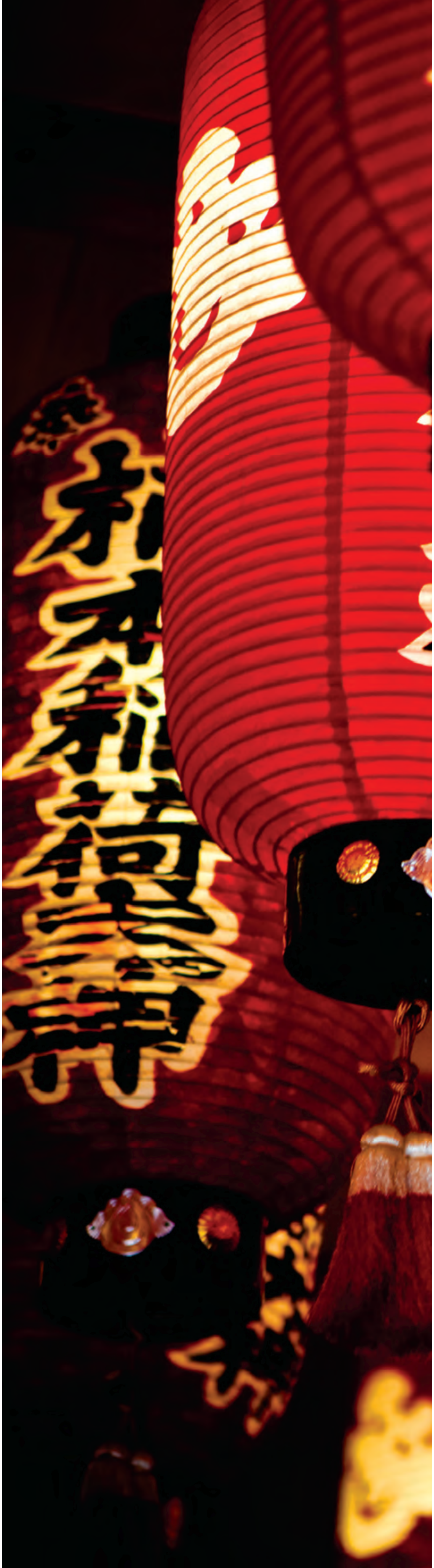
galileo
JAPAN TRUST

ANNUAL REPORT 2012
GALILEO JAPAN TRUST (ARSN 122 465 990)



SEISHIN

GALILEO JAPAN TRUST

Galileo Japan Trust (the Trust) is listed on the Australian Securities Exchange, with an indirect interest in a portfolio of 23 Japanese real estate investments valued at approximately ¥60.1 billion (approximately $744 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 80.89 on 30 June 2012.

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MANAGERS' REPORT

LA PARK KISHIWADA

Annual Results FY12

FINANCIAL PERFORMANCE

The Trust announced an underlying funds from operations "FFO" loss of A$0.47 million ($0.06 per unit) for the year ended 30 June 2012, versus the previous corresponding period "pcp" loss of A$0.86 million ($0.11 per unit).

No distribution will be paid until further notice due to the restrictions in both the Eurobonds and foreign currency loan. Given the increase in finance costs associated with the September 2009 refinancing it is anticipated that GJT will not have any taxable income for the foreseeable future.

BALANCE SHEET

The Trust's NTA decreased 17.7% during the year ended 30 June 2012 to $10.67 per unit primarily due to a 4.5% property devaluation (excluding assets sold). NTA as at 30 June 2012 if restated to reflect the potential conversion of the convertible Eurobond would be $5.83 per unit[1].

GJT's total liabilities to total assets (which are both substantially ¥ denominated) was 88.7% as at 30 June 2012 versus 87.3% as at 30 June 2011. The senior loan, Eurobonds and foreign currency loan do not contain any loan to value covenant tests.

BUSINESS STRATEGY UNCHANGED

Until the full repayment of the Eurobonds and the foreign currency loan, the Japanese TK business will not pay any distributions, except where funds are required to cover the Trust's overhead expenses and required distributions for Australian taxation purposes.

The Directors believe the best prospect of maximising the value of unitholders' current investment is through continued active asset management by GJKK, an orderly sale of assets and the potential wind-up of GJT, such that GJT unitholders realise a better outcome than if a sale of the portfolio were forced in the current environment.

