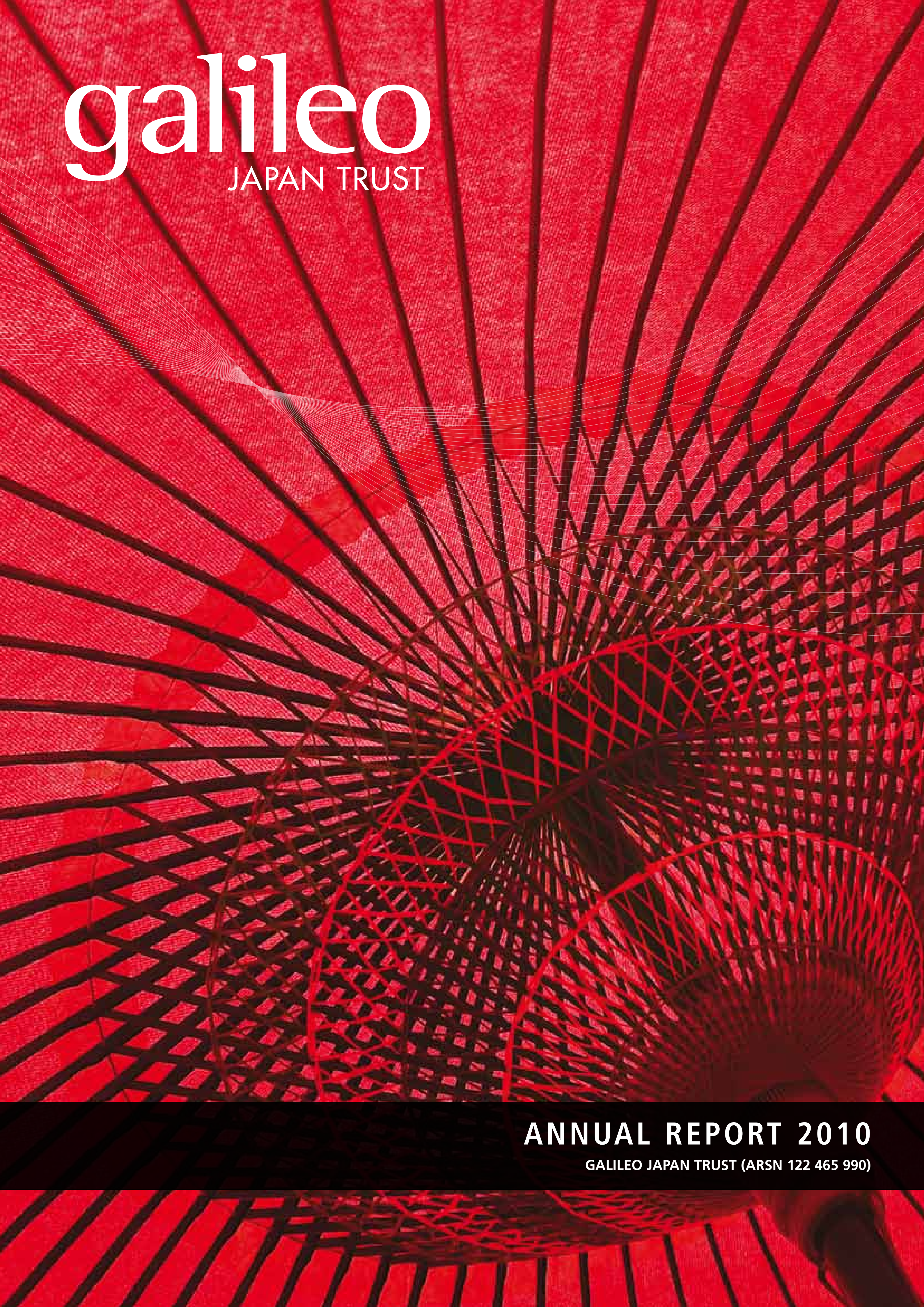
galileo
JAPAN TRUST



ANNUAL REPORT 2010

GALILEO JAPAN TRUST (ARSN 122 465 990)

AZABU AMEREX

GALILEO JAPAN TRUST

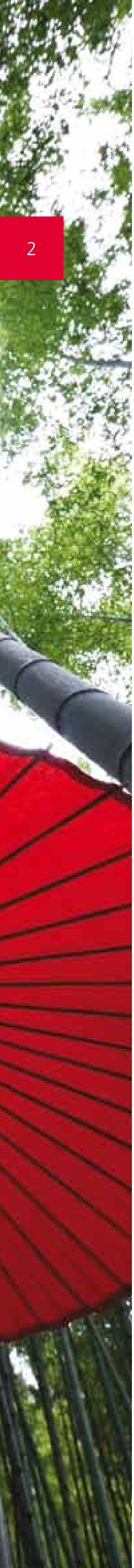
Galileo Japan Trust (the Trust) is listed on the Australian Securities Exchange, with an indirect interest in a portfolio of 26 Japanese real estate investments valued at approximately ¥72.5 billion (approximately $961 million[1]).

The portfolio is diversified by both sector and geography, with a bias towards office and the Greater Tokyo region.

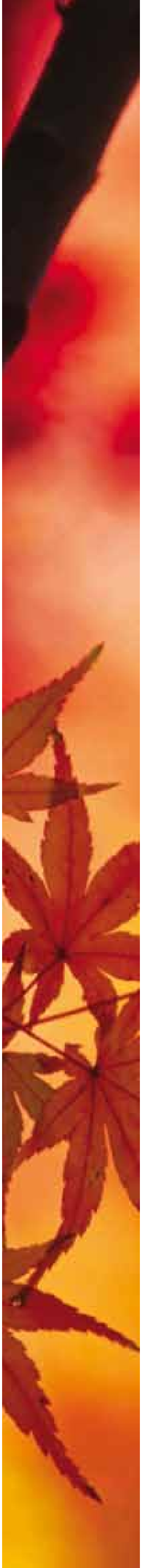
Galileo Japan Funds Management Limited (GJFML) is the responsible entity of the Trust. Asset management services in Japan are undertaken by Galileo Japan K.K. and Tokyo Capital Management Co. Ltd (a wholly owned subsidiary of Nippon Kanzai Co. Ltd).

1 Based on a ¥/A$ exchange rate of 75.46 on 30 June 2010.

CONTENTS



MANAGERS' REPORT



SHINBASHI REDBRICK

The Trust's result for the year has been impacted significantly by the debt refinancing that was completed in September 2009. The refinancing resulted in significant changes to the Trust's operations including, a substantial increase in cash requirements to service the Japanese TK business borrowings, restrictions on the payment of distributions to unitholders and a revised business strategy involving the likely divestment of the portfolio over a period of up to 4 years.

Annual Results FY10

FINANCIAL PERFORMANCE

The Trust announced underlying funds from operations for the year ended 30 June 2010 of A$6.97 million (1.72cpu), significantly below the previous corresponding period ("pcp"). The decrease compared to the pcp (A$33.3 million FY09) was primarily due to substantial increases in debt service costs and a reduction in property net income.

A net loss attributable to unitholders of A$62.2 million was reported for the full year primarily as a result of the devaluation of the property investment portfolio.

No distribution will be paid in FY10 due to the restrictions in both the Forum and UBS debt agreements. Given the costs associated with the September 2009 refinancing it is anticipated that GJT unitholders will not have any taxable income for the foreseeable future.

BALANCE SHEET

The Trust's total assets decreased 2.0% during the 12 months ended 30 June 2010 to approximately A$1.03 billion.

The Trust's NTA decreased 23% during the 12 months ended 30 June 2010 to 40 cpu[1] with the revaluation decrement partially offset by gains on the appreciation of the Japanese Yen against the Australian Dollar.

GJT's total liabilities to total assets were 83.7% as at 30 June 2010, higher than the pcp (79.7%) primarily due to property devaluations. The Trust's senior loan and Eurobond facilities do not contain any loan to value covenant tests.

PROPERTY REVALUATIONS

In recognition of changing market conditions, particularly meaningful changes in underlying cash flows for certain assets, GJKK appointed independent valuers, Savills Japan KK to revalue seven assets in the property portfolio as at 30 June 2010.

The assets re-valued by Savills Japan KK represent approximately 30% of the portfolio by value, four being Tokyo office assets where movements in underlying cash flows have been impacted by a reduction in office market rents throughout FY10. The overall decrease in carrying value for these seven assets was 10.6% or ¥2.3 billion. The average movement in capitalisation rates from these seven independent valuations was an increase of 10 basis points, suggesting that risks associated with any further increases in property yields may be easing. Savills Japan KK noted in their valuations that the majority of value movement experienced in Japan during FY10 has been the result of downward pressure on underlying cash flows as opposed to further easing in property yields.

Director's valuations on the balance of the portfolio resulted in a further write-down of ¥1.9 billion or 3.4%. The weighted average capitalisation rate adopted for the current valuations equates to 6.05% compared to 5.96% as at 30 June 2009. Over 70% of the reduction in the portfolio's carrying value in FY10 is attributed to a decrease in the value of the Tokyo office portfolio, due to weakening office market conditions.

The current carrying value of the portfolio, ¥72.5 billion represents a decline of approximately 25% from the peak valuation of ¥96.6 billion as at 31 December 2007.

1 NTA if restated as at 30 June 2010 to reflect the potential conversion of Forum's convertible Eurobond would be 20 cpu

Portfolio Performance

Economic and real estate market conditions remained challenging throughout the year. In particular vacancies increased and office market rents declined throughout FY10.

Continued weakness in the recovery of the Japanese economy and in particular worsening conditions in the Tokyo office market throughout FY10 resulted in downward pressure on both property net income and asset valuations. Despite these challenging market conditions it was pleasing to see the occupancy of the portfolio increase by 20 basis points during the year to 95.6% as at 30 June 2010.

Net property income was 10.1% lower than FY09 largely resulting from the following key factors:

- The office portfolio had an average occupancy of 89% during FY10 (96% in FY09)
- Average passing rents in the office portfolio reduced by 8% in FY10 due to both new leases and lease renewals at lower market rent levels
- Income support that related to certain residential assets was fully utilised by 30 June 2009
- Tenant default at the single tenanted Funabashi Hi-tech in June 2009 led to an unexpected income void. This asset was subsequently re-leased at June 2010 on a 10 year lease at a rental approximately 25% lower than previous passing rent.

While office market conditions are not expected to recover rapidly, there are signs that both vacancy and market rents movements have begun to stabilise. Given this outlook GJKK expect FY11 net property income to be relatively stable compared to FY10.

The proportion of the portfolio represented by "non-cancellable" leases is currently 36%[2] (by income) with the weighted average lease term to maturity on these leases approximately 12[3] years.

Business Strategy Unchanged

Until the full repayment of the Eurobonds issued to Forum and the facility with UBS, the Japanese TK business will not pay any distributions to the Trust, except funds required to cover the Trust's overhead expenses and required distributions for taxation purposes.

The Directors recognise that the absence of distributions until the repayment of these facilities is disappointing. However, we believe the best prospect of maximising the value of unitholders' current investment is through continued active management by GJKK, an orderly sale of assets and the potential wind-up of GJT.

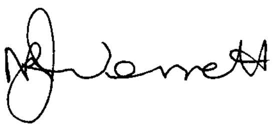
GJFML's expectation is that there will be sufficient time for both property and credit markets to stabilise, and potentially improve, such that GJT unitholders realise a better outcome than if a sale of the portfolio were forced in the current environment.

The September 2009 refinancing resulted in a significant increase in the cash required to service the Japanese TK business borrowings (interest and principal amortisation). Asset sales in the next 12 to 18 months may be necessary to ensure the Japanese TK business continues to have adequate working capital reserves to remain a going concern. In the absence of any asset sales the Japanese TK manager will be reliant on either outperformance in property net income or other refinancing initiatives to improve operational cash flows.

Outlook

GJT remains primarily a capital return investment as no cash distributions will be made to unitholders (other than required for taxation purposes) until the Forum and UBS facilities have been fully repaid from the sale of the portfolio.

We would like to thank you for your continued support.



Neil Werrett
Managing Director & Chief Executive Officer
Galileo Japan Funds Management Limited

Peter Murphy
Chief Operating Officer
Galileo Japan Funds Management Limited

2 35% at 30 June 2009

3 13 years at 30 June 2009

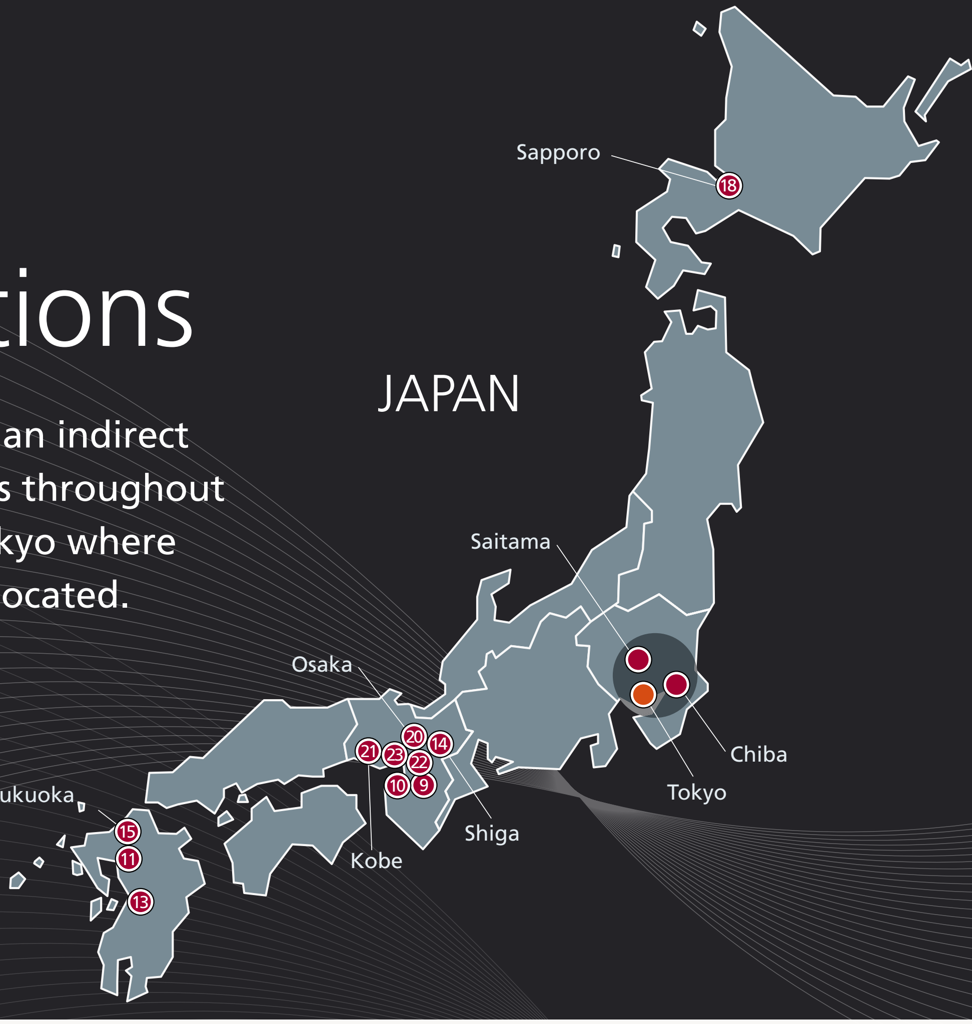
Galileo Japan Trust has an indirect beneficial interest in 26 properties valued at approximately ¥72.5 billion ($961 million[1]).

PORTFOLIO OVERVIEW

SEISHIN

Our locations

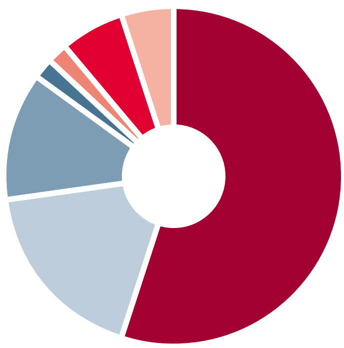
Galileo Japan Trust has an indirect interest in 26 properties throughout Japan with a bias to Tokyo where 15 of the 26 assets are located.



