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

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

APPENDIX 4D
Half Year Report

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2012 – 31 December 2012
Previous corresponding period:	1 July 2011 – 31 December 2011

Results for announcement to the Market

	($ '000)
Revenues from ordinary activities	Down 10.3% from 37,466 to 33,602
Loss from ordinary activities attributable to unitholders of the Trust	Down 66.5% from 30,577 to 10,251
Net loss for the period attributable to unitholders of the Trust	Down 66.5% from 30,577 to 10,251

Distributions to unitholders	**$ (cents per unit)**
Previous corresponding period: Interim distribution	Nil
Current period: Interim distribution	Nil
Record date to determine entitlement to interim distribution	N/A

Distribution reinvestment plan (DRP)

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

Explanation and discussion of the above results

Refer to the associated ASX results presentation and related announcement.

Net Tangible Assets

	31 December 2012	30 June 2012
Net tangible assets per unit (in accordance with accounting standards)	$8.29	$10.67
Net tangible assets per unit (assuming conversion of the Convertible Bond)	$4.43	$5.83
Net tangible assets per unit (after conversion and using the face value of the foreign currency loan of ¥4.0 billion)	$3.62	$4.67

As discussed in Notes 7 and 9 of the 31 December 2012 half-year financial statements, 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 31 December 2012 the net tangible assets per unit would have reduced from $8.29 per unit to $4.43 per unit (June 2012: $5.83 per unit). The net tangible assets per unit reflect the position using the 31 December 2012 Statement of Financial Position that has the foreign currency loan recorded at its fair value of $38.1 million. The net tangible assets per unit at 31 December 2012 assuming conversion of the convertible Eurobonds and using the face value of the foreign currency loan of $44.7 million is $3.62 per unit (June 2012: $4.67 per unit). At this point in time it is unclear if and when the convertible Eurobonds will be converted.

Details of controlled entities and associates

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

Accounting standards used by foreign entities

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

Financial report of the Trust for the half-year ended 31 December 2012

The financial report of the Trust for the half-year ended 31 December 2012 is attached to this announcement.

Events occurring after reporting date

As announced to the market on 28 February 2013, the Japanese TK business exchanged contracts to sell its beneficial interest in Itabashi Belle Maison, Tokyo and Irifune Access, Tokyo for a combined value of $22.9 million (¥2.055 billion). Settlement is expected to occur in March 2013 and the net sales proceeds will be applied to the partial repayment of the Mezzanine Eurobonds.

Other than for the matters discussed above, the Directors are not aware of any matter or circumstance occurring since 31 December 2012 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.

Other significant information

Refer to the Directors' report which is attached to this announcement.

Compliance statement

This Appendix 4D is based on the financial statements of the Trust for the half-year ended 31 December 2012 which have been reviewed by PricewaterhouseCoopers. Refer to the financial statements for a copy of their review report.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Contents:

The Directors of Galileo Japan Funds Management Limited, the responsible entity (Responsible Entity) of Galileo Japan Trust submit herewith the consolidated financial report of Galileo Japan Trust and its controlled entity (Galileo Japan Trust II) (together the 'Trust') for the half-year ended 31 December 2012.

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

Corporate Information

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

Directors

The following persons have held office as directors of the Responsible Entity during the half-year ended 31 December 2012 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 half-year ended 31 December 2012 there were 6 directors meetings held and all directors were present except for Philip Redmond who missed one meeting.

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 and to maximise the returns for unitholders. Up until 21 September 2009, the Trust's aim was to generate long term income and capital growth from investing in stabilised real estate in Japan. Post 21 September 2009, the Trust's focus has been primarily on the preservation of unitholder value. The directors believe a range of alternatives currently exist to continue to preserve or enhance unitholder value relative to the Trust's market capitalisation, including:

- an orderly asset sale program, the success of which will ultimately be dependent upon the realisation amount for property investments, or
- some form of recapitalisation of the Trust's balance sheet to stabilise the capital structure and facilitate a reinstatement of distributions to unitholders.

