow from investing activities		19,457	14,486
Cash flows from financing activities			
On-market unit buy-back	12	-	(1,900)
Distributions paid to unitholders		(17,682)	(14,650)
Net cash outflow from financing activities		(17,682)	(16,550)
Net decrease in cash and cash equivalents		(504)	(3,235)
Effect of foreign exchange movements on cash		129	77
Cash and cash equivalents at the beginning of the year		1,797	4,955
Cash and cash equivalents at the end of the year	17	1,422	1,797

The above Statement of Cash Flows has been prepared on a liquidation basis and 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.

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.

On 23 March 2016, at an extraordinary general meeting, unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. The associated Notice of Meeting and Explanatory Memorandum dated 29 February 2016 ('EM') provided that the proposed sale of the Japanese portfolio was conditional on unitholder approval (granted on 23 March 2016) and the successful listing of a new J-REIT on the Tokyo Stock Exchange ("TSE").

(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. The financial statements were authorised for issue by the directors of the Responsible Entity on 31 August 2016. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

When preparing financial statements, Australian Accounting Standards require the Directors of the Responsible Entity to make an assessment of the Trust's ability to continue as a going concern. Financial statements are required to be prepared on a going concern basis unless the Directors of the Responsible Entity either intend to liquidate the Trust or to cease trading, or have no realistic alternative but to do so. The Directors of the Responsible Entity have determined that the Trust will not continue as a going concern and these financial statements, therefore, have not been prepared on a going concern basis.

The Australian Accounting Standards do not prescribe the impact on, or the adjustments to be made to, the financial statements when it is determined that the going concern basis is not appropriate and, therefore, the Responsible Entity is required to consider carefully individual circumstances of the Trust to arrive at an appropriate basis. Accordingly, the Directors of the Responsible Entity have determined that the 'liquidation basis' (as explained below) is the appropriate basis on which these financial statements should be prepared.

Liquidation basis of preparation

The Directors of the Responsible Entity have applied the requirements of paragraph 25 of AASB 101 *Presentation of Financial Statements* which indicates that when the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the Trust is not regarded as a going concern.

On the basis that unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust within the next twelve months from the date of the financial report, the financial statements have been prepared on a liquidation basis as at 30 June 2016.

Note 2. Summary of significant accounting policies (continued)

On 5 August 2016 a new J-REIT, Sakura Sogo REIT, received approval to list its investment units on the TSE. The expected listing date of the Sakura Sogo REIT is 8 September 2016.

On 31 August 2016 Sakura Real Estate Funds Management Inc. ('SREFM'), the asset manager for Sakura Sogo REIT announced to the TSE the final issue price and number of new securities relating to the proposed initial public offering ('IPO'). SREFM also confirmed the target listing date of 8 September 2016 and that an underwriting agreement has been executed with SMBC Nikko Securities Inc. Based on the current timetable it is anticipated that the Responsible Entity will announce the record date and amount of the initial special distribution in late September 2016. The IPO of Sakura Sogo J-REIT remains subject to market and execution risks.

Impact of adopting the liquidation basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report

Under the liquidation basis of accounting all assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. With reference to the assets of the Trust, net realisable value approximates the current carrying amount of the assets measured under the relevant Australian Accounting Standards adjusted for estimated disposal costs. The liquidation value of liabilities recognised represents their estimated settlement amount. Any gains or losses resulting from measuring assets and liabilities to the liquidation value are recognised in the income statement.

Under the liquidation basis of accounting, all assets and liabilities previously classified as non-current are classified as current and expected costs arising from the liquidation process have been recorded in the results of the Trust for the period. Furthermore, as the unitholders have approved the proposed sale and the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust, the units on issue have been reclassified from equity to liabilities on 23 March 2016, being the approval date. As a result of the reclassification of equity to liabilities from 23 March 2016, the provision for distribution declared in June 2016 has been recorded as borrowing costs.

In adopting the liquidation basis, the Directors of the Responsible Entity have continued to apply the disclosure requirements of Australian Accounting Standards to the extent they are relevant to the liquidation basis, and modified them where considered appropriate.

The accounting policies adopted are consistent with those of the previous financial year. The Trust has not elected to early adopt any new Accounting Standards that have been issued but are not yet effective.