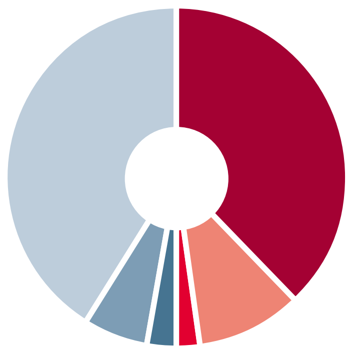
In summary

26 Properties
NRA – 224,270 sqm
Occupancy by area 95.6%

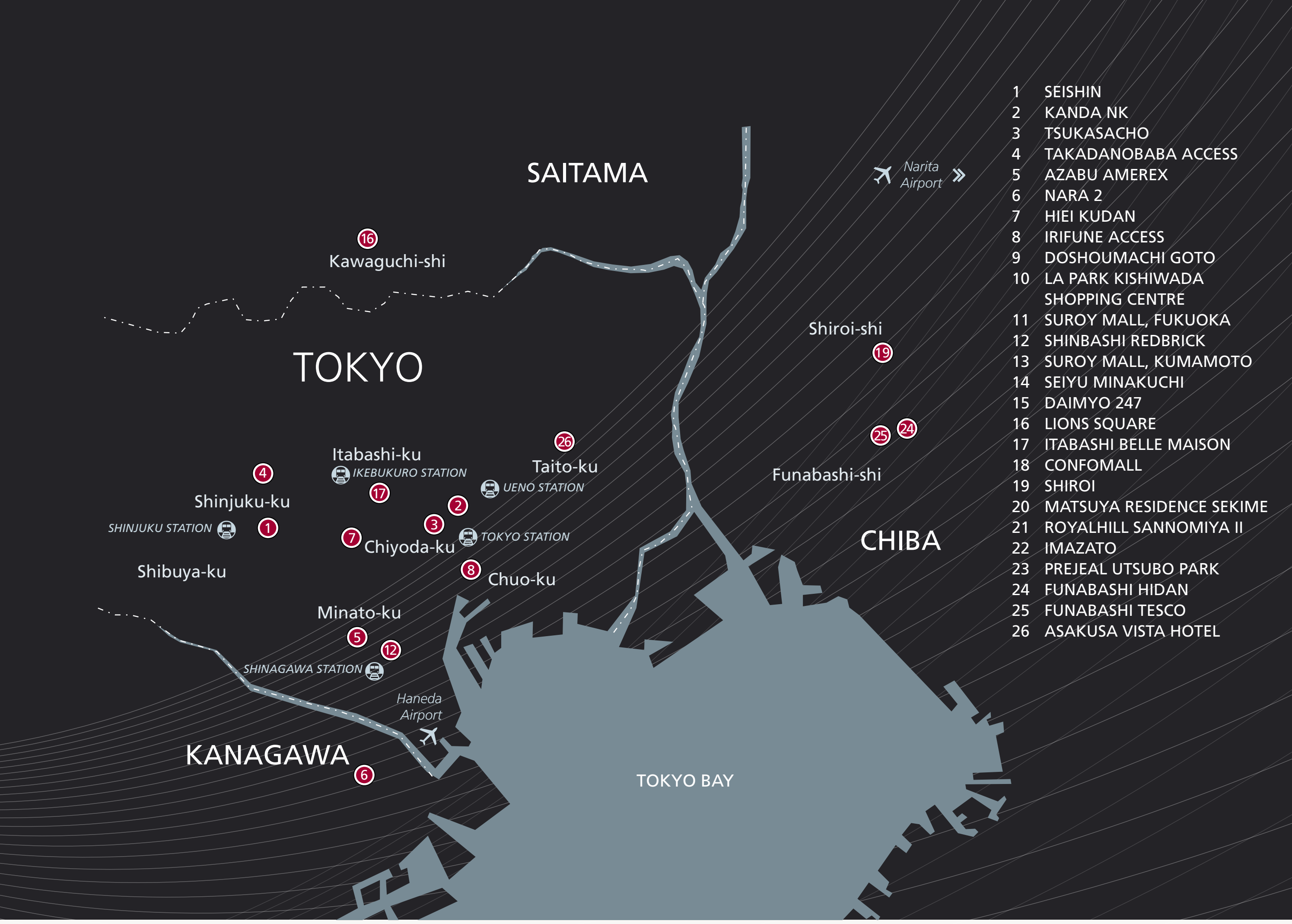
GEOGRAPHICAL SPLIT BY VALUE



SECTOR SPLIT BY VALUE



1 Greater Tokyo comprises of the metropolitan prefecture of Tokyo and the three neighbouring prefectures being Saitama, Kanagawa and Chiba.



Office Portfolio

9 properties

NRA – 28,467 sqm

38% of total portfolio by value

32% of total portfolio by income

Occupancy by area

89.6%

Retail/Mixed Use Portfolio

9 properties

NRA – 140,931 sqm

47% of total portfolio by value

49% of total portfolio by income

Occupancy by area

99.1%

Residential Portfolio

5 properties

NRA – 39,196 sqm

10% of total portfolio by value

13% of total portfolio by income

Occupancy by area

85.5%

Hotel/Industrial Portfolio

3 properties

NRA – 15,676 sqm

5% of total portfolio by value

6% of total portfolio by income

Occupancy by area

100.0%

Portfolio Summary

NO.	BUILDING NAME	ADDRESS	LOCATION	DATE ACQUIRED	AGE (YEARS)
OFFICE					
1	Seishin	2-5-10 Shinjuku, Shinjuku-ku	Tokyo	Dec 2006	20
2	Kanda NK	2-7-2 Sudacho, Chiyoda-ku	Tokyo	Dec 2006	18
3	Tsukasacho	2-6 Kanda Tsukasa-cho, Chiyoda-ku	Tokyo	Dec 2006	21
4	Takadanobaba Access	2-20-15 Nishiwaseda, Shinjuku-ku	Tokyo	Dec 2006	15
5	Azabu Amerex	3-5-7 Azabudai, Minato-ku	Tokyo	Dec 2006	21
6	Nara 2	2-2-8 Shin Yokohama, Kouhoku-ku, Yokohama-shi	Greater Tokyo	Jan 2008	17
7	Hiei Kudan	3-8-11 Kudan-minami, Chiyoda-ku	Tokyo	Dec 2006	18
8	Irifune Access	1-4-10 Irifune, Chuo-ku,	Tokyo	Dec 2006	21
9	Doshoumachi Goto	2-2-6 Doshoumachi, Chuo-ku	Osaka	Dec 2006	20
Total/Average Office[2]					**20**
RETAIL/LEISURE					
10	La Park Kishiwada	21-1 Harakiwakamatsu-cho, Kishiwada-shi	Osaka	Jul 2007	16
11	Suroy Mall, Fukuoka	836-4 Oaza Harada, Chikushino-shi	Fukuoka	Jul 2007	3
12	Shinbashi Redbrick	2-14-3 Shinbashi, Minato-ku	Tokyo	Dec 2006	11
13	Suroy Mall, Kumamoto	1-5-1 Nagamine Nishi, Kumamoto-shi	Kumamoto	Sep 2007	3
14	Seiyu Minakuchi	6084-1 Minakuchi-cho, Koga-shi	Shiga	Jul 2007	11
15	Daimyo 247	1-15-35 Daimyo, Chuo-ku, Fukuoka-shi	Fukuoka	Dec 2006	7
Total/Average Retail/Leisure[2]					**9**
MIXED USE					
16	Lions Square	2-15-3 Motogo, Kawaguchi-shi,	Greater Tokyo	Dec 2006	12
17	Itabashi Belle Maison	10-21 Honcho, Itabashi-ku	Tokyo	Dec 2006	16
18	Confomall	Minami 3-jyo Nishi 10-chome, Chuo-ku, Sapporo-shi	Sapporo	Dec 2006	7
Total/Average Mixed Use[2]					**12**
RESIDENTIAL					
19	Shiroi	151-2 Fuji, Shiroi-shi	Greater Tokyo	Dec 2006	15
20	Matsuya Residence Sekime	6-6-24 Sekime, Jyoto-ku	Osaka	Dec 2006	21
21	Royalhill Sannomiya II	3-5-13 Kanoucho, Chuo-ku	Kobe	Dec 2006	6
22	Imazato	6-11-17 Shin-Imazato, Ikuno-ku	Osaka	Dec 2006	19
23	Prejeal Utsubo Park	2-4-6 Utsubo Honcho, Nishi-ku	Osaka	Dec 2006	5
Total/Average Residential[2]					**14**
INDUSTRIAL					
24	Funabashi Hidan	606-11 Suzumi-cho, Funabashi-shi	Greater Tokyo	Dec 2006	7
25	Funabashi Tesco	631-13 Toyotomi-cho, Funabashi-shi	Greater Tokyo	Dec 2006	9
Total/Average Industrial[2]					**8**
HOTEL					
26	Asakusa Vista Hotel	2-2-9 Kotobuki, Taito-ku	Tokyo	Jul 2007	24
Total/Average Hotel[2]					**24**
TOTAL PORTFOLIO					14

1 Market rents assessed by management or independent valuation where available as at 30 June 2010.
2 Averages are weighted by area (except for occupancy).
3 Real estate market utilises PML to evaluate the risk of damage to a building in the event of an earthquake.

NET RENTABLE AREA (TSUBO)	NET RENTABLE AREA (SQM)	CARRYING VALUE AS AT 30 JUNE 2010	% OF PORTFOLIO	LEASED AREA AT 30 JUNE 2009	LEASED AREA AT 30 JUNE 2010	GROSS PASSING RENT (¥/MONTH/ TSUBO)	GROSS MARKET RENT (¥/MONTH/ TSUBO)[1]	PROBABLE MAXIMUM LOSS (PML)[3]
1,683	5,564	7.69	10.6%	95.3%	89.1%	21,624	22,000	8.1%
1,027	3,394	3.82	5.3%	100.0%	100.0%	20,739	19,000	14.1%
983	3,251	3.24	4.5%	71.0%	93.4%	17,323	17,250	9.7%
1,117	3,691	3.52	4.9%	93.9%	100.0%	15,313	16,000	6.7%
676	2,233	2.20	3.0%	85.8%	64.9%	18,521	17,000	12.0%
1,225	4,050	2.37	3.3%	92.8%	82.0%	10,881	11,500	11.9%
695	2,299	2.02	2.8%	100.0%	72.5%	18,275	18,200	12.0%
642	2,122	1.75	2.4%	100.0%	100.0%	16,000	16,000	14.3%
564	1,863	0.67	0.9%	100.0%	100.0%	9,911	9,000	13.9%
8,612	**28,467**	**27.28**	**37.7%**	**92.8%**	**89.6%**	**16,981**	**16,831**	
16,081	53,160	9.19	12.7%	99.8%	100.0%	4,081	3,877	14.6%
9,728	32,160	7.53	10.4%	100.0%	100.0%	5,023	5,058	1.7%
845	2,794	4.27	5.9%	100.0%	100.0%	24,241	26,000	14.6%
3,807	12,585	4.00	5.5%	93.5%	97.1%	6,672	6,655	10.5%
7,204	23,815	3.72	5.1%	100.0%	100.0%	3,703	3,702	3.8%
443	1,464	1.03	1.4%	60.2%	100.0%	15,268	16,550	2.6%
38,108	**125,978**	**29.74**	**41.0%**	**98.8%**	**99.7%**	**5,086**	**5,061**	
1,808	5,976	1.76	2.4%	100.0%	100.0%	5,991	5,750	15.9%
931	3,079	1.23	1.7%	95.2%	92.2%	9,532	8,900	10.0%
1,784	5,898	1.25	1.7%	87.4%	89.5%	5,850	5,700	1.0%
4,523	**14,953**	**4.24**	**5.8%**	**94.0%**	**94.3%**	**6,664**	**6,379**	
6,619	21,881	2.18	3.0%	78.6%	81.7%	3,646	3,650	11.0%
2,350	7,767	1.78	2.5%	88.6%	87.6%	5,977	6,100	14.3%
977	3,231	1.40	1.9%	94.6%	99.2%	9,928	9,700	9.5%
1,411	4,663	1.01	1.4%	98.6%	86.7%	5,137	5,000	14.1%
500	1,655	0.75	1.0%	95.5%	97.0%	9,606	9,500	14.0%
11,857	**39,197**	**7.12**	**9.8%**	**85.0%**	**85.5%**	**5,055**	**5,042**	
2,523	8,341	1.78	2.5%	100.0%	100.0%	4,506	4,500	6.8%
1,281	4,234	0.66	0.9%	100.0%	100.0%	3,800	4,000	7.6%
3,804	**12,575**	**2.44**	**3.4%**	**100.0%**	**100.0%**	**4,268**	**4,332**	
938	3,100	1.71	2.3%	100.0%	100.0%	12,764	12,087	9.5%
938	**3,100**	**1.71**	**2.3%**	**100.0%**	**100.0%**	**12,764**	**12,087**	
67,842	**224,270**	**72.53**	**100%**	**95.4%**	**95.6%**	**6,756**	**6,696**	

A high quality portfolio, well diversified by sector and location.

PORTFOLIO DETAIL



1. Seishin

DETAILS

Address	2-5-10 Shinjuku, Shinjuku-ku, Tokyo
Submarket	Shinjuku-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	7.69

STATISTICS

Land area (sqm)	887
NRA (sqm)	5,564
Year completed	1989
PML	8.1%

TENANCY PROFILE
(% of total rent)

Kurosawa Kensetsu	24%
Rexio	13%
Ichijinsha	13%

DESCRIPTION

The property is a 10-storey multi-tenanted office building with a shop unit on the first storey and basement car park. Construction of this property was completed in 1989. The property is within the Shinjuku-ku sub-market and is about seven minutes walk from the Shinjuku Station. Developments in the vicinity are generally commercial in nature, having shop units on the first storey with offices on the upper floors.

2. Kanda NK

DETAILS

Address	2-7-2 Sudacho, Chiyoda-ku, Tokyo
Submarket	Chiyoda-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	3.82

STATISTICS

Land area (sqm)	591
NRA (sqm)	3,394
Year completed	1991
PML	14.1%

TENANCY PROFILE
(% of total rent)

Vixus	85%
Sansho Kaken	8%
Wink	7%

DESCRIPTION

The property is a 10-storey multi-tenanted office building with a basement car park and was completed in 1991. The property is within the Uchi-Kanda/Sudacho-Kanda sub-market and is about a five minute walk from the Akihabara Station. Developments in the vicinity are generally commercial in nature with shop units on the first storey with offices on the upper floors.

3. Tsukasacho

DETAILS

Address	2-6 Kanda Tsukasa-Cho, Chiyoda-ku, Tokyo
Submarket	Chiyoda-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	3.24

STATISTICS

Land area (sqm)	709
NRA (sqm)	3,251
Year completed	1988
PML	9.7%

TENANCY PROFILE
(% of total rent)

Spectris Co. Ltd.	39%
Situs Management Inc.	29%
Japan Express Co. Ltd	21%

DESCRIPTION

Tsukasacho is an eight-storey office building that was completed in 1988. The property is located in the Central Tokyo ward of Chiyoda-ku and is a four minute walk east of Awajicho station and a 10 minute walk north of Tokyo station. The property is located off Sotobori-dori, a major ring road which circles the Imperial Palace. The demand for small to mid-sized office space in the area is very high due to its accessibility to the other prominent office districts such as Marunouchi and Otemachi.

1 Represents 100% Interest.
2 Carry value as at 30 June 2010.

4. Takadanobaba Access

DETAILS

Address	2-20-15 Nishiwaseda, Shinjuku-ku, Tokyo
Submarket	Shinjuku-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	3.52

STATISTICS

Land area (sqm)	931
NRA (sqm)	3,691
Year completed	1994
PML	6.7%

TENANCY PROFILE
(% of total rent)

Moltobene, Inc.	25%
Land Property Co Ltd.	17%
Nohmi Setsubi Co., Ltd.	13%
Kaji Technology Corp.	10%

DESCRIPTION

Takadanobaba Access is a 14-storey multi-tenanted office building with a basement car park which was completed in 1994. The property is within the Takadanobaba sub-market and is about a nine minute walk from the Takadanobaba Station. Developments in the vicinity are generally commercial in nature; having shop units at street level with offices on the upper floors.