PROPERTY REVALUATIONS

GJKK appointed independent valuers, Savills Japan KK, to value twenty assets in the property portfolio as at 31 March 2012 representing approximately 93% of the portfolio by value. Directors' valuations on the balance of the portfolio (3 assets) have been completed to determine fair value as at 30 June 2012. The combined impact of both independent and Directors' valuations was a write down of ¥2.83 billion or 4.5% compared to 30 June 2011. This excludes the value of assets sold during the period.

The majority of this reduction in the portfolio's carrying value occurred in the six months to 31 December 2011. The rate of decline in values has slowed and while there remains downward pressure on market rentals valuations appear to be stabilising. The weighted average capitalisation rate for the portfolio overall as at 30 June 2012 equates to 6.22% compared to 6.04% as at 30 June 2011.

Portfolio Performance

Portfolio occupancy as at 30 June 2012 was 98.8%, 70 basis points lower than at 30 June 2011 (99.5%).

Net property income was 3.1% lower than pcp resulting from the following factors:

- Sale of Shinbashi Redbrick, Daimyo 247 and Asakusa Vista Hotel during the year;
- Decrease in property income from industrial and hotel assets due to a combination of rent free incentives, one-off repairs and maintenance, and lease expiry of the hotel in October 2011;
- These factors were offset by an increase in property income from the office and residential portfolios due to an increase in average occupancy.

Net property income on a like for like basis (adjusted for assets sold) was 4.4% higher than pcp reflecting the increase in income from the office and residential portfolios.

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 10 years[3].

Senior Loan Facility

The Japanese TK business senior loan was extended in April 2012 and is now scheduled to mature in March 2014. The senior bank loan has a balance at 30 June 2012 of $465.9 million (¥37.69 billion)[4]. The loan was extended on substantially similar terms with the margin unchanged at 175 basis points. Principal amortisation was increased from 230 basis points to 300 basis points per annum on the outstanding principal balance. There was no change to the financial covenant test regarding debt service coverage and there is no loan to value covenant test under the facility.

1 The adjusted net tangible asset backing per unit reflects the position using the 30 June 2012 Statement of Financial Position that has the foreign currency loan recorded at fair value of $40.1 million. The adjusted net tangible asset backing per unit using the face value of the foreign currency loan of $49.4 million is $4.67 per unit

2 35% at 30 June 2011

3 11 years at 30 June 2011

4 AUD/JPY spot rate of ¥80.89 at 30 June 2012

Foreign Currency Loan

Galileo Japan Funds Management Limited (GJFML) was advised on 10 May 2012 that UBS had agreed to sell the loan to Galileo Finance Pty Ltd[5] (refer ASX announcement 11 May 2012 for further details). GJT remains the borrower under the facility and its rights and obligations under this agreement remain unchanged other than the changes outlined below:

GJT agreed to make an early principal repayment of ¥500 million (A$6.2 million) to the new lender, Galileo Finance, to reduce the amount outstanding under the facility and the new lender granted the following concessions to GJT:

- A ¥565 million (A$7.0 million) reduction in the principal outstanding which, together with the early repayment of ¥500 million outlined above, reduced the total principal outstanding under the facility from ¥5.065 billion (A$60.3 million) to ¥4.00 billion (A$47.6 million)
- No further interest will accrue under the facility for the remainder of the term through till September 2014.

Outlook

GJT remains primarily a capital return investment as no cash distributions will be made to unitholders (other than if required for taxation purposes) until the Eurobonds and foreign currency loan have been fully repaid.

We would like to thank you for your continued support.

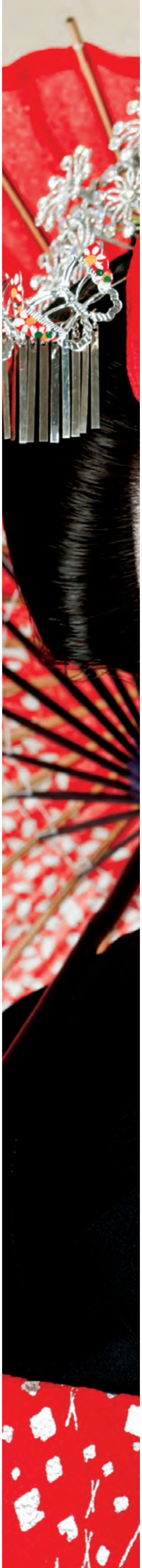
Neil Werrett
Managing Director & Chief Executive Officer
Galileo Japan Funds Management Limited

Peter Murphy
Chief Operating Officer
Galileo Japan Funds Management Limited

5 Galileo Finance Pty Limited is 50% owned by an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of GJFML), with the other 50% owned by an entity controlled by Forum Partners (an affiliate of the note holder of the mezzanine Eurobonds

Galileo Japan Trust has an indirect beneficial interest in 23 properties valued at approximately ¥60.1 billion ($744 million).