Significant accounting estimates, judgements and assumptions

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 8 *Financial assets at fair value through profit or loss*.

(b) 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)

(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=¥76.23 (30 June 2015: A\$1=¥93.92) while the average foreign exchange rate for the year ended 30 June 2016 was A\$1=¥84.98 (30 June 2015: A\$1=¥95.55). Foreign exchange differences arising on translation are recorded in the Income Statement.

(d) Trade and other receivables

Trade and other receivables are measured at net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates the amortised cost.

(e) 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. 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.

Given the preparation of the financial statements on a liquidation basis, financial assets at fair value through profit or loss are measured at their net realisable value. An adjustment for estimated disposal costs has been adjusted for in the measurement of these assets.

(f) Trade and other payables

Trade and other payables are carried at amortised 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. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates the amortised cost.

(g) Net assets payable to unitholders

Net assets payable to unitholders represents the amounts payable to unitholders and are stated at amortised cost. As a result of unitholders approving the proposed sale and the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust at an extraordinary general meeting on 23 March 2016, the units on issue have been reclassified from equity to liabilities on 23 March 2016, being the approval date.

Note 2. Summary of significant accounting policies (continued)

(h) 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. In the event that the Trust is to be wound up the contributed equity at that date is to be classified as a liability in net assets payable to unitholders.

(i) 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.

(j) Expenditure

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

(k) 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 taxable income to investors.

(l) Goods and services tax and consumption tax

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

Receivables and payables are stated with the amount of GST or consumption tax included. The net amount of GST or consumption tax recoverable from, or payable to, the tax authorities is included as a current asset or liability in the statement of financial position. The GST or consumption tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authorities are classified as operating cash flows.

Note 2. Summary of significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) Rounding of amounts

The Trust is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission relating to the 'rounding' 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 Instrument unless otherwise indicated.

(q) Accounting standards and interpretations issued but not yet effective

The Trust's financial statements have been prepared on a liquidation basis for the reasons outlined in Note 2(a) above. As a result, Accounting Standards and Interpretations currently on issue but not yet effective are not expected to have any impact on the Trust.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the year ended 30 June 2016

Note 3. Payments to unitholders (Borrowing costs and distributions)

As announced to the market on 21 June 2016 the Trust will pay a distribution for the six months ended 30 June 2016 of 8.7 cents per unit (\$9.2 million) on 31 August 2016. Together with the interim distribution paid in February 2016 of 8.7 cents per unit (\$9.2 million), the distribution for the year ended 30 June 2016 is 17.4 cents per unit (\$18.4 million).

As discussed in Note 2(a) above, on 23 March 2016 unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. From that date Australian Accounting Standards require that equity of the Trust be reclassified as a liability (Net assets payable to unitholders) and the associated distribution of \$9.2 million be reclassified as Borrowing Costs.

Note 4. Auditor's remuneration

The auditor of the Trust in Australia is PricewaterhouseCoopers and amounts paid or payable to the Trust's audit firm are summarised in the table below.

	30 June 2016	30 June 2015
	\$	\$
- Audit of the financial report	224,348	274,610
- Audit of the Trust compliance plan	11,500	11,500
- Tax services (statutory services)	37,921	36,054
	<u>273,769</u>	<u>322,164</u>
- Other non-audit related services*	51,000	-
- Other non-statutory tax services*	66,300	-
	<u>117,300</u>	<u>-</u>
Total amounts paid/payable	<u>391,069</u>	<u>322,164</u>

* relates to the proposed sale of the Japanese Property Portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust as discussed in Note 2(a).

Note 5. Transaction costs and Trust wind-up costs

	30 June 2016	30 June 2015
	\$'000	\$'000
Transaction costs and Trust wind-up costs	<u>5,298</u>	<u>-</u>

Transaction costs and Trust wind-up costs include advisory, tax and accounting professional fees and regulatory costs associated with the proposal adopted by unitholders at the extraordinary general meeting held on 23 March 2016 as discussed in Note 2(a).