5. Azabu Amerex

DETAILS

Address	3-5-7 Azabudai, Minato-ku, Tokyo
Submarket	Minato-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	2.20

STATISTICS

Land area (sqm)	602
NRA (sqm)	2,233
Year completed	1988
PML	12.0%

TENANCY PROFILE
(% of total rent)

Aidma	56%
Swing Journal Company	27%
Han Bang	17%

DESCRIPTION

The property is an eight-storey multi-tenanted office building with a restaurant/karaoke on the first storey and a basement level used for car parking. Azabu Amerex was completed in 1988 and is located in a popular diplomat precinct.

6. Nara 2

DETAILS

Address	2-2-8 Shin Yokohama, Kouhoku-ku, Yokohama-shi, Kanagawa
Submarket	Yokohama-shi
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,3]	2.37

STATISTICS

Land area (sqm)	701
NRA (sqm)	4,050
Year completed	1992
PML	11.9%

TENANCY PROFILE
(% of total rent)

Heichinrou Co. Ltd	18%
Amphenol Japan K.K.	15%
Infinicon Co. Ltd	14%
Gorin KK	11%

DESCRIPTION

Nara 2 is located in Yokohama City, Kanagawa Prefecture. Shin Yokohama is one of three major commercial centres in the Kanagawa Prefecture. The property is approximately 300 meters from Shin Yokohama station which is the only Shinkansen (bullet train) terminal in the Yokohama area.

1 Represents 100% Interest.
2 Carrying Value as at 30 June 2010.

7. Hiei Kudan

DETAILS

Address	3-8-11 Kudan-minami, Chiyoda-ku, Tokyo
Submarket	Chiyoda-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	2.02

STATISTICS

Land area (sqm)	633
NRA (sqm)	2,299
Year completed	1991
PML	12.0%

TENANCY PROFILE
(% of total rent)

K.K. Atsuku Corporation	41%
Lattice Technology K.K.	26%
Japan M. Machinery Association	18%

DESCRIPTION

Hiei Kudan was built in 1991 and is an 11-storey commercial building with nine parking spaces, ideally located in Central Tokyo. The property is located five minutes walk from Ichigaya Station on the JR Sobu Line. The proximity of Ichigaya Station has made this area popular among businesses that require accessibility to the major Shinjuku and Tokyo Stations. Hiei Kudan has excellent frontage along Yasukuni-dori and provides easy access to public transportation and an excellent view into the inner grounds of Yasukuni Shrine.

8. Irifune Access

DETAILS

Address	1-4-10 Irifune, Chuo-ku, Tokyo
Submarket	Chuo-ku
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.75

STATISTICS

Land area (sqm)	580
NRA (sqm)	2,122
Year completed	1988
PML	14.3%

TENANCY PROFILE
(% of total rent)

Central Consultant	100%

DESCRIPTION

The property is a six-storey single-tenanted office building. It was completed in 1988. The property is within the Shintomicho/Akashicho/Tsukiji sub-market and is about four minutes from the Hatchobori JR Station. Developments in the vicinity are generally commercial in nature, having shop units on the first storey with offices on the upper floors.

9. Doshoumachi Goto

DETAILS

Address	2-2-6 Doshoumachi, Chuo-ku, Osaka-shi, Osaka
Submarket	Osaka-shi
Sector	Office
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	0.67

STATISTICS

Land area (sqm)	346
NRA (sqm)	1,863
Year completed	1989
PML	13.9%

TENANCY PROFILE
(% of total rent)

Kyowa Kikaku	13%
Cosmo Software	12%
Goto Sangyo	10%
Ina Experiment	8%

DESCRIPTION

The property is a nine-storey multi-tenanted office building with two car park lots at the first storey frontage. The building was completed in 1989. The property is within the Kitahama sub-market, a three minutes walk from the Kitahama Subway Station. Developments in the vicinity are generally commercial in nature; having shop units on the first storey with offices on the upper floors. The main shopping district is about a six minute walk away.

10. La Park Kishiwada Shopping Centre

DETAILS

Address	21-1 Harakiwakamatsu-cho, Kishiwada-shi, Osaka
Submarket	Kishiwada-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	9.19

STATISTICS

Land area (sqm)	39,789
NRA (sqm)	53,160
Year completed	1994
PML	14.6%

TENANCY PROFILE
(% of total rent)

Nagasakiya	59%
Nobuta Group	18%

DESCRIPTION

La Park Kishiwada is a large shopping centre located 19 kilometres southwest of Osaka and 14 kilometres northeast of Kansai International Airport. The centre is anchored by Nagasakiya GMS (General Merchandise Store, a combined Department Store and Supermarket operation). The centre also includes 28 speciality stores (known as 'KISPA'), Ten Pin Bowling Centre, Karaoke Centre, Pachinko Hall, City Council Offices and a Community/Sports Centre. The property is located 200 metres from Haruki Station which is on the JR line, which connects directly to Numba Station in the centre of Osaka. Approximately 16,000 passengers pass through Haruki Station each day.

11. Suroy Mall, Fukuoka

DETAILS

Address	836-4 Oaza Harada, Chikushino-shi, Fukuoka
Submarket	Chikushino-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	7.53

STATISTICS

Land area (sqm)	140,662
NRA (sqm)	32,160
Year completed	2007
PML	1.7%

TENANCY PROFILE
(% of total rent)

Sakoda	24%
Mr Max	21%
Deo Deo	14%
Red Cabbage	7%

DESCRIPTION

Suroy Mall was purchased as part of a portfolio of three assets in July 2007. Suroy Mall is a new shopping centre located approximately 20 kilometres southeast of Fukuoka. The property enjoys an excellent location on a major road, midway between the JR Harada and JR Keyakida Stations. The centre will accommodate a total of 23 tenants, and will operate as a Power Centre/ Big Box retailing format, representing a new generation of retailing in the Japanese market.

12. Shinbashi Redbrick

DETAILS

Address	2-14-3 Shinbashi, Minato-ku, Tokyo
Submarket	Minato-ku
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	4.27

STATISTICS

Land area (sqm)	425
NRA (sqm)	2,794
Year completed	1999
PML	14.6%

TENANCY PROFILE
(% of total rent)

Monteroza	48%
Dynac	27%
Watami Foods Service	13%

DESCRIPTION

Shinbashi Redbrick is an eight-storey retail/ leisure building that was completed in 1999. Shinbashi Redbrick is located in central Shinbashi along the famous Renga-dori (Redbrick Street), well known for its concentration of small to medium scale businesses and dining establishments. Shinbashi station enjoys a significant volume of passenger traffic throughout the day and night, as it is served by a number of key railway and subway lines in the Tokyo metropolitan area, including JR Lines (Yamanote, Keihintohoku, Tokaido, Yokosuka and Sobu), the Tokyo Metro Ginza line and the Metropolitan Subway Asakusa line. The Shinbashi area is one of Tokyo's most sought after locations for retailers, restaurant and bar operators.

1 Represents 100% Interest.
2 Carrying value as at 30 June 2010.

13. Suroy Mall, Kumamoto

DETAILS

Address	1-5-1, Nagamine Nishi, Kumamoto-shi Kumamoto
Submarket	Kumamoto-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	4.00

STATISTICS

Land area (sqm)	28,966
NRA (sqm)	12,585
Year completed	2007
PML	10.5%

TENANCY PROFILE
(% of total rent)

Tosho Sports Club	21%
Sanki	19%
Hallo Day Supermarket	16%
Arigatou Service	13%

DESCRIPTION

Suroy Mall is a new shopping centre purchased in September 2007. The property occupies an "urban in-fill" location in an established neighbourhood surrounded by residential, commercial and industrial developments. The site is well positioned and accessible having frontage to three roads. Within the property there are 674 car parking spaces and 315 bicycle spaces.

14. Seiyu Minakuchi

DETAILS

Address	6084-1 Minakuchi,Minakuchi-cho, Koga-shi, Shiga
Submarket	Koga-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	3.72

STATISTICS

Land area (sqm)	19,918
NRA (sqm)	23,815
Year completed	1999
PML	3.8%

TENANCY PROFILE
(% of total rent)

Seiyu	100%

DESCRIPTION

Seiyu Minakuchi was purchased as part of a portfolio of three assets in July 2007. Seiyu Minakuchi is a four storey department store/supermarket located in Minakuchi Town, which is part of the larger Shiga prefecture. The property is 100% leased to The Seiyu Corporation Co., Ltd (Seiyu), a well known GMS (General Merchandise Store) retailer in Japan which is majority owned by the Wal-Mart Corporation, the world's largest retailer as measured by sales volume.

15. Daimyo 247

DETAILS

Address	1-15-35 Daimyo, Chuo-ku, Fukuoka-shi, Fukuoka
Submarket	Fukuoka-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.03

STATISTICS

Land area (sqm)	492
NRA (sqm)	1,464
Year completed	2003
PML	2.6%

TENANCY PROFILE
(% of total rent)

Daimyo Gyoretsu	33%
Buaiso	32%
I'll Clinic	16%
Pure Esthe Briant	11%

DESCRIPTION

Daimyo 247 is a seven-storey multi-tenanted retail building. It was completed in 2003. The property is located adjacent to the main shopping area of Tienjin, in Fukuoka.

The property is located approximately 400 metres south-west of Tienjin Station. Retail developments in the vicinity include Iwataya Department Store, Solaria Plaza, as well as a pedestrian shopping mall.

16. Lions Square

DETAILS

Address	2-15-3 Motogo, Kawaguchi-shi, Saitama
Submarket	Kawaguchi-shi
Sector	Mixed Use
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	1.76

STATISTICS

Land area (sqm)	9,533
NRA (sqm)	5,976
Year completed	1998
PML	15.9%

TENANCY PROFILE
(% of total rent)

Summit	79%
Ohizumi Swimming Pool	21%

DESCRIPTION

Lions Square contains 5,977 sqm of rentable retail space and parking for 640 cars. The building is located in Kawaguchi City and is south of Kawaguchi-Motogo Station (a five minutes walk) and also south-east of Kawaguchi Station (an 18 minute walk). The property is part of a large-scale mixed use project that also contains a high rise residential condominium named Elza Tower (not included in ownership).

17. Itabashi Belle Maison

DETAILS

Address	10-21 Honcho, Itabashi-ku, Tokyo
Submarket	Itabashi-ku
Sector	Mixed Use
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	1.23

STATISTICS

Land area (sqm)	2,346
NRA (sqm)	3,079
Year completed	1994
PML	10.0%

TENANCY PROFILE
(% of total rent)

Yoshiya	34%

DESCRIPTION

The property is an 11-storey residential building that houses a supermarket on the second storey and 72 apartment units from the third to eleventh storey. It was completed in 1994. The property is located in a mid-level residential area popular for families and expatriates. The nearest train station, Itabashi Honcho Station, is about four minutes walk away.

18. Confomall

DETAILS

Address	1005-4 Minami 3-jyo Nishi 10-chome, Chuaku Sapporo-shi, Hokkaido
Submarket	Sapporo-shi
Sector	Mixed Use
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	1.25

STATISTICS

Land area (sqm)	2,528
NRA (sqm)	5,898
Year completed	2003
PML	1.0%

TENANCY PROFILE
(% of total rent)

Central Sports KK	62%
Lawson	6%

DESCRIPTION

The property is a 10-storey multi-tenanted retail and residential building. In addition, there is a basement level and a five-storey high mechanical car park station. The property is about seven minutes walk (500 metres) from the Nishi-II-chome railway station.

1 Represents 100% Interest.
2 Carrying Value as at 30 June 2010.



19. Shiroi

DETAILS

Address	151-2 Fuji, Shiroi-shi, Chiba
Submarket	Shiroi-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	2.18

STATISTICS

Land area (sqm)	12,951
NRA (sqm)	21,881
Year completed	1995
PML	11.0%

TENANCY PROFILE
(total number of units occupied)

Residential – Units	244

DESCRIPTION

Shiroi is a 13-storey, 337 unit residential complex located in Chiba and within approximately 1.5 hours drive from Central Tokyo. The majority of units in the complex are three bedroom units. The Trust acquired 299 out of the total 337 units. Built in 1995, Shiroi offers individual parking spaces for each unit along with three visitor parking spaces, 44 motorcycle parking spaces and 558 bicycle parking spaces. In addition, Shiroi includes a landscaped park and is adjacent to a large retail complex featuring a supermarket (Tobu Store) and a homewares store (Jumbo Encho).

20. Matsuya Residence Sekime

DETAILS

Address	6-6-24 Sekime, Jyoto-ku, Osaka-shi, Osaka
Submarket	Osaka-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.78

STATISTICS

Land area (sqm)	2,346
NRA (sqm)	7,767
Year completed	1989
PML	14.3%

TENANCY PROFILE
(total number of units occupied)

Residential – Units	115

DESCRIPTION

The property is a 15-storey apartment building that was completed in 1989. The property is within Jyoto-ku, which is to the east of Osaka Station. The property has a total of 131 one and two-bedroom apartments.

21. Royalhill Sannomiya II

DETAILS

Address	3-5-13 Kanoucho, Chuo-ku, Kobe-shi, Hyogo
Submarket	Kobe-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.40

STATISTICS

Land area (sqm)	530
NRA (sqm)	3,231
Year completed	2004
PML	9.5%

TENANCY PROFILE
(total number of units occupied)

Residential – Units	113

DESCRIPTION

The property is a 14-storey apartment building in addition to a basement level and a five-storey high mechanical car park station. The property was completed in 2004. There is a total of 114 apartments.

22. Imazato

DETAILS

Address	6-11-17 Shin-Imazato, Ikuno-ku, Osaka-shi, Osaka
Submarket	Osaka-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.01

STATISTICS

Land area (sqm)	1,804
NRA (sqm)	4,663
Year completed	1991
PML	14.1%

TENANCY PROFILE
(total number of units occupied)

Residential – Units	59

DESCRIPTION

The property is a 10-storey apartment building that was completed in 1991.

The property is within Ikuno-ku and has a total of 68 one and two-bedroom apartments. The apartments are located on the second to tenth storeys and a total of 34 car park lots are located at the front, side and rear compounds.

23. Prejeal Utsubo Park

DETAILS

Address	2-4-6 Utsubo Honcho, Nishi-ku, Osaka-shi Osaka
Submarket	Osaka-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	0.75

STATISTICS

Land area (sqm)	287
NRA (sqm)	1,655
Year completed	2005
PML	14.0%

TENANCY PROFILE
(total number of units occupied)

Residential – Units	64

DESCRIPTION

This modern 12-storey apartment building comprising 66 apartments was completed in November 2005. Utsubo Park is part of Central Osaka City and is immediately adjacent to Nishi-ku and Chuo-ku, which are the two fastest growing residential locations in Osaka. The property is close to several subway lines as well as Midosuji Boulevard which directly links this precinct with Osaka and Namba Stations.

24. Funabashi Hidan

DETAILS

Address	606-11 Suzumi-cho, Funabashi-shi, Chiba
Submarket	Funabashi-shi
Sector	Industrial
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.78

STATISTICS

Land area (sqm)	13,420
NRA (sqm)	8,341
Year completed	2003
PML	6.8%

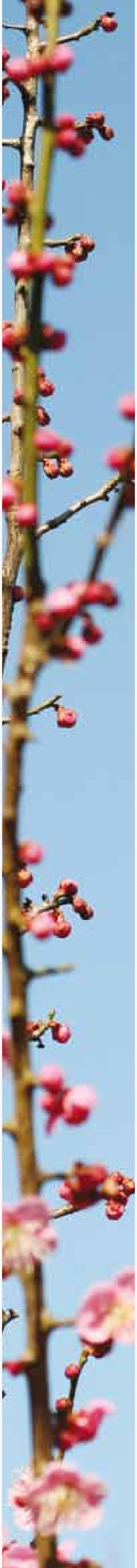
TENANCY PROFILE
(% of total rent)

Hidan	100%

DESCRIPTION

Funabashi Hidan is a two level single-tenanted factory and distribution facility with 25 parking bays that was completed in 2003. The property is located within an inland industrial area that was purpose built in Funabashi-city given its strategic location between Tokyo and Narita (the location of Tokyo's main airport).