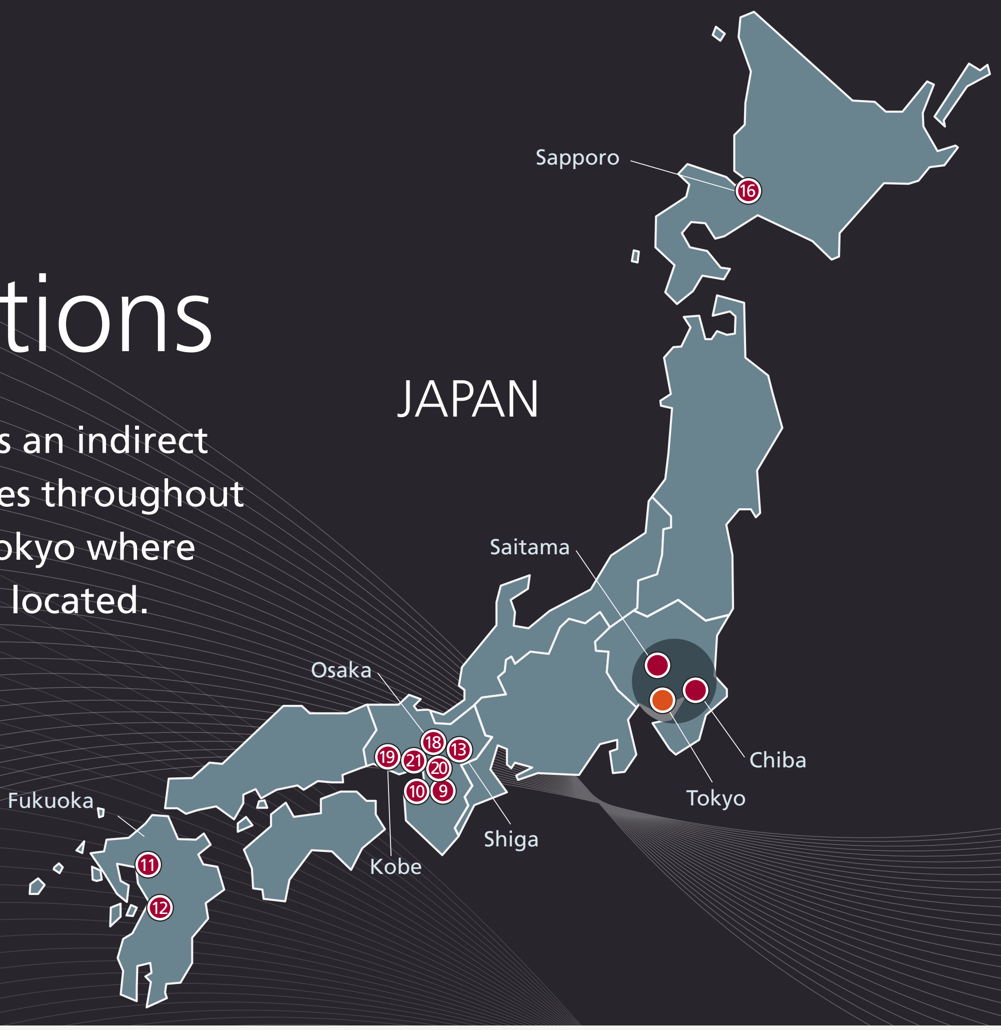
PORTFOLIO OVERVIEW



AZABU AMEREX

Our locations

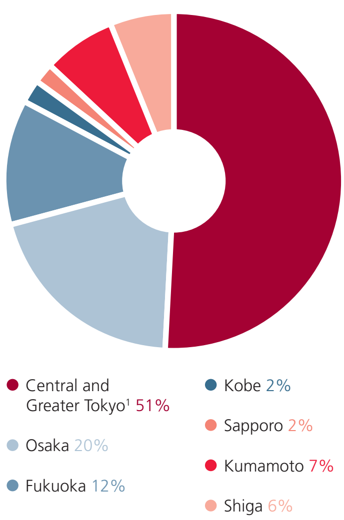
Galileo Japan Trust has an indirect interest in 23 properties throughout Japan with a bias to Tokyo where 13 of the 23 assets are located.