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the year ended 30 June 2016

Note 6. Income tax

	30 June 2016 \$'000	30 June 2015 \$'000
Reconciliation of tax:		
Net result before tax for the year	62,423	25,448
Tax at the Australian rate of 30% (2015: 30%)	(18,727)	(7,634)
Tax effect of tax credits not taken into account	18,727	7,634
	-	-

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.

As a result of the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust, it is expected that any existing Australian tax revenue losses of the Trust and its subsidiaries carried forward from prior income years will not be available to offset any taxable income derived by the Trust and its subsidiaries in the income year which it completes the proposed sale of the 18 properties and any subsequent income years. As a result, the Trust may be in a net taxable income position for that income year and subsequent income years. To the extent the Trust is in a net taxable income position for any particular income year, the taxable income will be allocated to Unitholders as a component of the income distribution made in relation to that income year.

Note 7. Trade and other receivables

	30 June 2016 \$'000	30 June 2015 \$'000
GST	91	24
Prepayments	24	65
Other receivables	19	-
	134	89

Note 8. Financial asset at fair value through profit or loss (held for sale)

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%.

Note 8. Financial asset at fair value through profit or loss (held for sale)

Net realisable value

On 23 March 2016, at an extraordinary general meeting, unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. The associated EM provided that the proposed sale of the Japanese property portfolio was conditional on unitholder approval (granted on 23 March 2016) and the successful listing of a new J-REIT on the TSE.

Accordingly, the financial asset at fair value through profit or loss has been measured at net realisable value, being the net assets of the TK Business, prepared on a liquidation basis, translated into Australian dollars at the foreign exchange rate at balance date of A\$1=¥76.23

As a result of unitholders approving (at an extraordinary general meeting held on 23 March 2016) the proposed sale and the subsequent distribution of net equity proceeds and the winding up of the Trust, the unlisted investment held by the Trust has been classified as 'held for sale'.

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

	30 June 2016 \$'000	30 June 2015 \$'000
Unlisted investments (Current)	307,498	-
Unlisted investments (Non-Current)	-	248,030

The following table shows a reconciliation of the unlisted investment. The net realisable value of the unlisted investment is determined in Japanese yen and translated at the relevant period end foreign exchange rate.

	30 June 2016 \$'000	30 June 2015 \$'000
Unlisted investment - balance at the beginning of the year	248,030	235,416
Fair value gain recognised in income statement	22,531	21,589
Distributions from TK Business	(19,457)	(14,486)
Foreign exchange movements	56,394	5,511
Unlisted investment - balance at the end of the year	307,498	248,030

The fair value gain recognised in the income statement includes an unrealised gain of \$14.2 million relating to investment property revaluations and an unrealised loss of \$1.8 million relating to the mark-to-market of the interest rate swap in the TK Business (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).

The fair value gain recognised in the income statement for the year ended 30 June 2016 includes \$11.1 million relating to the costs associated with the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest as discussed in Note 2(a). Estimated selling and wind-up costs comprise professional fees paid or payable to lawyers and advisors to effect the sale of the investment properties as well as disposal fees payable upon the sale of the property portfolio and an estimate of costs to wind-up the TK Business.

The net realisable value of the investment in the TK Business at balance date has been 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.

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Notes to the Financial Statements
For the year ended 30 June 2016

Note 8. Financial asset at fair value through profit or loss (held for sale)

(i) Investment property

The carrying value of investment property at 30 June 2016 is ¥57.36 billion, being the agreed sale price outlined in the EM.

The table below shows the movement in the TK Business investment properties from the previous year. The revaluation adjustment reflects the adjustment required to record the investment properties in the TK Business at the agreed sale price.

	30 June 2016 \$'000	30 June 2015 \$'000
Fair value at the beginning of the year	598,914	613,015
Additions to investment property	6,609	2,244
Sold during the year	(5,426)	(33,026)
Revaluation adjustments	14,237	6,646
Foreign currency translation movements	138,126	10,035
Fair value at the end of the year	752,460	598,914

(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 2016 approximates fair value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates fair value. Further details of these borrowings are included in Note 15 *Segment information*.

Note 9. Trade and other payables

	30 June 2016 \$'000	30 June 2015 \$'000
Trade payables	182	58
Accrued expenses (operations)	157	111
Accrued expenses (estimated transaction costs and Trust liquidation costs)*	4,824	-
	5,163	169

* The accrual for estimated transaction costs and Trust liquidation costs includes legal, tax, accounting and other professional advisors, regulatory and statutory fees.