Operating and Financial Review

Financial results for the half-year

Key points relating to the financial result for the half-year ended 31 December 2012:

- Net rental income in Australian dollars decreased by 7.4% to $22.4 million (December 2011 $24.2 million), due primarily to the sale of three assets in the June 2012 financial year as well as a weaker Japanese Yen compared to the half-year ended 31 December 2011;
- The net loss attributable to unitholders of the Trust is $10.3 million (December 2011: $30.6 million) and includes a writedown in investment properties of $12.6 million;
- Total assets in Australian dollars equate to $706.8 million (June 2012: $791.7 million) with the decrease from 30 June 2012 primarily a result of a weaker Japanese Yen at 31 December 2012 compared to 30 June 2012, and a valuation loss on investment properties during the period;

Directors' Report to Unitholders (continued)

Operating and Financial Review

Financial results for the half-year

- Net tangible assets per unit decreased by 22.3% to $8.29 (June 2012: $10.67). If the convertible Eurobonds had been converted into an interest in the Japanese TK at 31 December 2012 the net tangible assets per unit would have reduced to $4.43 (June 2012: $5.83). The net tangible assets per unit reflect the position using the 31 December 2012 Statement of Financial Position that has the foreign currency loan recorded at its fair value of $38.1 million. The net tangible assets per unit at 31 December 2012 assuming conversion of the convertible Eurobonds and using the face value of the foreign currency loan of $44.7 million is $3.62 per unit (June 2012: $4.67 per unit).

Property valuations

At 31 December 2012 the fair value of investment property equates to ¥59.08 billion which is down 1.8% from 30 June 2012. The 31 December 2012 value has been determined using independent valuations for eight properties prepared by Savills Japan KK, with the remainder of the portfolio being the Directors' assessment of fair value.

Independent valuations of the investment properties are obtained at least every three years or whenever the Responsible Entity believes there may have been a significant change in fair value within the period or to confirm current market valuation benchmarks, such as capitalisation rates and market rents. Where a property has not been independently valued during the reporting period the Directors make an assessment of fair value. The Directors' assessment of fair value is determined using the same rationale and approach adopted by the independent valuer and primarily considers the contractual rentals, expected future market rentals, letting-up periods, capital expenditure requirements and appropriate discount rates. These fair values are regularly assessed against available market information and actual market transactions.

Distributions

No distribution has been paid or is payable for the half-year ended 31 December 2012. The Trust's Distribution Reinvestment Plan (DRP) is not in operation.

Going Concern

The financial report for the Trust as at 31 December 2012 has been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Trust's going concern status and despite the uncertainty identified in Note 2(b), have concluded that at the date of signing the financial statements for the Trust there are reasonable grounds to believe that the Trust and the entity it controlled (Galileo Japan Trust II) will be able to pay their debts as and when they become due and payable.

Senior bank loan
The senior bank loan of $415.0 million (¥37.1 billion) matures on 31 March 2014. Galileo Japan K.K. continues to discuss refinancing options regarding this facility with the current senior lender and other financiers. The directors believe there are reasonable grounds to conclude that the loan facility can be refinanced. However, at the date of this report there is no certainty that this loan facility will be refinanced. No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

Directors' Report to Unitholders (continued)

Significant changes in the state of affairs

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, there were no significant changes in the state of affairs of the Trust that occurred during the half-year ended 31 December 2012 and up to the date of this report.

Events occurring after reporting date

As announced to the market on 28 February 2013, the Japanese TK business exchanged contracts to sell its beneficial interest in Itabashi Belle Maison, Tokyo and Irifune Access, Tokyo for a combined value of $22.9 million (¥2.055 billion). Settlement is expected to occur in March 2013 and the net sales proceeds will be applied to the partial repayment of the mezzanine Eurobonds.

Other than for the matters discussed above, the Directors are not aware of any matter or circumstance occurring since 31 December 2012 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.

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.