1 Represents 100% Interest.
2 Carrying Value as at 30 June 2010.



25. Funabashi Tesco

DETAILS

Address	631-13 Toyotomi-cho, Funabashi-shi, Chiba
Submarket	Funabashi-shi
Sector	Industrial
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	0.66

STATISTICS

Land area (sqm)	8,268
NRA (sqm)	4,234
Year completed	2001
PML	7.6%

TENANCY PROFILE
(% of total rent)

Tesco Japan KK	100%

DESCRIPTION

Funabashi Tesco (previously named Funabashi Hi-Tech) is a two storey single tenanted factory. It was completed circa 2001. The property is within the Funabashi City sub market. Within the property there are approximately 41 car park bays.

26. Asakusa Vista Hotel

DETAILS

Address	2-2-9 Kotobuki, Taito-ku, Tokyo
Submarket	Taito-ku
Sector	Hotel
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	1.71

STATISTICS

Land area (sqm)	447
NRA (sqm)	3,100
Year completed	1986
PML	9.5%

TENANCY PROFILE
(% of total rent)

Sun Vista	100%

DESCRIPTION

The hotel is positioned in the market to provide affordable accommodation for business persons commuting from outside Tokyo with the surrounding area characterised by second tier office and commercial buildings. The average room rate is equivalent to approximately $100 per night for a single room.

Galileo Japan Trust has access to a team of professionals with extensive experience in property and asset management, development, acquisitions and divestments, and institutional funds management.

MANAGEMENT TEAM

Executive Team of Responsible Entity

NEIL WERRETT, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Neil is the Managing Director and Chief Executive Officer and founder of the Trust.

Neil was previously Global Head, Corporate Transactions and Product Development at AMP Henderson Global Investors (now AMP Capital Investors), where he was employed for 24 years in various roles covering property and property funds management. Neil's roles at AMP included property acquisitions and disposals, the establishment of the listed property trust business, ongoing capital raisings and participation in the management committee of the trusts.

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

PETER MURPHY, EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER

Peter has more than 20 years experience in the property industry in numerous capacities including valuations, as well as asset and funds management. Over the past 15 years, he has been directly involved in the management of various listed property entities.

Peter was the CEO of Ronin Property Group which listed in 1996 as AMP Office Trust and had funds under management of approximately $2 billion throughout Australia and New Zealand prior to a merger with Multiplex Group in November 2004.

During his employment with Multiplex, Peter was the Group Manager, Marketing and Communications and more recently Divisional Director, Institutional Funds responsible for in excess of $3 billion in funds under management.

BRETT BRADLEY, CHIEF FINANCIAL OFFICER

Brett is the Chief Financial Officer and is responsible for financial reporting and other financial matters of the Trust. Brett was also the Chief Financial Officer of Galileo Funds Management Limited and has been with Galileo since its inception in 2003. Brett was previously a Principal in the real estate group at Ernst & Young in Sydney, where he was involved in the financial reporting and transaction support components of several listed property trusts in Australia. Prior to moving to Australia in 1996, Brett worked in the real estate group at Ernst & Young in the US.

PAUL MARSHALL, SENIOR VICE PRESIDENT, PORTFOLIO MANAGEMENT

Paul brings 18 years of diverse property experience to the business encompassing valuation and analytical roles, as well as asset management. Paul's role entails development and execution of portfolio strategy, acquisitions, reporting and investor communication. Prior to joining the Responsible Entity, Paul held the equivalent position with Galileo Shopping America Trust (now part of Centro Retail Group), which held interests in 136 retail properties and had total assets of $2.6 billion.

GAVIN HOLMES, VICE PRESIDENT, FINANCE

Gavin joined the Galileo Group in November 2003 to assist with finance matters, including transaction finance, reporting and compliance. Gavin previously worked with Ernst & Young and has over 10 years experience in finance roles.

CAMELIA TAN, FINANCIAL ANALYST

Camelia Tan is the financial analyst for the Trust. Camelia has previously worked as a financial analyst in the investment management division of the Multiplex Group. She was involved in a range of responsibilities, including financial reporting and transaction support. Prior to that, Camelia worked in an audit role with KPMG. Camelia is a chartered accountant and speaks Japanese.

DONNA DUGGAN, COMPANY SECRETARY AND COMPLIANCE OFFICER

Donna Duggan is company secretary and compliance officer for Galileo Japan Funds Management Limited. Donna is a lawyer and has over 15 years experience in predominantly property related matters including compliance.

Executive Team of Galileo Japan

Galileo Japan provides asset management services to the TK Operator under a 10 year agreement and plays a coordination and management role with regard to the TK structure as a whole. Galileo Japan in particular will liaise with its Relationship Partner Nippon Kanzai, in the provision of its asset management services.

ROBERT MORIKUNI, GENERAL MANAGER

Mr. Morikuni holds a Degree in Architectural Studies from the University of Illinois, Champaign-Urbana and an MBA from the University of Hawaii, Manoa. He has worked in Japan for a total of 15 years and is fluent in Japanese. He brings a broad range of experience to Galileo having a background which includes structural engineering, construction management with Maeda Corporation and real estate brokerage and consultancy with CB Richard Ellis. Prior to joining Galileo, Mr. Morikuni held the position of Regional Director of Real Estate Operations for the Japan entity of Manulife Financial where his role included acquisitions, establishment of an asset management division and management of Manulife's Japan real estate portfolio.

NOBUAKI TOMIOKA, DIRECTOR FINANCE

Mr Tomioka has 20 years experience in accounting and finance related roles. He is a Japanese Certified Tax Accountant and worked with KPMG in their international tax division. He holds an MBA degree from Pace University in New York. After receiving his MBA, he worked with Goldman Sachs Realty Japan specializing in real estate accounting utilizing special purpose vehicles and structures for tax savings. After that, he was the Financial Controller at AMB Property Japan and handled all Japan related real estate accounting and financial issues. He also worked with Bear Stearns Japan as a Controller for Asset Backed Securities. Mr Tomioka brings a wide range of skills and experience in accounting and finance to Galileo. Ryunosuke Nakajima, senior Vice President – investments

Mr Nakajima has over 10 years of real estate business experience in Japan including 5 years in the securitization field. He developed office buildings and condominiums at a development firm for five years and subsequently joined the funds business. His main roles with previous employers, DTZ Japan and Unified Capital Japan were to source, analyze, close and manage investment transactions. He holds a real estate brokers licence (Takken) and Certified Building Administration (CBA) qualifications and is fluent in English.

EDMOND COURTROUL, LEGAL COUNSEL AND COMPLIANCE OFFICER

Mr. Courtroul is a lawyer with over 10 years experience in corporate and property related matters in Japan. Prior to joining Galileo, Mr. Courtroul was Senior Legal Counsel for Panasonic before taking on the role as Chief Legal Officer for the Redwood Group. In addition to his role as legal counsel for the company, Mr. Courtroul is responsible for compliance. He is fluent in Japanese.

HIROFUMI KAMBAYASHI, VICE PRESIDENT – ASSET MANAGEMENT

Mr Kambayashi has obtained tertiary qualifications from both Japanese and American universities. He was a senior manager at Capital Advisors Co Ltd where he specialised in hospitality assets. He was responsible for all facets of asset management including acquisition, disposition and due diligence. Prior to that he was in a senior position in the asset management division of Jones Lange LaSalle Tokyo. He holds a real estate brokers licence (Takken) and Certified Building Administration CBA qualifications.

SHUNSUKE YOSHIDA, VICE PRESIDENT – ASSET MANAGEMENT

Mr Yoshida has over 8 years of real estate related business experience in Japan. He was an asset manager at Macquarie Real Estate Capital, K.K. where he was responsible for multiple types of properties including office, retail and residential. Prior to that he specialised in retail properties at Pacific Management Corp. where his main focus was on acquisitions and leasing. He holds a real estate brokers licence (Takken) and ARES Certified Master (ACM) qualifications.

Japanese Relationship Partner

Management services are provided to Galileo Japan by Nippon Kanzai, well credentialed Japanese property services group. Nippon Kanzai focuses on the creation and execution of value adding management strategies, portfolio level reporting and oversee external property management service providers. Galileo Japan works closely with Nippon Kanzai in order to maximise returns for the TK Operator and indirectly to Unitholders.

TOKYO CAPITAL MANAGEMENT

Tokyo Capital Management is a wholly owned subsidiary of Nippon Kanzai.

Nippon Kanzai is an experienced and well respected real estate services provider, listed on the Tokyo Stock Exchange, with over 40 years experience in the Japanese market, having been founded in 1965. Nippon Kanzai has principal offices in Tokyo and Osaka, in addition to a branch office network throughout Japan and employs approximately 7,000 people. Nippon Kanzai offers a broad variety of property related services including asset management, property management, risk management and building maintenance.

Nippon Kanzai provides management services for the following properties:

- Seishin
- Kanda NK
- Takadanobaba Access
- Azabu Amerex
- Irifune Access
- Doshoumachi Goto
- Matsuya Residence Sekime
- Royalhill Sannomiya II
- Imazato
- Prejeal Utsubo Park
- Daimyo 247
- La Park Kishiwada
- Suroy Mall, Fukuoka
- Seiyu Minakuchi
- Itabashi Belle Maison
- Suroy Mall, Kumamoto
- Nara 2

The remaining properties are managed by Galileo Japan K.K.

TAKADANOBABA ACCESS

The Board of Directors (the Board) of Galileo Japan Funds Management Limited (GJFML) is responsible for the corporate governance of the Trust and the determination of its strategic direction.

CORPORATE GOVERNANCE

The Board is responsible for the corporate governance of the Trust and the determination of its strategic direction.

In accordance with the Corporations Act, the duties of the directors to unitholders of the Trust take priority over the duties of the directors to GJFML.

The Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations 2nd edition (the ***Recommendations***) are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

Under ASX Listing Rule 4.10.3, GJFML must disclose in its annual report the extent to which it has followed the Recommendations. Where there has been a departure from the Recommendations, this fact must be disclosed, together with the reasons for the departure.

GJFML's corporate governance practices throughout the period ending 30 June 2010 are compliant with the Recommendations except to the extent that the functions of a nomination and remuneration committee have been discharged by the Board as a whole, as discussed below.

Recommendation 2.4 sets out that the Board should establish a nomination committee and recommendation 8.1 sets out that the Board should establish a remuneration committee. During the period ended 30 June 2010, nomination and remuneration functions for GJFML were carried out by the full Board of directors. The Board does not believe at this stage that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination or remuneration committee.

For further information on corporate governance policies adopted by the Trust, refer to our website: www.galileofunds.com.au

Structure of the Board

The skills, experience and expertise relevant to the position held by each director in office at the date of this report are included below. Directors of GJFML are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could be reasonably perceived to interfere with, the exercise of their responsibilities as directors.

In the context of director independence materiality is considered from both the company and the individual director perspective. The determination of materiality requires consideration of both qualitative and quantative factors. Qualitative factors include whether a relationship is strategically important, the nature of the relationship and the contractual and other arrangements that govern that relationship. An item is considered to be quantitatively material if it is equal to or greater than 10% of the appropriate base amount and immaterial where it is equal to or less than 5% of the appropriate base amount.

With respect to the Trust all five of the directors have been in office for the period from 10 November 2006 (date the Trust was registered with ASIC) to 30 June 2010 and as at the date of this report. Of the five directors, the Board considers the following three directors to be external and independent directors:

NAME	POSITION	TERM IN OFFICE
Jack Ritch	Non-executive Chairman	46 months
Philip Redmond	Non-executive Director	46 months
Frank Zipfinger	Non-executive Director	46 months

The two executive directors in office at the date of this report are:

NAME	POSITION	TERM IN OFFICE
Neil Werrett	Managing Director and Chief Executive Officer	46 months
Peter Murphy	Executive Director and Chief Operating Officer	46 months

The role of the Board includes:

- providing strategic direction and deciding upon the Trust's business strategies and objectives;
- monitoring the operational and financial position and performance of the Trust;
- identifying the principal risks faced by the Trust and monitoring the effectiveness of systems designed to provide reasonable assurance that these risks are being managed;
- taking steps to ensure that the Trust's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board; and
- taking steps to ensure that unitholders and the market are fully informed of all material developments.

As part of an effective organisational structure, the Board has delegated certain of its responsibilities to the Audit Compliance and Risk Management Committee and day to day management to senior executives. In order to aid them in performing their duties the individual directors are entitled to have access to all records relating to the Trust, to the executive team and management and to seek independent professional advice, at GJFML's expense.

Board Profiles

JACK RITCH, NON-EXECUTIVE CHAIRMAN

Jack was non-executive Chairman, 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.

Jack is also chairman of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports) and Chairman of the Principal and Domain Aged Care Group operations. His other activities include Chairman of the Powerhouse Museum Foundation.

FRANK ZIPFINGER, NON-EXECUTIVE DIRECTOR

Frank has over 25 years experience in the property industry. He was formerly a Partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development. Frank was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Frank completed over five years in various roles as a Managing Partner with the firm. Frank is a Member of the Australian Institute of Company Directors and also a member of the AICD's Law Committee. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the board of Melbourne's Business School and President of the School's Alumni Council, a director of the Australian Youth Orchestra and a director of the Australian Boards of the international not-for-profit organisations Room to Read and Grameen Australia.

PHILIP REDMOND, NON-EXECUTIVE DIRECTOR

Philip has over 20 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.

NEIL WERRETT, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Neil is the Managing Director and Chief Executive Officer and founder of the Trust.

Neil was previously Global Head, Corporate Transactions and Product Development at AMP Henderson Global Investors (now AMP Capital Investors), where he was employed for 24 years in various roles covering property and property funds management. Neil's roles at AMP included property acquisitions and disposals, the establishment of the listed property trust business, ongoing capital raisings and participation in the management committee of the trusts.

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

PETER MURPHY, EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER

Peter has more than 20 years experience in the property industry in numerous capacities including valuations, as well as asset and funds management. Over the past 15 years, he has been directly involved in the management of various listed property entities.

Peter was the CEO of Ronin Property Group which listed in 1996 as AMP Office Trust and had funds under management of approximately $2 billion throughout Australia and New Zealand prior to a merger with Multiplex Group in November 2004.

During his employment with Multiplex, Peter was Group Manager, Marketing and Communications and Divisional Director, Institutional Funds responsible for in excess of $3 billion in funds under management.

Audit Compliance and Risk Management Committee

The board has established an Audit Compliance and Risk Management Committee under a formal charter setting out its composition, operation and responsibilities. All members of this committee are independent, being:

- Frank Zipfinger (Chairman);
- Philip Redmond; and
- Jack Ritch.

For details of the qualifications of members of the audit committee, refer to the board profiles included above.

The Committee's responsibilities include:

- reviewing the integrity of the financial statements;
- reviewing external reporting procedures including accounting policies, financial statements, analysts briefings and continuous disclosure and seeking to ensure that internal financial control systems, risk management policies and risk management systems are adequate to provide an effective assurance of the integrity of financial statements;
- assessing the independence of the external auditor, considering any request to provide non-audit services, and making recommendations in respect of the auditor's engagement;
- reviewing the propriety of, and approval of, all related party transactions;
- reviewing compliance with the Trust's compliance plan and the Corporations Act; and
- reviewing financial management, including management of the Trust's funding, hedging, liquidity and insurance coverage.

The Audit Committee reports to the Board on the outcome of its reviews and discussions with the external auditors and its findings on matters which have or are likely to have a material effect on the operating results or financial position of the Trust.

The Audit Committee meets not less than four times a year and at such other times as any member of the Committee shall require.