Note 10. Other liabilities

	30 June 2016 \$'000	30 June 2015 \$'000
Financial instrument - foreign currency liability (mark-to-market)	450	87

The foreign currency liability at 30 June 2016 represents the mark-to-market value of the forward foreign currency trade completed on 22 February 2016 for ¥735.6 million which settled on 18 August 2016 for \$9.2 million and will be used to pay the June 2016 distribution and provide working capital for the Trust.

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Note 11. Net assets payable to unitholders

As discussed in Note 2(a) above, on 23 March 2016 unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. From that date Australian Accounting Standards require that equity of the Trust be reclassified as a liability (net assets payable to unitholders). A further result of this reclassification from equity to liabilities is the separate disclosure in the income statement of profit for the period from 1 July 2015 to 23 March 2016 and changes in net assets for the period from 24 March 2016 to 30 June 2016.

	30 June 2016 \$'000	30 June 2015 \$'000
Net assets payable to unitholders	294,272	-

The table below shows the movement in the net assets payable to unitholders during the year.

	30 June 2016 \$'000	30 June 2015 \$'000
Net assets payable to unitholders at the beginning of the year	-	-
Reclassification from contributed equity	526,378	-
Reclassification from accumulated losses	(249,065)	-
Changes in net assets for the period from 24 March 2016 to 30 June 2016	16,959	-
Fair value of net assets payable to unitholders at the end of the year	294,272	-

Net assets payable to unitholders of \$294.27 million equates to \$2.79 per unit on issue.

The table below provides a sensitivity analysis showing the impact of the AUD/JPY exchange rate on the net assets payable to unitholders per unit based on the 30 June 2016 balance sheet.

	Adjusted for 10% decrease in AUD/JPY \$1 = ¥68.61	Actual AUD/JPY \$1 = ¥76.23	Adjusted for 10% increase in AUD/JPY \$1 = ¥83.85
Net asset value payable to unitholders per unit	\$3.08	\$2.79	\$2.55

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 exchange rate movements. Unitholders should note that this sensitivity analysis is provided as a guide only and variations in actual exchange rates may exceed the range shown above.

The foreign exchange rate on 31 August 2016 was A\$1=¥77.48 which equates to net assets per unit payable to unitholders of \$2.75.

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Note 12. Contributed equity

As discussed in Note 11, on 23 March 2016 unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. From that date Australian Accounting Standards require that equity of the Trust be reclassified as a liability (Borrowings) and the associated distribution be reclassified as Borrowing Costs.

	30 June 2016 \$'000	30 June 2015 \$'000
Contributed equity at the beginning of the year	526,378	528,278
Equity bought back during the year	-	(1,900)
Equity reclassified to liabilities on 23 March 2016	(526,378)	-
Contributed equity at the end of the year	-	526,378

Units on issue

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.

	30 June 2016 (Units)	30 June 2015 (Units)
Number of units on issue at the beginning of the year	105,385,415	106,444,665
Number of units bought back during the year	-	(1,059,250)
Number of units on issue at the end of the year	105,385,415	105,385,415

Note 13. Accumulated losses

	30 June 2016 \$'000	30 June 2015 \$'000
Balance at beginning of the year	(285,360)	(295,035)
Net profit after tax for the period to 23 March 2016	45,464	25,448
Distributions paid/payable during the period to 23 March 2016	(9,169)	(15,773)
Accumulated losses as at 23 March 2016	(249,065)	-
Reclassification of accumulated losses to liabilities	249,065	-
Balance at the end of the year	-	(285,360)

Note 14. Earnings per unit

	30 June 2016	30 June 2015
Basic and diluted earnings (\$per unit)	0.59	0.24
Result used in the calculation of earnings per unit (\$'000)	62,423	25,448

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 105,385,415 (2015: 106,225,533).

GALILEO JAPAN TRUST
Notes to the Financial Statements
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Note 15. Segment information

As disclosed in Note 8 *Financial asset at fair value through profit or loss (held for sale)*, 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 only 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.