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, 28 February 2013

Auditor's Independence Declaration

As lead auditor for the review of Galileo Japan Trust for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

EA Barron
Partner
PricewaterhouseCoopers

Sydney
28 February 2013

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

GALILEO JAPAN TRUST
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2012

	Note	Consolidated December 2012 $'000	December 2011 $'000
Revenue			
Rental income		33,183	34,119
		33,183	**34,119**
Other income			
Gain on derivative financial instruments		413	3,334
Interest and other income		6	13
		419	**3,347**
Total revenue and other income		**33,602**	**37,466**
Expenses			
Loss on sale of investment property		-	(639)
Property expenses		(10,737)	(9,894)
Finance costs	**4**	(17,023)	(20,894)
ASX and other fees		(58)	(82)
Loss on investment property revaluation		(12,615)	(32,663)
Other expenses		(3,441)	(4,209)
Total expenses		**(43,874)**	**(68,381)**
Loss before tax for the half-year		**(10,272)**	**(30,915)**
Income tax		-	-
Loss after tax for the half-year		**(10,272)**	**(30,915)**
Other comprehensive income			
Foreign exchange translation adjustments		(9,081)	8,810
Total comprehensive loss for the half-year		**(19,353)**	**(22,105)**
Loss attributable to:			
- Unitholders of the Trust		(10,251)	(30,577)
- Non-controlling interest		(21)	(338)
		(10,272)	**(30,915)**
Total comprehensive loss attributable to:			
- Unitholders of the Trust		(19,332)	(21,767)
- Non-controlling interest		(21)	(338)
		(19,353)	**(22,105)**
Basic and diluted loss per unit (dollars)		(1.26)	(3.77)

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

	Note	Consolidated December 2012 $'000	June 2012 $'000
Assets			
Current Assets			
Cash and cash equivalents	**11**	41,612	43,416
Trade and other receivables		4,806	4,771
Assets held for sale	**5**	22,915	-
Total Current Assets		**69,333**	**48,187**
Non-Current Assets			
Investment property	**6**	637,492	743,504
Total Non-Current Assets		**637,492**	**743,504**
TOTAL ASSETS		**706,825**	**791,691**
Liabilities			
Current Liabilities			
Trade and other payables		13,933	17,410
Borrowings	**7**	33,766	13,821
Tenant security deposits		10,215	10,490
Derivative financial instruments		-	423
Total Current Liabilities		**57,914**	**42,144**
Non-Current Liabilities			
Borrowings	**7**	549,147	626,752
Tenant security deposits		27,977	31,955
Other		1,970	1,670
Total Non-Current Liabilities		**579,094**	**660,377**
TOTAL LIABILITIES		**637,008**	**702,521**
NET ASSETS		**69,817**	**89,170**
UNITHOLDERS' EQUITY			
Parent entity interest			
Contributed equity	**8**	386,856	386,856
Reserves		63,266	72,347
Accumulated losses		(382,882)	(372,631)
Total parent entity interest		67,240	86,572
Non-controlling interest		2,577	2,598
TOTAL EQUITY		**69,817**	**89,170**

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

GALILEO JAPAN TRUST
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2012

	Consolidated Entity					
	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance 1 July 2011	**386,856**	**68,226**	**(349,821)**	**105,261**	**2,964**	**108,225**
Movement in foreign currency translation reserve	-	8,810	-	8,810	-	8,810
Net loss recognised directly in equity	-	8,810	-	8,810	-	8,810
Loss for the half-year	-	-	(30,577)	(30,577)	(338)	(30,915)
Total comprehensive loss for the half-year	-	8,810	(30,577)	(21,767)	(338)	(22,105)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-	-	-
Distribution paid or payable	-	-	-	-	-	-
Balance 31 December 2011	**386,856**	**77,036**	**(380,398)**	**83,494**	**2,626**	**86,120**
Balance 1 July 2012	**386,856**	**72,347**	**(372,631)**	**86,572**	**2,598**	**89,170**
Movement in foreign currency translation reserve	-	(9,081)	-	(9,081)	-	(9,081)
Net loss recognised directly in equity	-	(9,081)	-	(9,081)	-	(9,081)
Loss for the half-year	-	-	(10,251)	(10,251)	(21)	(10,272)
Total comprehensive loss for the half-year	-	(9,081)	(10,251)	(19,332)	(21)	(19,353)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-	-	-
Distribution paid or payable	-	-	-	-	-	-
Balance 31 December 2012	**386,856**	**63,266**	**(382,882)**	**67,240**	**2,577**	**69,817**