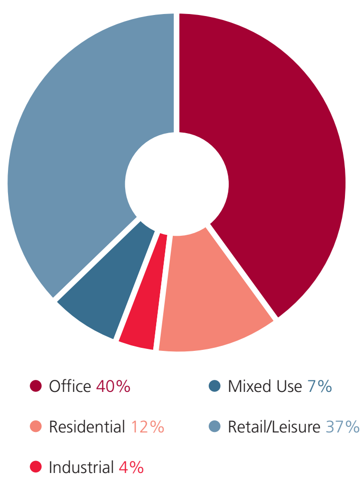
In summary

23 Properties
NRA – 217,394 sqm
Occupancy by area 98.8%

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 – 28,490 sqm

40% of total portfolio by value

33% of total portfolio by income

Occupancy by area

98.4%

Retail/Mixed Use Portfolio

7 properties

NRA – 137,132 sqm

44% of total portfolio by value

48% of total portfolio by income

Occupancy by area

99.6%

Residential Portfolio

5 properties

NRA – 39,197 sqm

12% of total portfolio by value

15% of total portfolio by income

Occupancy by area

96.0%

Industrial Portfolio

2 properties

NRA – 12,575 sqm

4% of total portfolio by value

4% 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	23
2	Kanda NK	2-7-2 Sudacho Kanda, Chiyoda-ku	Tokyo	Dec 2006	21
3	Tsukasacho	2-6 Kanda Tsukasa-Machi, Chiyoda-ku	Tokyo	Dec 2006	24
4	Takadanobaba Access	2-20-15 Nishiwaseda, Shinjuku-ku	Tokyo	Dec 2006	18
5	Azabu Amerex	3-5-7 Azabudai, Minato-ku	Tokyo	Dec 2006	24
6	Nara 2	2-2-8 Shin Yokohama, Kouhoku-ku, Yokohama-shi	Kanagawa	Jan 2008	20
7	Hiei Kudan	3-8-11 Kudan-minami, Chiyoda-ku	Tokyo	Dec 2006	21
8	Irifune Access	1-4-10 Irifune, Chuo-ku	Tokyo	Dec 2006	24
9	Doshoumachi	2-2-6 Doshoumachi, Chuo-ku	Osaka	Dec 2006	23
Total/Average Office[2]					**22**
RETAIL/LEISURE					
10	La Park Kishiwada	21-1 Harakiwakamatsu-cho, Kishiwada-shi	Osaka	Jul 2007	18
11	Suroy Mall, Chikushino	836-4 Oaza Harada, Chikushino-shi	Fukuoka	Jul 2007	5
12	Suroy Mall, Nagamine	1-5-1 Nagamine Nishi, Kumamoto-shi	Kumamoto	Sep 2007	5
13	Seiyu Minakuchi	6084-1 Minakuchi, Minakuchi-cho, Koga-shi	Shiga	Jul 2007	13
Total/Average Retail/Leisure[2]					**10**
MIXED USE					
14	Lions Square	2-15-3 Motogo, Kawaguchi-shi,	Saitama	Dec 2006	14
15	Itabashi Belle Maison	10-21 Honcho, itabashi-ku	Tokyo	Dec 2006	18
16	Confomall	1005-4 Minami 4 jyo Nishi 10 Chome, Chuo-ku, Sapporo-shi	Sapporo	Dec 2006	9
Total/Average Mixed Use[2]					**14**
RESIDENTIAL					
17	Shiroi	151-2 Fuji, Shiroi-shi	Chiba	Dec 2006	17
18	Matsuya Residence Sekime	6-6-24 Sekime, Jyoto-ku	Osaka	Dec 2006	23
19	Royalhill Sannomiya II Kobe	3-5-11 Kanoucho, Chuo-ku	Kobe	Dec 2006	8
20	Imazato	6-11-17 Shin-Imazato, ikuno-ku	Osaka	Dec 2006	21
21	Prejeal Utsubo Park	2-4-6 Utsubo Honsho, Nishi-ku	Osaka	Dec 2006	7
Total/Average Residential[2]					**15**
INDUSTRIAL					
22	Funabashi Hidan	606-11 Suzumi-cho, Funabashi-shi	Chiba	Dec 2006	9
23	Funabashi Tesco	631-13 Toyotomi-cho, Funabashi-shi	Chiba	Dec 2006	11
Total/Average Industrial[2]					**10**
TOTAL PORTFOLIO					**16**