<i>TK Business assets and liabilities (net realisable value)</i>	30 June 2016	30 June 2015
	\$'000	\$'000
TK Business assets		
Cash and cash equivalents	15,964	20,216
Restricted cash	48,347	38,586
Other TK Business assets	5,273	5,732
Investment property (refer Note 8 for details)	752,460	598,914
Total TK Business assets	822,044	663,448
TK Business liabilities		
Other TK Business liabilities *	(22,631)	(11,264)
Tenant security deposits	(39,868)	(32,204)
Interest rate swap liability	(4,769)	(2,254)
Borrowings (refer below for details)	(442,638)	(365,747)
Total TK Business liabilities	(509,906)	(411,469)
TK Business net assets	312,138	251,979
Non-controlling interest share of TK Business net assets	(4,640)	(3,949)
Investment in TK Business	307,498	248,030
Trust assets	1,556	1,886
Total Trust assets	309,054	249,916

* Other TK Business Liabilities includes accrued estimated selling and wind-up costs of \$9.6 million.

TK Business borrowings

	Maturity date	30 June 2016	30 June 2015
		\$'000	\$'000
Senior bank loan (i)	October 2018	366,162	302,555
Mezzanine loan – senior (ii)	October 2018	38,238	31,596
Mezzanine loan – junior (iii)	October 2018	38,238	31,596
Total TK Business borrowings		442,638	365,747

Note 15. Segment information (continued)

The TK Business borrowing facilities are all subject to floating interest rates and carried at amortised cost. The balance of each facility at 30 June 2016 approximates fair value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates fair value and there is no penalty for early repayment. The borrowing facilities will be repaid from the net sale proceeds of the proposed sale of the TK Business investment properties. Details of the TK Business loan facilities are included below.

(i) Senior bank loan

This ¥27.9 billion loan facility is denominated in Japanese yen, is secured by a mortgage over 18 investment properties and contains cross default provisions with the Mezzanine loans. The loan balance at 30 June 2016 is ¥27.9 billion (\$366.2 million) (June 2015: ¥28.4 billion - \$302.6 million) following a partial repayment using proceeds from the investment property sold in April 2016. The loan matures on 11 October 2018 and has an interest rate margin of 1.25% over 3-month Japanese LIBOR. There are no undrawn amounts for this facility and no loan to value covenant test. There is a quarterly DSCR covenant test using a threshold of 1.9x. The actual DSCR for the June 2016 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 year ended 30 June 2016. Any interest rate swap liability existing at the date of the TK Business borrowing facilities being repaid will also be repaid from the net sale proceeds of the proposed sale of the TK Business investment properties.

(ii) Mezzanine loan - senior

This loan is a Japanese yen denominated loan with a balance at 30 June 2016 of ¥2.91 billion (\$38.2 million) (30 June 2015: ¥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 1.43% for year ended 30 June 2016.

(iii) Mezzanine loan - junior

This loan is a Japanese yen denominated loan with a balance at 30 June 2016 of ¥2.91 billion (\$38.2 million) (30 June 2015: ¥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.

Interest rate risk management

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.

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Note 15. Segment information (continued)

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

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

The TK Business has interest rate swap agreements in place, the details of which are disclosed above.

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 2016	30 June 2015
	\$'000	\$'000
TK Business operating performance		
Rental income	56,458	52,925
Other income	10	55
Property expenses	(19,675)	(18,087)
Finance costs	(7,721)	(7,889)
Amortisation of finance costs	(580)	(2,098)
Write-off of balance of amortised finance costs	(1,375)	-
Premium on Eurobond repayment	-	(5,158)
Unrealised gain/(loss) interest rate swap	(1,787)	465
Investment property revaluations	14,237	6,646
Operating expenses	(5,301)	(4,678)
Estimated selling and wind-up costs	(11,045)	-
Non-controlling interest	(690)	(592)
Fair value gain recognised in the income statement	22,531	21,589
Trust operating income	58,523	5,551
Trust operating expenses	(18,631)	(1,692)
Net result before income tax for the year	62,423	25,448

Note 16. Capital and financial risk management

During the year ended 30 June 2016 the Trust, either directly or via its investment in the TK Business, undertook 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, 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.