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

		Consolidated	
		December 2012	December 2011
	Note	$'000	$'000
Cash flows from operating activities			
Rental and other property income received		33,202	37,573
Property and other expenses paid		(10,910)	(9,351)
Interest and other income received		6	15
Borrowing costs and interest paid		(5,135)	(15,564)
Other operating costs paid to suppliers		(6,394)	(4,095)
Tenant security deposits		(202)	(430)
Consumption tax/GST received/(paid)		(918)	596
Net cash inflow from operating activities		9,649	8,744
Cash flows from investing activities			
Additions to investment properties		(744)	(2,040)
Deposits received for sales		483	-
Proceeds from sale of investment properties		-	57,061
Net cash outflow from investing activities		(261)	55,021
Cash flows from financing activities			
Repayment of borrowings		(6,792)	(48,938)
Net cash outflow from financing activities		(6,792)	(48,938)
Net increase in cash assets held		2,596	14,827
Effect of foreign exchange movements on cash		(4,400)	4,480
Cash assets at the beginning of the period		**43,416**	**44,403**
Cash assets at the end of the period	**11**	**41,612**	**63,710**

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's aim is to maximise the returns for unitholders. The directors believe a range of alternatives currently exist to continue to preserve or enhance unitholder value relative to the Trust's market capitalisation, including:

- an orderly asset sale program, the success of which will ultimately be dependent upon the realisation amount for property investments, or
- some form of recapitalisation of the Trust's balance sheet to stabilise the capital structure and facilitate a reinstatement of distributions to unitholders.

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 periods presented unless otherwise stated.

(a) Basis of preparation

This general purpose interim financial report for the half-year ended 31 December 2012 has been prepared in accordance with the requirements of the Trust Constitution, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by the Trust during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors on 28 February 2013.

(b) Going Concern

The financial report for the Trust as at 31 December 2012 has been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Trust's going concern status have concluded that at the date of signing the financial statements there are reasonable grounds to believe that the Trust and the entity it controlled (Galileo Japan Trust II) will be able to pay their debts as and when they become due and payable.

Senior bank loan
The senior bank loan of $415.0 million (¥37.1 billion) matures on 31 March 2014. Galileo Japan K.K. continues to discuss refinancing options regarding this facility with the current senior lender and other financiers. The directors believe there are reasonable grounds to conclude that the loan facility can be refinanced. However, at the date of this report there is no certainty that this loan facility will be refinanced. No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

Note 2. Summary of significant accounting policies

(c) Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the accounting policies impacted by the new or amended Accounting Standards mandatory for annual reporting periods beginning on or after 1 July 2012. No significant changes to the Trust's financial performance, financial position or accounting principles have occurred as a result of the application of the new and amended standards.

Comparatives

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

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 carried at fair value are reported as part of the fair value gain or loss. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

Foreign operations
The Trust's interest in the assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at balance date while income and expenditures are translated at the average of rates ruling during the half-year. The foreign exchange rate at the balance date was A$1=¥89.46 (30 June 2012 – A$1=¥80.89) while the average foreign exchange rate for the half-year ended 31 December 2012 was A$1=¥82.93 (31 December 2011 – A$1=¥79.97). Foreign exchange differences arising on translation are recorded in the foreign currency translation reserve within equity.

The Trust's activities expose it to changes in 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 currency risks.

Note 2. Summary of significant accounting policies

(d) Critical accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets and liabilities reported at the end of the period and the amounts of revenues and expenses recognised during the reporting period. Although the estimates are based on management's best knowledge, actual results may ultimately differ from these. Where any such judgements are made they are indicated within the accounting policies.