During the period ended 30 June 2010 there were five audit committee meetings held and all members of the audit committee attended these meetings.

The external auditor is PricewaterhouseCoopers. The lead engagement partner and review partner will each be required to be rotated at least every five years. Any non-audit services that are to be provided by the auditor will be subject to disclosure in the financial report.

Additionally, PricewaterhouseCoopers has been engaged to audit the compliance plan. The compliance plan auditor provides an audit opinion to the board which, together with the Trust's financial report, is lodged with ASIC.

Performance

GJFML undertakes a formal review of the Board's performance each year in the March quarter.

Each March quarter the Chairman is required to complete a board assessment questionnaire, based upon discussions with Board members, which analyses their performance. The questionnaire covers the following matters:

- Board contribution to developing strategy and policy as it relates to the Trust;
- interaction between the Board and management, and between Board members;
- Board processes to monitor Trust performance and compliance, control risk and evaluate management;
- Board composition and structure; and
- operation of the Board, including the conduct of the Board meetings and committee meetings.

Remuneration

The remuneration of GJFML in its capacity as Responsible Entity is regulated by the Trust's Constitution. Management fees and expenses payable for the period ended 30 June 2010 are set out in the financial report.

The remuneration of directors, including the Managing Director, is to be reviewed each year in the March quarter taking into account market information on fees paid to directors in comparable entities. It is important to note that the Trust does not bear the costs of any director. These costs are paid out of the management fee payable by the Trust to GJFML .

Remuneration of executives is determined by the Managing Director and is to be reviewed each year in the March quarter. It is important to note that the Trust does not bear the costs of any executive or employee. These costs are paid out of the management fee payable by the Trust to GJFML.

The Board is to ensure that the remuneration practices of GJFML are fair and reasonable and structured to encourage enhanced performance. Each March quarter the Board will review the remuneration practices of GJFML to ensure that they:

- are reasonable, fair and reward performance;
- attract and retain high calibre staff;
- are managed to mitigate risk and be in line with corporate governance and legal requirements;
- motivate management to pursue the long term goals of the Trust; and
- demonstrate a relationship between executive performance and remuneration.

Due to the recent refinancing the remuneration practices evaluation was not undertaken in March 2010 and has been deferred to the December 2010 quarter.

Ethical Standards

GJFML is committed to ensuring that it acts responsibly and with integrity in relation to its dealings with the Trust and unitholders. Each director and employee is required to place the interests of unitholders above that of GJFML and to act in good faith, and with care and diligence. GJFML has a Code of Conduct and Business Ethics which must be complied with at all times. In addition, GJFML also has a Director's Code of Conduct which the directors of GJFML must also comply with at all times.

Trading Policy

The Board of GJFML has adopted a securities trading policy. It provides that directors and employees of GJFML must not buy or sell securities when they are in possession of price sensitive information relating to the Trust which is not generally available to the market. To avoid any adverse inference being drawn of unfair dealing, directors and employees must not deal in the Trust's securities during the four weeks before, and for one full trading day after, the release of the half year and full year results announcements. The Board may also impose additional non-trading periods at any time by notice. Directors and employees must not buy or sell the company's securities until approval has been given by the Chairman or Chief Executive Officer.

Continuous Disclosure and Communication

The Trust is a disclosing entity for the purposes of the Corporations Act and complies with the continuous disclosure regime under the ASX Listing Rules and Corporations Act. GJFML has a Continuous Disclosure Policy which must be complied with at all times. In accordance with ASX Listing Rule 4.10.19 the Trust has used cash and assets that it had at the time of listing in a manner consistent with its business objectives. GJFML has established internal systems and procedures to ensure that timely disclosure is made to the ASX to support an informed market. The Trust also provides periodic reports to unitholders and places key announcements on its website. Under the Corporations Act, the Trust is not required to hold an annual meeting with scheme members and we do not intend to have an annual meeting with respect to the financial year ended 30 June 2010.

INVESTOR RELATIONS

Key Dates

23 DECEMBER 2010

Ex Distribution date for half year distribution

31 DECEMBER 2010

Record date for half year distribution

25 FEBRUARY 2011

Interim results (indicative)

The Trust currently trades under the Australian Securities Exchange (ASX) Code GJT.

Ordinary Units

Ordinary units are the sole class of units on issue and available for investment in the Trust. A distribution may be paid every six months, in February and August.

Distribution Payments

GJT remains primarily a capital return investment as no cash distributions will be made to unitholders (other than required for taxation purposes) until Forum and UBS facilities have been fully repaid.

There are two ways in which future distribution payments can be made:

1. a direct credit to your bank, building society or credit union account; or
2. a cheque mailed to your postal address.

Direct crediting of distributions ensures same day receipt and enables you to access your funds more quickly than if you had received a cheque. Confirmation of the direct credit is provided. A cheque will be forwarded if you have not nominated an account for direct credit. If any unitholder would like to take up the direct credit option, please contact Link Market Services on freecall 1800 709 446 or +61 2 8280 7910 for overseas investors.

Taxation Statements

A taxation statement will be issued at the end of each financial year when there is a distribution paid to unitholders. This statement provides details of the distributions made during the relevant financial year, including any tax deferred component.

The Trust Website address is: www.galileofunds.com.au

The site contains a variety of investor information including unit price, announcements to the ASX, and the latest financial reports.

The Trust's freecall hotline number is: 1800 709 446

Link Market Services operates a freecall number on behalf of the Responsible Entity. Please call if you have any questions in relation to the following matters:

- change of address details of unitholder;
- request to have distributions paid by direct credit to a bank account;
- request not to receive an Annual or Half Year Report; or
- provision of Tax File Numbers.

galileo
JAPAN TRUST

Designed and produced by Text Pacific Publishing,
a carbon measured company. www.textpacific.com.au

galileo
JAPAN TRUST

ANNUAL REPORT 2010

GALILEO JAPAN TRUST (ARSN 122 465 990)

FINANCIAL REPORT

For the financial year ended 30 June 2010

Contents

Directors' Report to Unitholders

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Directors of Galileo Japan Funds Management Limited, the responsible entity (Responsible Entity) of Galileo Japan Trust submit herewith their consolidated financial report of Galileo Japan Trust and its controlled entity (together the 'Trust') for the year ended 30 June 2010.

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 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 financial year and up to the date of this report:

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

During the financial year there were 23 directors meetings held and all directors were present at these meetings.

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. Jack is also Chairman of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports) and Chairman of the Principal and Domain Aged Care Group operations. His other activities include Chairman of the Powerhouse Museum Foundation.

Philip Redmond, Non-Executive Director

Philip has over 20 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.

Frank Zipfinger, Non-Executive Director

Frank has over 25 years experience in the property industry. He was formerly a Partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development . Frank was also the Chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Frank completed over five years in various roles as a Managing Partner with the firm. Frank is a Member of the Australian Institute of Company Directors and also a member of the AICD's Law Committee. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the Board of Melbourne Business School and President of the school's Alumni Council, a Director of the Australian Youth Orchestra and a Director of the Australian Boards of the international not for profit organisations Room to Read and Grameen Australia.

Details of directors (continued)

Neil Werrett, Managing Director and Chief Executive Officer

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

Peter Murphy, Executive Director and Chief Operating Officer

Peter has over 20 years experience in the property industry in numerous capacities including valuations, asset and funds management. Over the past 15 years, he has been directly involved in the management of various listed property entities. Peter was the CEO of Ronin Property Group which listed in 1996 as AMP Office Trust and had funds under management of approximately $2 billion throughout Australia and New Zealand prior to a merger with Multiplex Group in November 2004. During his employment with Multiplex, Peter was Group Manager, Marketing and Communications and Divisional Director, Institutional Funds responsible for in excess of $3 billion in funds under management.

Details of Company Secretary

Donna Duggan, Compliance Officer

Donna Duggan is Compliance Officer and company secretary for Galileo Japan Funds Management Limited. Donna is currently completing the Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance.

Directors' relevant Interests in the Trust

As at 30 June 2010, the interests of the directors, held directly or indirectly, in the Trust were:

	Units Held
Jack Ritch	141,429
Philip Redmond	265,000
Frank Zipfinger	230,000
Neil Werrett*	24,814,488
Peter Murphy	840,143

* These units are owned by Galileo Japan Funds Management Limited (the Responsible Entity) and Galileo Investments Japan Pty Ltd.

There were no options given to directors.

Principal Activity of the Trust

The principal activity of the Trust is to indirectly invest in a diverse portfolio of real estate assets in Japan. Up until 21 September 2009, the Trusts aim was to generate long term income and capital growth from investing in stabilised real estate in Japan. Post 21 September 2009 the Trust aims to maximise the returns for unitholders through an orderly asset sale program to ensure sufficient working capital exists to meet its financial commitments, the success of which will ultimately be dependent upon the realisation amount for property investments.

Review and Results of Operations

Financial results for the year

The Trust's result for the year has been impacted significantly by the debt refinancing that was completed in September 2009 (details were contained in ASX announcement dated 22 September 2009). The refinancing resulted in significant changes to the Trust's operations including, a substantial increase in cash requirements to service the Japanese TK business borrowings, restrictions on the payment of distributions and a revised business strategy involving the likely divestment of the portfolio over a period of up to 4 years.

Key points relating to the financial result for the year ended 30 June 2010 are:

- Property net income down 10.1% to ¥4.07 billion (A$50.45 million);
- Significant increase in finance costs as a result of the September 2009 refinance;
- Mandatory amortisation, equivalent to 2.3% per annum of the outstanding loan balance, under the revised senior loan document commenced in the December 2009 quarter;
- Investment property revaluations, both independent and Directors' valuations, have resulted in the carrying value of the portfolio reducing 5.5% to ¥72.5 billion at 30 June 2010 (¥76.7 billion at 30 June 2009);
- Net tangible assets of 40cpu, 23% lower than June 2009; and
- Net tangible assets, if restated, as at 30 June 2010 to reflect the potential conversion of Forum's convertible Eurobond would be 20 cpu.

Distributions

No distribution has been paid or is payable for the year ended 30 June 2010. The Trust's Distribution Reinvestment Plan (DRP) is not in operation.

Property valuations

Independent valuations of the investment properties are obtained at least every three years or whenever the Responsible Entity believes there is a significant change in fair value within the period. Where a property has not been independently revalued during the reporting period the Directors make an assessment of fair value. The Directors' assessment of fair value primarily considers the contractual rentals, expected future market rentals, letting-up periods, capital expenditure requirements and appropriate discount rates. These fair value estimations are regularly assessed against available market information and actual market transactions.

At 30 June 2010 the fair value of investment property equated to ¥72.53 billion which is down 5.5% from 30 June 2009. The 30 June 2010 value is based upon seven properties being independently valued by Savills Japan Co. Limited, with the remainder of the portfolio being the Directors' assessment of fair value.

Refinancing

In September 2009 a refinancing strategy was completed for the Trust which included:

- raising new capital in the form of mezzanine Eurobonds and convertible Eurobonds to allow for the full repayment of all short term maturities that existed at 30 June 2009;
- as well as the amendment of certain key terms and extension of the maturity date of the senior loan; and
- conversion of the foreign currency liability due to the counterparty into a long term loan payable in full in September 2014.

After closing of the Eurobond issue, entering into the amended senior loan agreement with the Japanese senior lender and closing of the loan facility with the foreign currency counterparty there are no loan obligations maturing until December 2012.

Review and Results of Operations (continued)

As a result of the termination of all of the foreign currency hedges by the counterparty the Trust is fully exposed to fluctuations in the AUD/JPY exchange rate on the income it receives from Japan and on the net equity position of its investment in Japan.

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 year ended 30 June 2010 and up to the date of this report.

Events occurring after reporting date

The Directors are not aware of any matter or circumstance occurring since 30 June 2010 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.

Fees Paid by the Trust to the Responsible Entity

Fees paid or payable to the Responsible Entity for services provided during the period are determined in accordance with the Trust Constitution and disclosed in Note 20 of the financial statements. The Responsible Entity is entitled to receive a base Responsible Entity fee up to 0.4% per annum of the Trust's direct and indirect proportionate interest (i.e. 98.5%) in the properties and other assets held in the TK Business.

As a part of the refinancing that took place during the year ended 30 June 2010, the Responsible Entity has agreed to permanently waive its share (0.1%) of any base Responsible Entity fee and any performance fee in lieu of an operating cost recovery arrangement. The Trust will reimburse the Responsible Entity for operating costs of up to $50,000 per month for costs relating to ongoing management of the Trust. The payment of these costs will be deferred until all outstanding obligations to the Eurobond holders and the foreign currency facility lender have been repaid in full. During the year ended 30 June 2010 cost recovery charges of $50,000 per month from the date of the completion of the refinancing (September 2009) were accrued by the Trust for payment to the Responsible Entity.

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 a proportion of the premium 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.

Review and Results of Operations (continued)

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, 30 August 2010

Auditor’s Independence Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditors’ Independence Declaration

As lead auditor for the audit of Galileo Japan Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Galileo Japan Trust and the entities it controlled during the period.

JA Dunning

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
30 August 2010

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue			
Rental income		71,110	83,094
		71,110	83,094
Other income			
Foreign exchange gain		5,197	–
Gain on derivative financial instruments		2,049	–
Interest and other income		35	18,832
		7,281	**18,832**
Total revenue and other income		**78,391**	**101,926**
Expenses			
Property expenses		(20,660)	(22,153)
Finance costs	3(i)	(54,587)	(18,391)
ASX and other fees		(194)	(271)
Loss on derivative financial instruments		–	(74,888)
Foreign exchange loss		–	(16,155)
Loss on investment property revaluation		(58,103)	(218,601)
Other expenses	3(ii)	(8,175)	(10,538)
TOTAL EXPENSES		**(141,719)**	**(360,997)**
Loss before tax for the year		**(63,328)**	**(259,071)**
Income tax credit	5	–	5,252
LOSS AFTER TAX FOR THE YEAR		**(63,328)**	**(253,819)**
Other comprehensive income			
Foreign exchange translation adjustments	12	4,435	108,110
Fair value movement on hedge instrument	12	12,675	(11,467)
		17,110	**96,643**
Total comprehensive loss for the year		**(46,218)**	**(157,176)**
Loss attributable to:			
Unitholders of the Trust		(62,236)	(251,568)
Non-controlling interest	14	(1,092)	(2,251)
		(63,328)	**(253,819)**
Total comprehensive loss attributable to:			
Unitholders of the Trust		(45,126)	(154,925)
Non-controlling interest	14	(1,092)	(2,251)
		(46,218)	**(157,176)**
Basic and diluted earnings per unit (cents)	16	(15.35)	(62.03)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Assets			
Current Assets			
Cash and cash equivalents	23	57,196	56,832
Trade and other receivables	6	7,780	6,134
TOTAL CURRENT ASSETS		**64,976**	**62,966**
Non-Current Assets			
Investment property	7	961,164	987,843
Other assets		172	167
TOTAL NON-CURRENT ASSETS		**961,336**	**988,010**
TOTAL ASSETS		**1,026,312**	**1,050,976**
Liabilities			
Current Liabilities			
Trade and other payables	8	17,665	22,600
Interest bearing liabilities	10	12,958	112,595
Tenant security deposits		15,636	7,356
Derivative financial instruments	18	531	60,770
Provision for distribution	9	–	101
TOTAL CURRENT LIABILITIES		**46,790**	**203,422**
Non-Current Liabilities			
Interest bearing liabilities	10	764,874	576,971
Tenant security deposits		36,450	44,282
Derivative financial instruments	18	10,320	12,675
Other		470	–
TOTAL NON-CURRENT LIABILITIES		**812,114**	**633,928**
TOTAL LIABILITIES		**858,904**	**837,350**
NET ASSETS		**167,408**	**213,626**
UNITHOLDERS' EQUITY			
Parent entity interest			
Contributed equity	11	386,856	386,856
Reserves	12	89,440	72,330
Accumulated losses	13	(312,190)	(249,954)
Total parent entity interest		164,106	209,232
Non-controlling interest	14	3,302	4,394
TOTAL EQUITY		**167,408**	**213,626**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated Entity					
	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance 1 July 2008	386,856	(24,313)	1,715	364,258	6,645	370,903
Movement in foreign currency translation reserve	–	108,110	–	108,110	–	108,110
Movement in hedging reserve	–	(11,467)	–	(11,467)	–	(11,467)
Net income/(loss) recognised directly in equity	–	72,330	–	460,901	–	467,546
Profit/(loss) for the year	–	–	(251,568)	(251,568)	(2,251)	(253,819)
Total comprehensive income/(loss) for the year	–	72,330	(251,568)	209,333	4,394	213,727
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	–	–	–	–	–	–
Distribution paid or payable	–	–	(101)	(101)	–	(101)
Balance 30 June 2009	386,856	72,330	(249,954)	209,232	4,394	213,626
Balance 1 July 2009	386,856	72,330	(249,954)	209,232	4,394	213,626
Movement in foreign currency translation reserve	–	4,435	–	4,435	–	4,435
Movement in hedging reserve		12,675	–	12,675	–	12,675
Net income/(loss) recognised directly in equity	–	89,440	–	226,342	–	230,736
Profit/(loss) for the year	–	–	(62,236)	(62,236)	(1,092)	(63,328)
Total comprehensive income/(loss) for the year	–	89,440	(62,236)	164,106	3,302	167,408
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	–	–	–	–	–	–
Distribution paid or payable	–	–	–	–	–	–
Balance 30 June 2010	386,856	89,440	(312,190)	164,106	3,302	167,408