As discussed in Note 2(a) above, on 23 March 2016 unitholders approved the proposed sale of the Japanese property portfolio in which GJT has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust. From that date the key risks to be managed by the Trust include transaction execution risk, foreign exchange risk and credit risk, each of which are discussed below.

(i) Proposed sale and Trust wind-up execution risk

On 5 August 2016 a new J-REIT, Sakura Sogo REIT, received approval to list its investment units on the TSE. Key dates relating to the public offer are outlined below:

Official Launch	-	Friday 5 August 2016
Investor Roadshow	-	Tuesday 9 August to Monday 22 August 2016
Expected Listing Date	-	Thursday 8 September 2016

On 31 August 2016 SREFM, the asset manager for Sakura Sogo REIT announced to the TSE the final issue price and number of new securities relating to the proposed IPO. SREFM also confirmed the target listing date of 8 September 2016 and that an underwriting agreement has been executed with SMBC Nikko Securities Inc. Based on the current timetable it is anticipated that the Responsible Entity will announce the record date and amount of the initial special distribution in late September 2016. The IPO of Sakura Sogo J-REIT remains subject to market and execution risks.

(ii) 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

June 2016 distribution

The Trust has entered into a forward foreign currency contract with regards to the distribution for the six months ended 30 June 2016. The foreign currency liability at 30 June 2016 represents the mark-to-market value of the forward foreign currency trade completed on 22 February 2016 for ¥735.6 million which settled on 18 August 2016 for \$9.2 million and will be used to pay the June 2016 distribution and provide working capital for the Trust.

GALILEO JAPAN TRUST
Notes to the Financial Statements
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Note 16. Capital and financial risk management (continued)

Distributions to unitholders from the proposed sale and Trust winding up

As indicated in the EM any distributions from the proposed sale of the Japanese Property Portfolio in which GJT has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust will be subject to the prevailing AUD/JPY exchange rate at the time any net sale proceeds are received by the Trust from the TK Business and converted into Australian dollars.

(iii) 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 2016 in relation to each class of recognised financial instruments is the carrying amount of those instruments in the statement of financial position. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The TK Business has a credit policy for all tenants and rents are payable monthly in advance. In the event of default by an occupational tenant, the TK Business will suffer a rental shortfall and could incur additional related costs. TK Business management review external reports on the credit quality of tenants and monitors rental arrears on a monthly basis. Any rental arrears that are greater than 30 days old are provided for in the financial statements. Amounts that are less than 30 days old are assessed on a case by case basis. The TK Business has no significant concentration of credit risk as the exposure is spread over a large number of tenants. With respect to credit risk arising from other financial assets, which comprise cash and cash equivalents, the Trust's exposure to credit arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The credit risk on cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions.

Note 17. Cash and cash equivalents

	30 June 2016	30 June 2015
	\$'000	\$'000
Cash at bank	1,422	1,797

Note 18. Reconciliation of cash flows from operating activities

	30 June 2016	30 June 2015
	\$'000	\$'000
Net result after tax	62,423	25,448
Fair value gain on Financial Assets through profit or loss	(22,531)	(21,589)
Realised foreign exchange loss relating to investing activities	1,783	24
Net unrealised foreign exchange gain	(58,072)	(5,457)
Net cash used by operating activities before changes in assets and liabilities	(16,397)	(1,574)
<i>Changes in assets and liabilities during the year:</i>		
Decrease/(increase) in trade and other receivables	(45)	482
Increase/(decrease) in trade and other payables	14,163	(79)
Net cash outflow from operating activities	(2,279)	(1,171)

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the year ended 30 June 2016

Note 19. Related party disclosures

Responsible Entity Fees

	30 June 2016 \$'000	30 June 2015 \$'000
Responsible entity fee	676	630

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.

Related Party Transactions

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

	30 June 2016 \$'000	30 June 2015 \$'000
Fund management fee (TK operator services) – Galileo Japan K.K.	2,255	1,928
Asset management fee (specific asset management) – Galileo Japan K.K.	399	246
Disposition fee – Galileo Japan K.K.	7,579	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. The fee payable during the year ended 30 June 2016 relates to the sale of Utsubo, Osaka and includes a provision for the fee relating to the proposed sale of the portfolio as discussed in Note 2(a).