The key estimates and assumptions in these financial statements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next reporting period are:

(i) 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 cost 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 may have been a significant change in fair value within the period or to confirm current market valuation benchmarks, such as capitalisation rates and market rents. Where a property has not been independently revalued during the reporting period the Directors make an assessment of fair value.

In determining fair value, the capitalisation of income method and the discounted cash flow method have been used. These methods 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.

Note 2. Summary of significant accounting policies

(d) Critical accounting estimates (continued)

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 the current environment may also be prolonged. The fair value of investment property reflects 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 the future the price achieved may vary from the most recent valuation, or be lower than the fair value recorded in the financial statements.

(ii) 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.

(e) Rounding of amounts

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

Note 3. Distributions

As previously announced to the market on 17 December 2012, there will be no interim distribution paid to unitholders for the half-year ended 31 December 2012 (December 2011: $nil).

Note 4. Loss for the half-year

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

	Consolidated December 2012 $'000	Consolidated December 2011 $'000
Interest expense – senior bank loan	4,567	7,453
Interest expense – foreign currency loan	-	1,609
Mezzanine Eurobond coupon	8,489	9,957
Convertible Eurobond coupon	1,569	1,414
Amortisation of finance costs	337	461
Amortisation of fair value discount	2,061	-
	17,023	**20,894**

The amortisation of fair value discount represents the discount associated with measuring the non-interest bearing foreign currency loan at its fair value in the Consolidated Statement of Financial Position. Amortisation expense is recognised in the Consolidated Statement of Comprehensive Income over the remaining life of the loan. Refer to Note 7 for further details.

Note 5. Assets held for sale

As announced to the market on 28 February 2013, the Japanese TK business exchanged contracts to sell its beneficial interest in Itabashi Belle Maison, Tokyo and Irifune Access, Tokyo for a combined total of $22.9 million (¥2.055 billion). The book value of investment property at 31 December 2012 reflects the sale price of $22.9 million (¥2.055 billion). Settlement is expected to occur in March 2013.

	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Balance at the beginning of the period	-	46,334
Transfers from investment property	22,915	-
Sold during the period	-	(46,334)
Balance at the end of the period	**22,915**	**-**

Note 6. Investment property

The Trust holds interests in 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.

	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Fair value at the beginning of the period	743,504	755,589
Additions to investment property	744	4,058
Property reclassified to 'asset held for sale'	(22,915)	-
Sold during the period	-	(25,074)
Revaluation adjustments	(12,615)	(40,123)
Foreign currency translation movements	(71,226)	49,054
Fair value at the end of the period	**637,492**	**743,504**

The carrying values of eight investment properties at 31 December 2012 have been determined by independent valuations undertaken by Savills Japan KK. 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 assessed regularly against available market information and actual market transactions.

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

December 2012

	Office	Retail/Leisure	Mixed Use	Residential	Industrial
Weighted average capitalisation rate	5.4%	6.5%	6.8%	6.7%	6.9%
Lease vacancy rates	2.3%	0.9%	1.7%	4.1%	0.0%

June 2012

	Office	Retail/Leisure	Mixed Use	Residential	Industrial
Weighted average capitalisation rate	5.4%	6.7%	6.8%	6.8%	6.9%
Lease vacancy rates	1.6%	0.3%	1.1%	4.0%	0.0%

Refer to Note 2(d)(i) for information on the valuation basis adopted for investment property by the Consolidated Entity and Note 7 for information on investment property pledged as security.