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Rental and other property income		69,223	83,587
Property and other expenses		(21,122)	(22,817)
Foreign exchange loss		–	706
Interest and other income received		35	3,520
Borrowing costs		(23,715)	(15,657)
Other operating costs		(11,706)	(6,725)
Tenant security deposits		(982)	(2,048)
Consumption tax/GST received/(paid)		(2,662)	11,771
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	9,071	52,337
Cash flows from investing activities			
Investment properties		(2,760)	(3,667)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(2,760)	(3,667)
Cash flows from financing activities			
Proceeds from Eurobond issue		140,056	–
Repayment of borrowings		(140,958)	(36,506)
Distributions paid		(266)	(16,117)
Finance costs paid		(6,336)	(376)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(7,504)	(52,999)
Net decrease in cash assets held		(1,193)	(4,329)
Effect of foreign exchange movements on cash		1,557	14,210
Cash assets at the beginning of the year		56,832	46,951
CASH ASSETS AT THE END OF THE YEAR	23	**57,196**	**56,832**

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

Note 1. General information

These consolidated financial statements cover Galileo Japan Trust and its subsidiary (Galileo Japan Trust II) as a consolidated entity (the 'Trust'). The Trust was established pursuant to the Constitution and was registered as a managed investment scheme with the Australian Securities and Investments Commission on 10 November 2006 and was listed on the Australian Securities Exchange on 18 December 2006.

The Trust aims to maximise the returns for unitholders through an orderly asset sale program to ensure sufficient working capital exists to meet its financial commitments, the success of which will ultimately be dependent upon the realisation amount for property investments.

The responsible entity of the Trust is Galileo Japan Funds Management Limited (the 'Responsible Entity'). The Trust's registered address is Level 9, 1 Alfred Street, Sydney NSW. The financial statements were authorised for issue by the directors on 30 August 2010. The Responsible Entity has the power to amend and reissue these financial statements.

Note 2. Summary of significant accounting policies

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

(a) Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention, with the exception of derivative financial instruments and investment property, which are carried at fair value through profit or loss.

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 financial year 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 accounting policies. Note 2(c), 2(e), 2(j), Note 7 and Note 18 are the main policies where estimations of fair value are described and Note 2(p) describes the assumptions in relation to deferred tax liabilities.

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, apart from the adoption of the following Standards as a result of new or revised accounting standards which became operative for the annual reporting period commencing 1 July 2009.

- Australian Accounting Standards newly released or existing standards to which amendments have been made in the past year are: 1, 2, 4, 5, 7, 8, 101, 102, 107, 108, 110, 111, 116, 118, 119, 120, 121, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023, 1038, 1039 and 1049.
- UIG Interpretations newly released or amended are: 1, 12, 13, 15 and 16.

Note 2. Summary of significant accounting policies (continued)

The adoption of the Standards and Interpretations above that have a significant impact on the financial statements or performance of the Trust in the financial year are:

- AASB 7 *Financial Instruments: Disclosures* – The amended Standard requires additional disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level using a three-level fair value measurement hierarchy. It also requires disclosure of remaining contractual maturities of derivatives if the maturities are essential for an understanding of the timing of the cashflows. The entity also has to disclose a maturity analysis of financial assets it holds for managing liquidity risk if relevant to evaluate the nature and extent of liquidity risk. The adoption of this amendment does not impact on profit but results in additional disclosures presented in Note 18;
- AASB 8 *Operating Segments* – This accounting standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting and analysis purposes. Operating segments are now reported in a manner consistent with the internal reporting to the chief operating decision makers. Apart from the additional disclosures and measures reflected in the operating segments note (Note 19), the adoption of AASB 8 Operating Segments has not had an impact on the measurements reflected in the Trust's financial statements. Comparative information has been restated;
- AASB 9 *Financial Instruments* – AASB 9 simplifies the classification of financial assets into those to be carried at amortised cost and those to be carried at fair value and replaces the recognition and measurement requirements of financial assets in AASB 139. This standard is required for application from 1 January 2013. The Trust is still currently assessing the impact of this standard;
- AASB 101 *Presentation of financial statements* – The revised standard requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity. The adoption of this revised standard will not affect any of the amounts recognised in the financial statements;

Uncertainty around property valuations

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be prolonged. The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the balance date, the current market uncertainty means that if investment property is sold in future the price achieved may vary from the most recent valuation, or be lower than the fair value recorded in the financial statements.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Galileo Japan Trust and its controlled entity Galileo Japan Trust II. Information from the financial statements of the subsidiary is included from the date the parent obtained control until such time control ceases. The parent entity's investment in the controlled subsidiary is carried at the lower of cost and recoverable amount. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. The effects of inter-entity transactions and balances and unrealised profits and losses arising have been eliminated in full.

The consolidated financial statements of the Trust incorporate the beneficial interest in 100% of the assets and liabilities arising from the contractual relationships with Central Master Godo Kaisha, which is the Tokumei Kumiai (TK) Operator. This contractual relationship is known under Japanese commercial law as a TK. Under the contractual relationships the Trust is entitled to 97% of the profits and losses of the business of the TK. Under Japanese commercial law a TK is not a legal entity but a contractual relationship or contractual relationships between one or more investors and the TK operator. Central Master Godo Kaisha has invested in the business of two separate TK operators, Central Sub Godo Kaisha and Central Sub 2 Godo Kaisha, under two separate TK Agreements. The sub TK operators will use the invested funds to acquire the trust beneficiary interests of the investment properties.

The 3% of TK profit payable to the TK Operator is shown as Non-controlling interest in the consolidated statement of comprehensive income. The consolidated financial statements of the Trust incorporate the results of the interests in the TK from the date the TK agreements were signed.

Note 2. Summary of significant accounting policies (continued)

(c) Investment property

Investment properties are initially recorded at cost, being the acquisition price plus the cost of acquisition. All property acquisition costs are capitalised into the value of the investment properties at the time of purchase to reflect the total acquisition costs in the consolidated statement of financial position. Additions and other expenditure on investment properties which are capital in nature are capitalised to the investment property as incurred. At balance date the investment properties are carried at fair value.

At each reporting date the book value of the property portfolio is assessed by the Directors and where the book value differs materially from the assessed fair value, an adjustment is made to the book value of the property portfolio. Fair value is determined based on either an independent market valuation or an assessment by the Directors. Independent valuations of the investment properties are obtained at least every three years or whenever the Responsible Entity believes there is a significant change in fair value within the year. Where a property has not been independently revalued during the reporting period the Directors make an assessment of fair value.

In determining the fair value, the capitalisation of net market income method and discounting of future cash flows to their present value have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, rental void periods, maintenance requirements, property capitalisation rate or estimated yield 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.

These valuations are regularly compared to market data, and actual transactions undertaken by the Responsible Entity and those reported to the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Gains and losses arising from changes in the fair values of investment properties from the revaluation of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated 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 are 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 are carried at fair value and reported as part of the fair value gain or loss. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Foreign operations

The beneficial interest in the assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at balance date (30 June 2010 – 75.46; 30 June 2009 – 77.65), while their income and expenditures are translated at the average of rates ruling during the financial year (30 June 2010 – 80.68; 30 June 2009 – 74.29). Foreign exchange differences arising on translation are recorded in the foreign currency translation reserve.

The Trust's activities expose it to changes in interest rates and foreign exchange rates. There are policies and limits in respect of the use of derivative and other financial instruments to manage its risk associated with cash flows subject to interest and currency risks (refer note 18).

Note 2. Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments

The Trust has designated certain interest rate swap derivatives as hedges of highly probable forecast cash flows relating to interest bearing liabilities. The portion of changes in the fair value of these derivatives that are designated and qualify as cash flow hedges is recognised in the equity hedging reserve. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of comprehensive income.

(f) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, 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, lender reserves and tenant security deposits.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less any impairment losses (bad debts). An estimate of provision for doubtful debts is made when collection is no longer probable. Bad debts are written off to the statement of comprehensive income as incurred. Receivables from related parties are carried at the nominal amount due.

(h) Trade and other payables

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

(i) Interest bearing liabilities

Interest bearing liabilities are initially recognised at the fair value of the consideration received less any directly attributable set up costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

(j) Impairment of assets

The directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of determining impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(k) Contributed equity

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

(l) Provisions

Provisions are recognised when there is a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are not recognised for future operating losses.

Note 2. Summary of significant accounting policies (continued)

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.

(m) Revenue

Revenue is recognised at fair value of the consideration received net of the amounts of goods and services tax (GST) or consumption tax (CT) payable to taxation authorities. Rental revenue generated from leases is recognised in accordance with the substance of the lease contract. Where a lease contract contains fixed rental increases, rental revenue is recognised in the statement of comprehensive income on a straight-line basis unless another systematic basis is more representative of the time pattern in which the benefit of the leased asset is diminished. Contingent rental amounts such as CPI or turnover linked rentals are recognised on an accruals basis when earned.

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.

(n) Expenditure

Expenditure is brought to account on an accruals basis. Payments made under operating leases are expensed on a straight line basis over the term of the lease. Fees paid to the Responsible Entity are brought to account on an accruals basis.

(o) Finance costs

Finance costs incurred in establishing borrowing facilities are capitalised and amortised over the term of the facility. Finance costs incurred in drawing funds under a loan are transaction costs which are offset against the proceeds of the loan and other interest expenses are expensed as incurred.

Where there is a deemed extinguishment of a loan due to a substantial modification of the terms of an existing financial liability, the pre-existing capitalised finance costs and any costs incurred in relation to that loan modification are expensed in the period of the extinguishment.

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of the asset, until such time that the asset is ready for its intended use.

(p) Taxation

i) Australian income tax

Under current Australian income tax legislation, the Trust is not liable to income tax provided unitholders are presently entitled to all of the Trust's taxable 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. Tax 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 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20% withholding tax on the distribution of profits under TK arrangements. The 20% withholding tax is the final Japanese tax on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have permanent establishment in Japan). The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20% withholding tax described above however, is only imposed on an actual distribution of profit to investors.

Note 2. Summary of significant accounting policies (continued)

iii) Deferred Japanese tax

Deferred tax assets and liabilities are recognised for timing differences at the tax rates expected to apply when assets are recovered or liabilities are settled based on those rates which are enacted or substantially enacted in Japan. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The relevant rate for deferred tax in relation to revaluation of TK investment properties is 20%.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the deferred tax provisions in the period in which the determination is made.

(q) 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. Cash flows are included in the statement of cash flows on a gross basis. 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.

(r) Earnings per unit

Basic and diluted earnings per unit are calculated as net profit attributable to unitholders of the parent entity, divided by the weighted average number of ordinary units.

(s) Tenant deposits

Tenant deposit liabilities are recognised at fair value based on the obligation to return the deposit to tenants. Tenant deposits are assessed at each balance date and are classified as current liabilities if it is known that repayment of the deposit is required within 12 months.

(t) Segment reporting

Segment income, expenditure, assets and liabilities are those that are directly attributed to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets are assets used by segments and consist primarily of cash, receivables (net of allowances) and investments. 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

(u) Distributions

A provision for distribution is recognised when a constructive obligation exists. The constructive obligation exists where there is a specified amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(v) Comparative figures

The comparative figures represent the year ended 30 June 2009.

Note 2. Summary of significant accounting policies (continued)

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity (Galileo Japan Trust), as disclosed in note 24, has been prepared on the same basis as the consolidated financial statements, unless otherwise stated.

Note 3. Loss for the year

The loss from continuing activities before income tax includes the following items of expense:

(i) Finance costs

	Consolidated	
	2010 $'000	2009 $'000
Interest expense – senior bank loan	16,359	15,656
Interest expense – foreign currency loan facility	2,320	–
Mezzanine Eurobond coupon	14,391	–
Convertible Eurobond coupon	1,748	–
Amortisation of finance costs*	7,570	2,735
Write-off of interest rate swap hedging reserve^	12,199	–
	54,587	18,391

* In accordance with ***AASB139 Financial Instruments: Recognition and Measurement***, the refinance of the senior bank loan on 19 September 2009 was deemed to be an 'extinguishment' of a financial liability. Accordingly, these finance costs include the write-off of all unamortised financing costs relating to the senior bank loan and all costs incurred in the current year relating to the refinance of that senior bank loan.

^ In accordance with ***AASB139 Financial Instruments: Recognition and Measurement***, the refinance of the senior bank loan on 19 September 2009 caused the interest rate swap derivatives to become "ineffective" hedges. Accordingly, the balance in the interest rate swap hedging reserve as at the date of the refinancing was written off through the profit and loss.

(ii) Other expenses

	Consolidated	
	2010 $'000	2009 $'000
TK operating costs		
– asset management fees	6,046	6,660
– legal fees	233	735
– valuation fees	52	1,095
– other TK operating expenses	737	839
Total TK operating costs	7,068	9,329
Travel and related expenditure	–	452
Legal and other professional fees	506	633
Information technology expenses	129	103
General and administration expenses	472	21
	8,175	10,538

Note 4. Auditor's remuneration

The auditor of the Trust in Australia and the TK Business in Japan is PricewaterhouseCoopers.

	Consolidated	
	2010 $	2009 $
Amounts received or receivable by the Trust's auditors for:		
– Audit of the financial report (Australia)	272,000	268,444
– Audit of the Trust compliance plan (Australia)	11,000	11,000
– Audit services (Japan)	199,554	314,396
– Tax services (Australia)	24,000	40,500
– Tax services (Japan)	450,775	512,317
	957,329	**1,146,657**

Note 5. Income tax

	Consolidated	
	2010 $'000	2009 $'000
Income tax credit:		
Deferred tax	–	(7,999)
Withholding tax	–	2,747
	–	**(5,252)**
Reconciliation of tax credit:		
Net loss before tax for the year	(63,328)	(259,071)
Tax at the Australian rate of 30%	(18,998)	(77,721)
Tax effect of amounts that are not assessable	18,998	77,721
Japanese withholding tax on distributions from controlled entity	–	2,747
Deferred tax	–	(7,999)
	–	**(5,252)**

Note 6. Trade and other receivables

	Consolidated	
	2010 $'000	2009 $'000
Trade receivables	6,792	5,473
Consumption tax/GST	13	10
Prepayments	329	307
Other receivables	646	344
	7,780	**6,134**

Note 7. Investment property

	Consolidated	
	2010 $'000	2009 $'000
Fair value at the beginning of the year	987,843	921,220
Additions to investment property	2,889	3,667
Revaluation adjustments	(58,102)	(218,601)
Foreign currency translation movements	28,534	281,557
FAIR VALUE AT THE END OF THE YEAR	**961,164**	**987,843**

The Trust holds interests in the investment properties arising from the contractual relationship between the Trust and the TK Operator. The beneficial legal ownership of the investment properties is held in the name of the sub TK Operators.