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 19. Related party disclosures (continued)

Proposed sale of the Japanese Property Portfolio

As discussed in Note 2(a) above, on 23 March 2016 unitholders approved the proposed sale of the Japanese property portfolio in which the Trust has an indirect interest, the subsequent distribution of net equity proceeds to unitholders and the winding up of the Trust.

No Directors have a material personal interest in the outcome of the proposal (other than as Unitholders), other than Mr Neil Werrett (Chief Executive Officer and Executive Director of the Responsible Entity) and Mr Peter Murphy (Chief Operating Officer and Executive Director of GJFML) as described below.

Neil Werrett is associated with the proposed manager of Sakura Sogo REIT in that he is a director of the proposed manager of Sakaru REIT and entities he controls (and/or is associated with) will:

- a. subscribe for approximately 2.7% in Sakura Sogo REIT shares under the Japanese IPO.
- b. hold 100% of the ordinary shares of the proposed manager of Sakura Sogo REIT which will receive the following fees:
 - i. an acquisition fee equal to 0.5% of the purchase price of the portfolio; an
 - ii. on-going asset management fees for providing asset management services to Sakura Sogo REIT.

Peter Murphy is associated with the proposed manager of Sakura Sogo REIT in that he is a director of the proposed manager of Sakura Sogo REIT.

Accordingly, Neil Werrett and Peter Murphy were considered to be conflicted in relation to the proposed sale described throughout this report. To ensure that decisions and recommendations in relation to the proposed sale were made independently, the Directors who have no conflict formed a committee of non-associated directors which made a recommendation to unitholders at the extraordinary general meeting held on 23 March 2016.

Note 20. Commitments and contingent liabilities

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

Note 21. Events subsequent to balance date

On 5 August 2016 a new J-REIT, Sakura Sogo REIT, received approval to list its investment units on the TSE. Key dates relating to the public offer are outlined below:

Official Launch	-	Friday 5 August 2016
Investor Roadshow	-	Tuesday 9 August to Monday 22 August 2016
Expected Listing Date	-	Thursday 8 September 2016

On 31 August 2016 SREFM, the asset manager for Sakura Sogo REIT announced to the TSE the final issue price and number of new securities relating to the proposed IPO. SREFM also confirmed the target listing date of 8 September 2016 and that an underwriting agreement has been executed with SMBC Nikko Securities Inc. Based on the current timetable it is anticipated that the Responsible Entity will announce the record date and amount of the initial special distribution in late September 2016. The IPO of Sakura Sogo J-REIT remains subject to market and execution risks.

The net assets payable to unitholders as at 30 June 2016 is \$2.79 per unit. This is based on the foreign exchange rate at the balance date, being A\$1=¥76.23. The net assets per unit payable to unitholders is subject to fluctuations in the prevailing exchange rate. The foreign exchange rate on 31 August 2016 was A\$1=¥77.48 which equates to net assets per unit payable to unitholders of \$2.75.

The Directors are not aware of any other matter or circumstance occurring since 30 June 2016 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 32 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards as they apply on a liquidation basis, the Corporations Regulations 2001, its Constitution and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2016 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 as they apply on a liquidation basis.
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*.

Without qualifying the above conclusion, the Directors draw attention to the basis of preparation of the financial report set out in Note 2(a).

Signed in accordance with a resolution of the Directors.



Jack Ritch
Chairman

Dated 31 August 2016



Independent auditor's report to the unitholders 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 2016, 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' responsibility for the financial report

The directors of Galileo Japan Funds Management Limited (the responsible entity of the Trust) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors of responsible entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

- (a) the financial report of Galileo Japan Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the Trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of matter – going concern no longer appropriate

Without modifying our opinion, we draw attention to the following matter. As indicated in Note 2(a) to the financial statements, the directors of the responsible entity have determined that the Trust will not continue as a going concern as the unitholders approved the proposed sale of the Japanese Property Portfolio, the subsequent distribution of net equity proceeds to the unitholders and the winding up of the Trust within the next twelve months from the date of the financial report. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', written over a circular stamp or seal.

E A Barron
Partner

Sydney
31 August 2016