Note 7. Borrowings

	Maturity date	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Current			
Senior bank loan (i)	March 2014	12,311	13,821
Mezzanine Eurobonds (ii)		21,455	-
		33,766	**13,821**
Non-Current			
Senior bank loan (i)	March 2014	402,697	452,119
Mezzanine Eurobonds (ii)	September 2014	87,848	113,889
Convertible Eurobonds (iii)	September 2016	21,281	21,927
Foreign currency loan facility (iv)	September 2014	38,143	40,072
Less: unamortised borrowing costs		(822)	(1,255)
		549,147	**626,752**
Total interest bearing liabilities		**582,913**	**640,573**

Details of loan facilities

(i) Senior bank loan
The senior bank loan matures on 31 March 2014, is secured by a mortgage over 20 investment properties and contains cross default provisions with the Eurobonds. This loan is denominated in Japanese Yen (31 December 2012: ¥37.1 billion) and has mandatory principal repayments equal to 3.0% per annum of the outstanding loan principal. The final interest rate swap in place for this loan expired on 20 July 2012. From that date the interest rate for this facility equates to Japanese 3-month LIBOR plus 1.75%. 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 for this facility.

(ii) Mezzanine Eurobonds
The mezzanine Eurobonds are denominated in Japanese Yen (31 December 2012: ¥9.8 billion) and mature on 18 September 2014. 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 is accrued and compounded quarterly at a rate of 4.91%. As announced to the market in May 2012, the mezzanine Eurobond note holder agreed to allow the Japanese TK to capitalise two quarterly payments of mezzanine bond interest which would otherwise have been paid in cash during the half-year ended 31 December 2012. There are no DSCR or LTV covenant tests for these bonds.

The balance of the mezzanine Eurobonds included as current at 31 December 2012 represents the amount expected to be repaid from the asset sales discussed in Note 5.

(iii) Convertible Eurobonds
The convertible Eurobonds are denominated in Japanese Yen (31 December 2012: ¥1.9 billion) and mature on 18 September 2016. There is a put option in favour of the bondholder exercisable after 18 September 2014. A payment in kind is accrued and compounded annually on these bonds at a rate of 15% per annum. There are no DSCR or LTV covenant tests for these bonds.

Following full repayment of the mezzanine Eurobonds the convertible Eurobonds may be redeemed, at the bondholder'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 held by the Trust.

Note 7. Borrowings (continued)

Details of loan facilities

(iv) Foreign currency loan
The foreign currency loan is a zero interest Japanese Yen denominated facility which is repayable in full on 18 September 2014. There are no DSCR or LTV covenant tests for this facility.

The loan facility has a face value at 31 December 2012 of ¥4.0 billion ($44.7 million) and is measured in the Consolidated Statement of Financial Performance at its estimated fair value of ¥3.4 billion ($38.1 million). The loan balance will increase to its face value over the period to September 2014 as the fair value discount is amortised through the Consolidated Statement of Comprehensive Income.

Note 8. Contributed equity

	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Contributed equity	386,856	386,856

	Consolidated December 2012 (Units)	Consolidated June 2012 (Units)
Number of units on issue	8,111,332	8,111,332

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

Note 9. Net tangible assets

	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Total tangible assets	706,825	791,691
Total liabilities	(637,008)	(702,521)
Net tangible assets attributable to non-controlling interest	(2,577)	(2,598)
Net tangible assets attributable to the unitholders of the Trust	**67,240**	**86,572**
Total number of units on issue	8,111,332	8,111,332
Net tangible assets per unit	$8.29	$10.67

Note 9. Net tangible assets (continued)

As disclosed in Note 7 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 held by the Trust.

If this conversion had taken place at 31 December 2012 the net tangible assets per unit would have reduced from $8.29 per unit to $4.43 per unit (June 2012: $5.83 per unit). The net tangible assets per unit reflect the position using the 31 December 2012 Statement of Financial Position that has the foreign currency loan recorded at its fair value of $38.1 million. The net tangible assets per unit at 31 December 2012 assuming conversion of the convertible Eurobonds and using the face value of the foreign currency loan of $44.7 million is $3.62 per unit (June 2012: $4.67 per unit). At this point in time it is unclear if and when the convertible Eurobonds will be converted.

Note 10. 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 occupied as commercial 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.