The carrying value of seven investment properties at 30 June 2010 has been determined by independent valuations undertaken by Savills Japan Co. Ltd. The fair value of the remainder of the portfolio is based on the Directors' assessment of fair value. The Directors' assessment of fair value for these properties primarily considers the contractual rentals, expected future market rentals, letting-up periods, capital expenditure requirements and appropriate discount rates. These fair value estimations are regularly assessed against available market information and actual Market transactions.

Key valuation assumptions used in the determination of fair value are as follows:

2010

	Office	Retail/ Leisure	Mixed Use	Residential	Industrial	Hotel
Weighted average capitalisation rate	5.3%	6.1%	6.9%	7.5%	7.0%	7.7%
Lease vacancy rates	10.4%	0.3%	5.8%	14.5%	0.0%	0.0%

2009

	Office	Retail/ Leisure	Mixed Use	Residential	Industrial	Hotel
Weighted average capitalisation rate	5.1%	6.1%	6.7%	7.4%	6.9%	7.5%
Lease vacancy rates	7.2%	1.2%	6.0%	15.0%	0.0%	0.0%

Refer Note 2(c) for information on the valuation basis adopted for investment property by the Consolidated Entity, Note 10 for information on investment property pledged as security and Note 17 for information on leasing arrangements.

Note 8. Trade and other payables

	Consolidated	
	2010 $'000	2009 $'000
Trade payables and accrued expenses	10,301	11,484
Withholding tax payable	1,876	2,628
Rent received in advance	5,274	5,578
Consumption tax payable	35	2,445
Other payables	179	465
	17,665	**22,600**

Note 9. Provision for distribution

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of the year	101	16,222
Distributions provided for during the year	–	101
Amount paid during the year	(101)	(16,222)
BALANCE AT THE END OF THE YEAR	**–**	**101**

There is no distribution paid/payable for the year ended 30 June 2010. The amount paid during the year related to the year ended 30 June 2009 and was paid in August 2009.

Note 10. Interest bearing liabilities

		Consolidated	
	Maturity date	2010 $'000	2009 $'000
Current			
Senior bank loan (i)		12,958	112,951
Less: unamortised borrowing costs		–	(356)
		12,958	**112,595**
Non-Current			
Senior bank loan (i)	December 2012	555,367	581,919
Mezzanine Eurobonds (ii)	September 2014	134,936	–
Convertible Eurobonds (iii)	September 2016	17,772	–
Foreign currency loan facility (iv)	September 2014	60,866	–
Less: unamortised borrowing costs		(4,067)	(4,948)
		764,874	**576,971**
TOTAL INTEREST BEARING LIABILITIES		**777,832**	**689,566**

Details of loan facilities

(i) Senior bank loan

The senior bank loan is secured by a pledge over 21 investment properties and contains cross default provisions. This loan is denominated in Japanese Yen (30 June 2010: ¥42.89 billion) and has mandatory principal repayments equal to 2.3% per annum of the outstanding loan principal. Through the use of interest rate swaps the interest rate on this loan is fixed at an average rate of 3.12%. There is a debt service coverage ratio (DSCR) covenant test of 1.5x (as defined) and there is no loan to value (LTV) covenant test. There are no undrawn amounts outstanding for this facility.

(ii) Mezzanine Eurobonds

The Mezzanine Eurobonds are Japanese Yen denominated Eurobonds (30 June 2010: ¥10.18 billion) with a term of 5 years from 18 September 2009. A cash coupon is paid quarterly on the outstanding principal of the Mezzanine Bonds at a rate of 10% per annum and a payment in kind (PIK) is accrued and compounded quarterly at a rate of 4.91% per annum. There are no DSCR or LTV covenant tests for these bonds.

Note 10. Interest bearing liabilities (continued)

(iii) Convertible Eurobonds

The Convertible Bonds are Japanese Yen denominated Eurobonds (30 June 2010: ¥1.34 billion) with a term of 7 years from 18 September 2009 with a put option after 5 years. A payment in kind (PIK) is accrued and compounded annually on these bonds at a rate of 15% per annum.

Following full repayment of the Mezzanine Eurobonds the Convertible Eurobonds may be redeemed, at the holder's option, in cash for the then outstanding principal amount (including accrued interest) or converted into an interest in the Japanese TK equal to a fixed 40% of the Japanese TK interest currently held by the Trust. There are no DSCR or LTV covenant tests for these bonds.

(iv) Foreign currency loan facility

The foreign currency loan facility is a Japanese Yen denominated facility (30 June 2010: ¥4.59 billion) that is repayable in full on 18 September 2014. Interest is charged at a margin of 5% over Japanese Yen 30 day LIBOR for years 1 to 3, increasing to 10% thereafter. Interest payments are capitalised into loan balance compounding quarterly. There are no DSCR or LTV covenant tests for this facility.

Note 11. Contributed equity

	Consolidated	
	2010 $'000	**2009 $'000**
Units on issue		
Balance at the beginning of the year	386,856	386,856
Units issued during the year	–	–
	386,856	386,856
Transaction costs	–	–
BALANCE AT THE END OF THE YEAR	**386,856**	**386,856**

	Consolidated	
	2010 (Units)	**2009 (Units)**
Number of units on issue		
Balance at the beginning of the year	405,558,571	405,558,571
Units issued during the year	–	–
BALANCE AT THE END OF THE YEAR	**405,558,571**	**405,558,571**

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 purposes of distributions, voting and in the event of the Trust terminating.

Note 12. Reserves

	Consolidated	
	2010 $'000	2009 $'000
Foreign currency translation reserve		
Balance at the beginning of the year	85,005	(23,105)
Foreign exchange translation movement for the year	4,435	108,110
Balance at the end of the year	89,440	85,005
Hedging reserve		
Balance at the beginning of the year	(12,675)	(1,208)
Interest rate swap amortisation	12,675	(11,467)
Balance at the end of the year	–	(12,675)
TOTAL RESERVES	**89,440**	**72,330**

Nature and purpose of foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of controlled entities.

Nature and purpose of hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument for a cash flow hedge that is recognised directly in other comprehensive income, as described in note 2(e). In accordance with ***AASB139 Financial Instruments: Recognition and Measurement*** the refinance of the senior debt loan on 18 September 2009 was deemed to be an 'extinguishment'. Accordingly, the balance in the interest rate swap hedging reserve as at the date of the refinancing was written off through the profit and loss.

Note 13. Accumulated losses

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of the year	(249,954)	1,715
Net loss attributable to unitholders of the Trust	(62,236)	(251,568)
Distributions paid and payable	–	(101)
BALANCE AT THE END OF THE YEAR	**(312,190)**	**(249,954)**

Note 14. Non-controlling interest

	Consolidated	
	2010 $'000	2009 $'000
Balance at beginning of the year	4,394	6,645
Net loss attributable to non-controlling interest	(1,092)	(2,251)
BALANCE AT THE END OF THE YEAR	**3,302**	**4,394**

Note 15. Net tangible assets

	Consolidated	
	2010 $'000	2009 $'000
Total tangible assets	1,026,312	1,050,976
Total liabilities	(858,904)	(837,350)
Net tangible assets attributable to non-controlling interest	(3,302)	(4,394)
NET TANGIBLE ASSETS ATTRIBUTABLE TO THE UNITHOLDERS OF THE TRUST	**164,106**	**209,232**
Total number of units on issue	405,558,571	405,558,571
Net tangible asset backing per unit	$0.40	$0.52

As disclosed in Note 10 above the Japanese TK issued Mezzanine Eurobonds and Convertible Eurobonds during the year ended 30 June 2010. Following full repayment of the Mezzanine Eurobonds the Convertible Eurobonds may be redeemed, at the holder's option, in cash for the then outstanding principal amount (including accrued interest) or converted into an interest in the Japanese TK equal to a fixed 40% of the Japanese TK interest currently held by the Trust.

If this conversion had taken place at 30 June 2010 the net tangible asset backing per unit would have reduced from $0.40 per unit to $0.20 per unit. At this point in time it is unclear if and when the Convertible Eurobonds will be converted.

Note 16. Earnings per unit

	Consolidated	
	2010	2009
Basic and diluted earnings (cents per unit)	(15.35)	(62.03)
Earnings used in the calculation of earnings per unit ($'000)	(62,236)	(251,568)

The weighted average number of units used in determining basic and diluted earnings per unit (EPU) is 405,558,571 (2009: 405,558,571). There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU.

Note 17. Rental income under operating leases

The investment properties are leased to tenants under two main types of leases in Japan, standard leases and fixed term leases. Standard leases are usually for two years, with the tenant having the right of renewal on the lease. Fixed term leases may be cancellable or non-cancellable. Property interests held under operating leases are classified as investment properties. No contingent rents are charged. The Trust receives rental income under operating leases. Future minimum rents are scheduled to be received under non-cancellable tenant leases as follows:

	Consolidated	
	2010 $'000	2009 $'000
Within one year	23,239	24,505
Later than 1 year but not later than 5 years	86,224	92,984
Later than 5 years	191,576	219,336
	301,039	**336,825**

Note 18. Financial risk management

The Trust undertakes transactions in a range of financial instruments including:

- cash and cash equivalents
- receivables
- investments in real estate
- payables
- real estate debt
- derivatives

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

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

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 rate, foreign exchange and other price risks and aging analysis for credit risk.

As a result of the termination of all of the foreign currency hedges by the counterparty the Trust is fully exposed to fluctuations in the AUD/JPY exchange rate on the income it receives from Japan and on the net equity position of its investment in Japan.

(a) Capital risk

The Trust's objective when managing capital is to maintain an optimal capital structure to reduce the cost of capital and to safeguard its ability to continue as a going concern so that it can continue to provide returns for unitholders and benefits for other stakeholders.

Capital management is monitored in two main ways:

i. Statement of financial position management – achieved by maintaining an appropriate mix of equity and debt capital and ensuring the Trust's gearing levels remain in line with the board approved policies. The Trust is able to alter the capital mix by issuing new securities, activating the Dividend Reinvestment Plan (DRP), adjusting the amount of distributions paid to unitholders or selling assets to reduce borrowings.

The Trust protects its equity in assets by taking out insurance cover with credit worthy insurers.

ii. Statement of comprehensive income management – the primary objective has been to maintain a stabilised distributable earnings profile for unitholders in Australian dollars from the equity investment in foreign currency. During the year it was determined that distributions to unitholders would be suspended to allow for cash to be retained by the TK business for the purpose of reducing debt. Accordingly, the forward foreign exchange contracts that were previously in place to minimise the fluctuation in distributions have been terminated. The primary objective will continue to be to maintain a stabilised earnings profile for the TK business and to maximise earnings through rental income. The Trust uses interest rate swap derivatives to reduce the volatility of earnings resulting from the movement in market interest rates on borrowings in the TK business.

(b) Market risk

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

Note 18. Financial risk management (continued)

(i) Foreign exchange risk

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

The Trust's foreign currency risk arises primarily from:

- investments in foreign operations
- indirect investment in a real estate portfolio
- forecast transactions for receipt in foreign currencies and payment in Australian dollars

As a result of the termination of all of the foreign currency hedges by the counterparty the Trust is fully exposed to fluctuations in the AUD/JPY exchange rate on the income it receives from Japan and on the net equity position of its investment in Japan.

A 25% increase in the average rate at 30 June 2010 and 30 June 2009 would result in a gain to the statement of comprehensive income of $7,539,071 (30 June 2009: loss of $34,915,239). A 25% decrease in the average rate at balance date would result in a loss to the statement of comprehensive income of $12,565,118 (30 June 2009: gain of $58,192,064).

A sensitivity of 25 percent is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement.

Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in exchange rates may exceed the range shown above.

(ii) Interest rate risk

The Trust is exposed to interest rate risk on its borrowings and certain derivative financial instruments. 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 maintaining an appropriate mix of fixed and floating interest rate instruments and to enter into interest rate derivatives when necessary.

The documentation, designation and effectiveness requirements for the interest rate derivatives to qualify for hedge accounting cannot be met, therefore the Trust's 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 is recorded in the consolidated statement of comprehensive income.

The Trust uses interest rate swap contracts to fix the interest rate on certain of its borrowings. A summary of the Trust's interest rate positions at balance date are as follows:

Interest payable

	Consolidated	
	2010 $'000	2009 $'000
Principal amounts of all interest bearing liabilities:		
Current interest bearing liabilities	12,958	112,951
Non current interest bearing liabilities	768,941	581,919
Cross currency swaps	–	140,300
Principal amounts subject to interest rate exposure	781,899	835,170
Principal amounts of fixed interest rate liabilities:		
Interest rate swap agreements	598,807	581,919
Cross currency swaps	–	140,300
Principal amounts on which interest rate exposure has been hedged	598,807	722,219

Note 18. Financial risk management (continued)

At balance date the Trust has fixed 96% of its interest payable exposure. The remaining 4% is exposed to floating rates on a principal balance of $60.87m at an average interest rate of 5.3% (30 June 2009: 16% unhedged; principal balance of $112.96m at an average rate of 2.71%).

An increase in the market rate of 0.5% would result in increased interest expense of $219,723 (30 June 2009: $639,454). A decrease in the market rate of 0.5% would result in a decrease in interest expense of $219,723 (30 June 2009: $639,454).

A sensitivity of 0.5% is considered reasonable given the current level of interest rates and the volatility observed both on an historical basis and market expectations for future movement. Unitholders should note that the sensitivity analysis is stated to provide a guide only and variations in interest rates may exceed the range shown above.

The Trust's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2010 are:

	Consolidated					
	Weighted Average Interest Rate	< 1 Year $'000	1–5 Years $'000	> 5 Years $'000	Non-interest Bearing $'000	Total $'000
Financial assets:						
Cash – AUD	1.9%	681	–	–	–	681
Cash – Japan	0.05%	56,515	–	–	–	56,515
Trade and other receivables		–	–	–	7,780	7,780
TOTAL		**57,196**	**–**	**–**	**7,780**	**64,976**
Financial liabilities:						
Borrowings	See note 10	12,958	751,169	17,772	–	781,899
Interest rate swap		–	–	–	10,851	10,851
Trade and other Payables		–	–	–	17,665	17,665
TOTAL		**12,958**	**751,169**	**17,772**	**28,516**	**810,415**

The Trust's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2009 are:

	Consolidated				
	Weighted Average Interest Rate	< 1 Year $'000	1–5 Years $'000	Non-interest Bearing $'000	Total $'000
Financial assets:					
Cash – AUD	0.25%	557	–	–	557
Cash – Japan	0.05%	56,275	–	–	56,275
Trade and other receivables		–	–	6,134	6,134
TOTAL		**56,832**	**–**	**6,134**	**62,966**
Financial liabilities:					
Borrowings	See note 10	112,951	581,919	–	694,870
Cross currency swap		–	–	47,104	47,104
Forward foreign currency contracts		–	–	13,665	13,665
Interest rate swap		–	–	12,675	12,675
Trade and other Payables		–	–	22,600	22,600
TOTAL		**112,951**	**581,919**	**96,044**	**790,914**

The Trust manages its cash flow interest rate risk 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 the Trust agrees 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.

Note 18. Financial risk management (continued)

The Trust has put in place an interest rate swaps with a notional value of ¥45.2 billion ($598.8m at 30 June 2010; $581.9m at 30 June 2009). The effect of the interest rate swap means that the Trust pays interest on the notional amount at a fixed rate of 3.1% and receives interest at the floating rate for the corresponding period that is based on the Japanese Yen three month LIBOR rate.

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 have been recorded in the consolidated statement of financial position at their fair value in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*.