Note 10. Segment information (continued)

	Retail-Leisure $ '000	Office $ '000	Residential $ '000	Mixed Use $ '000	Industrial $ '000	Hotel $ '000	Total $ '000
Half-year – 31 December 2012							
Investment property revenue	14,586	10,338	4,235	2,931	1,093	-	33,183
Investment property expenses	(5,067)	(2,887)	(1,347)	(1,280)	(156)	-	(10,737)
Net operating income	**9,519**	**7,451**	**2,888**	**1,651**	**937**	**-**	**22,446**
Half-year – 31 December 2011							
Investment property revenue	13,760	11,265	4,404	3,037	1,052	601	34,119
Investment property expenses	(3,686)	(2,979)	(1,423)	(1,228)	(437)	(141)	(9,894)
Net operating income	**10,074**	**8,286**	**2,981**	**1,809**	**615**	**460**	**24,225**
Total segment assets							
31 December 2012	255,190	262,731	83,451	46,539	25,379	-	**673,290**
30 June 2012	291,648	293,595	92,537	51,532	28,334	9	**757,655**
Total segment liabilities							
31 December 2012	166,133	201,568	50,365	28,467	13,266	-	**459,799**
30 June 2012	187,715	226,449	56,586	31,743	14,897	245	**517,635**

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.

This segment result is reconciled to the loss before income tax for the period as specified below. The reconciling items relate to income and expenses in connection with the corporate segment of the business and not a specific industry segment as per the items noted above.

	Consolidated December 2012 $'000	Consolidated December 2011 $'000
Segment result	**22,446**	**24,225**
Interest and other income	6	13
Loss on sale of investment property	-	(639)
Finance costs	(17,023)	(20,894)
ASX and other fees	(58)	(82)
Other operating expenses	(3,441)	(4,209)
Loss on investment property revaluations	(12,615)	(32,663)
Gain on derivative financial instruments	413	3,334
Loss before income tax for the year	**(10,272)**	**(30,915)**

Note 11. Cash and cash equivalents

	Consolidated December 2012 $'000	Consolidated June 2012 $'000
Trust operating accounts	467	483
TK operating accounts	3,485	2,410
Cash held by trust banks (restricted)	24,668	26,448
Cash held by lender (restricted)	12,992	14,075
	41,612	**43,416**

The above restricted cash held by trust banks and lender includes cash relating to tenant security deposits, capital expenditure and other property related items. The cash held by the trust banks also includes cash that is released after period end and used to service senior debt obligations, the mezzanine Eurobonds and other operating items.

Note 12. Commitments and contingent liabilities

The Directors of the Responsible Entity are not aware of any 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 13. Events subsequent to balance date

As announced to the market on 28 February 2013, the Japanese TK business exchanged contracts to sell its beneficial interest in Itabashi Belle Maison, Tokyo and Irifune Access, Tokyo for a combined value of $22.9 million (¥2.055 billion). Settlement is expected to occur in March 2013 and the net sales proceeds will be applied to the partial repayment of the mezzanine Eurobonds.

Other than for the matters discussed above, the Directors are not aware of any matter or circumstance occurring since 31 December 2012 not otherwise dealt with in the financial report that has significantly or may significantly alter the operations of the Trust, the results of its operations or the state of affairs of the Trust in subsequent financial periods.

GALILEO JAPAN TRUST

Directors' Declaration

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

   (a) the financial statements and notes set out on pages 7 to 21 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 31 December 2012 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

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

2. The Trust has operated during the period in accordance with the Trust Constitution (as amended).

3. The Directors of the Responsible Entity have been given the declarations by the chief executive officer and chief financial officer for the half-year ended 31 December 2012 required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

Jack Ritch
Chairman

Dated at Sydney this 28 February 2013

pwc

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galileo Japan Trust (the Trust), which comprises the Consolidated Statement of Financial Position as at 31 December 2012, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Galileo Japan Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Galileo Japan Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galileo Japan Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

We draw attention to Note 2(b) to the half-year financial report which describes the uncertainty with regard to the ability to refinance the senior bank loan. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
28 February 2013