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangement. The Trust's maximum exposure to credit risk at 30 June 2010 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 Trust has a credit policy for all tenants and rents are payable monthly in advance. In the event of default by an occupational tenant, the Trust will suffer a rental shortfall and could incur additional related costs. Management reviews external reports on the credit quality of the Trust's tenants and monitors rental arrears on a monthly basis. The Trust 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 of the Trust, which comprise cash and cash equivalents, the Trust's exposure to credit arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The credit risk on cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions.

(d) Liquidity risk

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

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

The Trust's main liquidity risk is its ability to realise assets through an orderly asset sale program to ensure sufficient working capital exists to meet its financial commitments.

The table below analyses the Trust's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Note 18. Financial risk management (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated ($'000)

	2010				2009			
	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
Interest rate swaps	531	6,191	4,129	–	–	1,029	11,646	–
Forward foreign currency contracts	–	–	–	–	–	–	65,063	55,582
Cross currency swap	–	–	–	–	–	–	112,100	28,200
Real estate debt	12,958		751,169	17,772	112,951	–	581,919	–
Total	13,489	6,191	755,298	17,772	112,951	1,029	770,728	83,782

(e) Real estate risk

Real estate investments and net operating income derived from such investments are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions which may be adversely affected by industry slowdowns and other factors, local real estate conditions, changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, retroactive changes to building or similar codes, and increases in operating expenses (such as energy costs). The Trust minimises real estate risk by investing in a diverse portfolio of real estate, including sector, location and tenant diversification.

(f) Refinancing risk

Refinancing risk is the risk that unfavourable interest rate and credit market conditions result in an unacceptable increase in the Trust's credit margins and interest cost. Refinancing risk arises when the Trust is required to obtain debt to fund existing and new debt positions. The Trust is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Trust manages this risk by spreading maturities of borrowings, using interest rate derivatives to hedge known and forecast positions and reviewing potential transactions to understand the impact on the Trust's credit position.

Fair values

The Trust's financial assets and liabilities included in current and non-current assets and liabilities on the statement of financial position are carried at amounts that approximate fair value.

Valuation approach

Monetary financial assets and liabilities not readily traded in an organised financial market are valued at present value of contractual future cash flows on amounts due from customers or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of cash flows. The carrying amounts of bank deposits, receivables, other debtors, accounts payable, and bank loans approximate net fair value.

As of 1 July 2009, the Trust has adopted the amendment to ***AASB 7 Financial Instruments: Disclosures*** which requires the classification of fair value measurements into the following hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Trust holds no level 1 or level 3 derivatives. Level 2 derivatives that the Trust has at 30 June 2010 include interest rate swaps. Given the complex nature of these instruments and various assumptions that are used in calculating the mark-to-market values, the Trust relies on the counterparties' valuations for derivative values.

Note 18. Financial risk management (continued)

The consolidated entity's assets and liabilities measured and recognised at fair value at 30 June 2010 in accordance with ***AASB 7 Financial Instruments: Disclosures*** consist solely of interest rate swap contracts. These interest rate swap contracts are out of the money at 30 June 2010 and include $531,380 current liabilities and $10,320,245 non-current liabilities. Comparative information is not provided as permitted by the transitional provisions of ***AASB 7 Financial Instruments: Disclosures***.

The counterparties' valuation methodologies are usually based on mid-market rates and are calculated using four main variables which includes the yield curve, time, volatility and the level of derivative related to the yield curve.

Note 19. Segment information

The Trust invests indirectly in a diverse portfolio of real estate assets in Japan and holds other assets and liabilities in Japan and Australia. The following sectors have been recognised as reporting segments which are regularly reviewed by management when making decisions about resource allocation and to assess performance.

Retail/Leisure Segment includes assets used for purposes of retail, food and entertainment purposes including regional and sub regional shopping centres.

Office Segment includes assets predominantly occupied as office space.

Residential Segment includes assets utilised for residential purposes.

Mixed Use Segment includes assets with a mix of uses including retail, residential and sports centres.

Industrial Segment includes traditional industrial assets.

Hotel Segment includes hotels.

	Retail-Leisure $ '000	Office $ '000	Residential $ '000	Mixed Use $ '000	Industrial $ '000	Hotel $ '000	Total $ '000
Year ended 30 June 2010							
Investment property revenue	30,286	23,006	8,338	5,857	1,842	1,781	**71,110**
Investment property expenses	(8,556)	(6,104)	(2,835)	(2,527)	(433)	(205)	**(20,660)**
NET OPERATING INCOME	**21,730**	**16,902**	**5,503**	**3,330**	**1,409**	**1,576**	**50,450**
Year ended 30 June 2009							
Investment property revenue	32,847	28,340	10,319	6,785	2,869	1,934	**83,094**
Investment property expenses	(8,819)	(6,993)	(2,847)	(2,886)	(383)	(225)	**(22,153)**
NET OPERATING INCOME	**24,028**	**21,347**	**7,472**	**3,899**	**2,486**	**1,709**	**60,941**
Total segment assets							
30 June 2010	395,025	361,811	95,641	56,364	32,675	22,672	**964,188**
30 June 2009	386,846	390,173	96,201	58,628	33,715	23,954	**989,517**
Total segment liabilities							
30 June 2010	256,592	240,415	64,829	36,103	34,631	1,101	**633,671**
30 June 2009	252,567	292,809	77,260	50,479	20,892	15,646	**709,653**

The executive team uses net operating income as the key performance measure for each segment disclosed above, which is represented by the gross recurring property income earned during a reporting period less the recurring property expenses incurred during a reporting period. This is not a measure prescribed by Australian Accounting Standards.

Note 19. Segment information (continued)

This segment result is reconciled to the loss before income tax for the year as specified below.

	Consolidated	
	2010 $'000	2009 $'000
Segment result	50,450	60,941
Interest and other income	35	18,832
Finance costs	(54,587)	(18,391)
ASX and other fees	(194)	(271)
Other operating expenses	(8,175)	(10,538)
Loss on investment property revaluations	(58,103)	(218,601)
Gain/(loss) on derivative financial instruments	2,049	(74,888)
Foreign exchange gain/(loss)	5,197	(16,155)
LOSS BEFORE INCOME TAX FOR THE YEAR	**(63,328)**	**(259,071)**

Note 20. Related party disclosures

Responsible Entity Fees

Galileo Japan Funds Management Limited (the 'Responsible Entity'), is entitled to receive the following fees from the Trust under the terms of the Trust Constitution:

(a) Base fee

The Responsible Entity is entitled to receive a base responsible entity fee up to 0.4% per annum of the Trust's direct and indirect proportionate interest (i.e. 98.5%) in the properties and other assets held in the TK Business.

The Responsible Entity has agreed to permanently waive its share (0.1%) the base fee as a part of the major refinancing during the year ended 30 June 2010 (refer Note 20(c) below).

There was no base responsible entity fee paid or payable for the year ended 30 June 2010 or for the year ended 30 June 2009.

(b) Performance fee

The Responsible Entity is entitled to receive a performance fee in respect of each year if the performance of the Trust exceeds a stated benchmark. The performance fee is calculated by reference to a formula which is based on the Trust rate of return compared to a benchmark index.

The Responsible Entity has agreed to permanently waive the performance fee as a part of the major refinancing during the year ended 30 June 2010 (refer Note 20(c) below).

The Responsible Entity was not entitled to a performance fee for the year ended 30 June 2010 or 30 June 2009.

(c) Responsible Entity Cost Recovery

As a part of the refinancing during the year ended June 2010, the Responsible Entity has agreed to permanently waive any base Responsible Entity fee and performance fee in lieu of an operating cost recovery arrangement. The Trust will reimburse the Responsible Entity for operating costs of up to $50,000 per month for costs relating to ongoing management of the Trust. The payment of these costs will be deferred until all outstanding obligations to the Eurobond holders and the foreign currency facility lender have been repaid in full.

During the year ended 30 June 2010 cost recovery charges of $50,000 per month from the date of the completion of the refinancing (September 2009) were accrued by the Trust for payment to the Responsible Entity.

Note 20. Related party disclosures (continued)

(d) Sponsor's fee

A director related entity of the Responsible Entity, Galileo Management Services Trust (GMST), is entitled to a fee equal to 1.0% of the Trust's proportionate indirect interest (98.5%) in the purchase price of new properties acquired. This fee is payable to GMST out of the assets of the Trust.

There were no sponsor fees paid for the years ended 30 June 2010 or 30 June 2009.

Responsible Entity

The Responsible Entity has insured the directors and officers against liabilities incurred in their role as directors and officers of the Responsible Entity.

The names of the directors of the Responsible Entity during the year are as follows along with the number of units held, either directly or indirectly at 30 June 2010 and amount of distribution receivable at June 2010.

	Units Held	Distribution Due
Jack Ritch	141,429	$nil
Philip Redmond	265,000	$nil
Frank Zipfinger	230,000	$nil
Neil Werrett*	24,814,488	$nil
Peter Murphy	840,143	$nil

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd. There are no options to buy units in the Trust held by any of the Directors of the Responsible Entity.

Related Party Transactions

The items below represent amounts paid or payable to related parties for the year ended 30 June 2010 and 30 June 2009.

	Consolidated	
	2010 $'000	2009 $'000
Asset management fee – Galileo Japan K.K.	2,977	3,852
Loan to Galileo Japan K.K.^	172	167

^ The loan to Galileo Japan K.K. is included in other receivables and attracts interest at a rate of 1.4% per annum and is repayable on demand.

Galileo Japan K.K. provides asset management services, due diligence services and other financial and operating support services to the TK Operator.

Galileo Management Services Trust (GMST) provides investment management services, due diligence services and other financial and operating support services to the Responsible Entity. During the year ended June 2010, GMST incurred costs for services provided to the Trust relating to the refinancing in September 2009. The Trust reimbursed GMST a total of $694,000 for these services.

The amounts below represent outstanding balances with related parties.

	Consolidated	
	2010 $'000	2009 $'000
Asset management fee – Galileo Japan K.K.	936	2,466
Loan to Galileo Japan K.K.	172	167

Note 21. Key management personnel

(i) Details of Key Management Personnel

The Trust does not employ personnel in its own right. However the Responsible Entity is considered the key management personnel.

The directors of the Responsible Entity are key management personnel of that entity and are listed as follows:

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

(ii) Remuneration of Key Management Personnel

As disclosed in Note 20, the Responsible Entity is entitled to receive fees in its capacity as Responsible Entity of the Trust. The Responsible Entity has agreed to permanently waive the base fee as a part of the major refinancing that took place during the year ended 30 June 2010.

No compensation is paid by the Trust to directors or directly to any of the key management personnel of the Responsible Entity. There were no loans granted to directors during the year.

Note 22. Reconciliation of cash flows from operating activities

	Consolidated	
	2010 $'000	2009 $'000
Net loss after tax	(63,328)	(253,819)
Adjustment for non-cash items:		
(Gain)/loss on derivative financial instruments	(2,049)	74,888
Finance costs – capitalised interest (PIK)	8,805	–
Foreign exchange gain	(5,197)	–
Loss on investment property revaluation	58,103	218,601
Amortisation of finance costs	7,570	2,735
Write-off of interest rate swap hedging reserve	12,199	–
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN ASSETS AND LIABILITIES	**16,103**	**42,405**
Changes in assets and liabilities during the year:		
Decrease/(increase) in trade and other receivables	(6,312)	11,928
Increase/(decrease) in trade and other payables	(720)	(1,996)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**9,071**	**52,337**

Note 23. Cash

	Consolidated	
	2010 $'000	2009 $'000
Trust operating accounts	681	557
TK operating accounts	8,290	3,248
Cash reserves held by Trust Banks	36,703	36,775
Cash reserves held by Lender	11,522	16,252
	57,196	**56,832**

The above cash reserves held by Trust Banks and Lender consist of restricted cash relating to tenant security deposits, capital expenditure and other property related items.

Note 24. Parent entity financial information

Summary financial information

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

	Consolidated	
	2010 $'000	2009 $'000
Statement of financial position		
Current assets	21,898	30,660
Total assets	175,309	239,892
Current liabilities	2,442	64,238
Total liabilities	63,777	64,238
Shareholders equity		
Contributed equity	386,856	386,856
Accumulated losses	(275,324)	(211,202)
	111,532	**175,654**
Loss for the year	(64,122)	(222,569)
TOTAL COMPREHENSIVE INCOME	**(64,122)**	**(222,569)**

The parent entity has not provided any guarantees nor does it have any contractual commitments or contingent liabilities as at 30 June 2010 or 30 June 2009.

Note 25. Commitments and contingent liabilities

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Trust other than those disclosed in the financial statements, which should be brought to the attention of Unitholders as at the date of this report.

Note 26. Events subsequent to balance date

The Directors are not aware of any matter or circumstance occurring since 30 June 2010 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.

Directors’ Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 11 to 33 are in accordance with the Corporations Act 2001, including:
      i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
      ii. giving a true and fair view of the Trust’s financial position as at 30 June 2010 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year on that date; and
   b. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
3. The Trust has operated during the period in accordance with the Trust Constitution (as amended).
4. Note 2 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
5. The Directors of the Responsible Entity have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2010 required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Jack Ritch
Chairman

Dated at Sydney this 30 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

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

Report on the financial report

We have audited the accompanying consolidated financial report of Galileo Japan Trust and its controlled entity (together the "Trust"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Trust.

Directors' responsibility for the financial report

The directors of Galileo Japan Funds Management Limited, as responsible entity for the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the unitholders of Galileo Japan Trust (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

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 2010 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
30 August 2010

ASX Additional Information

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. Substantial unitholders

The names of substantial unitholders who have notified the Manager in accordance with section 671B of the Corporations Act 2001 are:

Company	Date	No. of units	% of units on issue
Orbis Investments Management (Australia) Pty Ltd and its related bodies corporate	22 July 2010	56,250,472	13.87
Galileo Japan Funds Management Limited and its associated entities	5 July 2010	25,743,123	6.35
Aquapeel Pty Ltd	15 October 2009	47,052,716	11.60

2. Twenty largest unitholders

The names of the twenty largest unitholders of quoted units as at 31 August 2010 are:

	Number of units	% of ordinary Units
Aquapeel Pty Ltd	44,226,207	10.91
National Nominees Limited	39,890,363	9.84
HSBC Custody Nominees (Australia) Limited	29,799,170	7.35
Galileo Japan Funds Management Limited	22,215,774	5.47
JP Morgan Nominees Australia Limited	21,260,686	5.24
Citicorp Nominees Pty Limited	20,410,763	5.03
Citicorp Nominees Pty Limited (CFSIL Commonwealth Property 1 A/C)	5,900,747	1.45
Mr Peter Milliken + Ms Pui Chi Iris Chong	5,140,000	1.27
ANZ Nominees Limited (Cash Income A/C)	4,715,319	1.16
Custodial Services Limited (Beneficiaries Holding A/C)	4,338,841	1.07
Boom Securities (HK) Ltd (Clients Account)	3,943,859	0.97
Galileo Investments Japan Pty Ltd	3,535,714	0.87
Woodduck Pty Limited	3,500,000	0.86
Endoline Pty Ltd	3,020,000	0.74
Nivesa Pty Ltd	2,675,000	0.66
Edelle One Pty Ltd (Edelle Property No. 3 A/C)	2,451,324	0.60
BSF (BVI) Limited	2,430,000	0.60
UBS Wealth Management Australia Nominees Pty Ltd	2,377,957	0.59
Investment Custodial Services Limited	2,013,875	0.50
Select Yachts Pty Ltd	2,000,000	0.49
	225,845,599	55.67
Total other investors	179,712,972	44.33
GRAND TOTAL	**405,558,571**	**100.00**

3. Distribution of unitholders

The number of unitholders, by size and holding as at 31 August 2010 are:

	Number of holders	Number of Units
1 – 1,000	47	28,109
1,001 – 5,000	185	672,900
5,001 – 10,000	253	2,166,312
10,001 – 100,000	1,189	49,168,752
100,001 and over	380	353,522,498
	2,054	**405,558,571**
Number of unitholders holding less than a marketable parcel of 14,706 securities are:	587	4,147,292

This page has been left blank intentionally.

Designed and produced by Text Pacific Publishing,
a carbon measured company. www.textpacific.com.au