1 Market rents assessed by management or independent valuation where available as at 30 June 2012.
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 2012	% OF PORTFOLIO	LEASED AREA AT 30 JUNE 2011	LEASED AREA AT 30 JUNE 2012	GROSS PASSING RENT (¥/MONTH/ TSUBO)	GROSS MARKET RENT (¥/MONTH/ TSUBO)[1]	PROBABLE MAXIMUM LOSS (PML)[3]
1,690	5,587	6.51	10.8%	100.0%	95.5%	19,416	20,889	8.1%
1,027	3,394	3.35	5.6%	100.0%	100.0%	19,952	17,753	14.1%
983	3,251	3.26	5.4%	100.0%	100.0%	17,240	17,500	9.7%
1,117	3,691	3.11	5.2%	100.0%	100.0%	13,885	14,823	6.7%
676	2,233	1.82	3.0%	100.0%	100.0%	14,450	16,486	12.0%
1,225	4,050	1.80	3.0%	97.4%	94.9%	9,186	9,592	11.9%
695	2,299	1.75	2.9%	100.0%	100.0%	14,316	17,000	12.0%
642	2,122	1.40	2.3%	100.0%	100.0%	14,000	14,000	14.3%
564	1,863	0.70	1.2%	96.6%	100.0%	9,353	9,000	13.9%
8,618	**28,490**	**23.70**	**39.4%**	**99.4%**	**98.4%**	**15,199**	**15,787**	
16,198	53,547	7.51	12.6%	99.6%	99.2%	3,994	3,883	14.6%
9,728	32,160	7.41	12.3%	100.0%	100.0%	5,065	5,065	1.7%
3,807	12,585	3.94	6.5%	100.0%	100.0%	6,648	6,647	10.5%
7,204	23,815	3.74	6.2%	100.0%	100.0%	2,863	2,863	3.8%
36,937	**122,107**	**22.60**	**37.6%**	**99.8%**	**99.7%**	**4,329**	**4,280**	
1,808	5,976	1.73	2.9%	100.0%	100.0%	5,991	5,993	6.3%
940	3,108	1.16	1.9%	98.1%	100.0%	9,257	9,127	10.0%
1,797	5,940	1.26	2.1%	97.6%	97.3%	5,760	5,720	1.0%
4,545	**15,025**	**4.15**	**6.9%**	**98.6%**	**98.9%**	**6,576**	**6,533**	
6,619	21,881	2.23	3.7%	99.7%	96.6%	3,484	3,399	11.0%
2,350	7,767	2.02	3.4%	97.0%	96.8%	5,788	5,969	14.3%
977	3,231	1.43	2.4%	95.4%	95.4%	9,787	9,858	9.5%
1,411	4,663	0.97	1.6%	97.1%	91.1%	4,966	4,944	14.1%
500	1,655	0.76	1.3%	98.8%	98.8%	9,747	9,655	14.0%
11,857	**39,197**	**7.40**	**12.3%**	**98.5%**	**96.0%**	**4,901**	**4,889**	
2,523	8,341	1.58	2.6%	100.0%	100.0%	4,056	4,000	6.8%
1,281	4,234	0.71	1.2%	100.0%	100.0%	3,800	4,000	7.6%
3,804	**12,575**	**2.29**	**3.8%**	**100.0%**	**100.0%**	**3,970**	**4,000**	
65,762	**217,394**	**60.14**	**100.0%**	**99.5%**	**98.8%**	**5,991**	**6,037**	

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

PORTFOLIO DETAIL

LIONS SQUARE

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]	6.51

STATISTICS

Land area (sqm)	875
NRA (sqm)	5,587
Year completed	1989
PML	8.1%

TENANCY PROFILE
(% of total rent)

Jorudan Co Ltd	18%
Ichijinsha Inc	14%
Rexio	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]	3.35

STATISTICS

Land area (sqm)	594
NRA (sqm)	3,394
Year completed	1991
PML	14.1%

TENANCY PROFILE
(% of total rent)

Vixus	88%
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]	3.26

STATISTICS

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

TENANCY PROFILE
(% of total rent)

Spectris Co. Ltd.	43%
Situs Management Inc.	28%
Japan Express Co. Ltd	20%

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 2012.

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]	3.11

STATISTICS

Land area (sqm)	915
NRA (sqm)	3,691
Year completed	1994
PML	6.7%

TENANCY PROFILE
(% of total rent)

Moltobene, Inc.	26%
Nohmi Setsubi Co. Ltd	14%
Kaji Technology Corp.	11%
Regulus Co. Ltd	9%

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]	1.82

STATISTICS

Land area (sqm)	606
NRA (sqm)	2,233
Year completed	1988
PML	12.0%

TENANCY PROFILE
(% of total rent)

Hanbang Co Ltd	57%
Embassy of the Republic of Namibia	24%
Systems Go Corp	12%

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]	1.80

STATISTICS

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

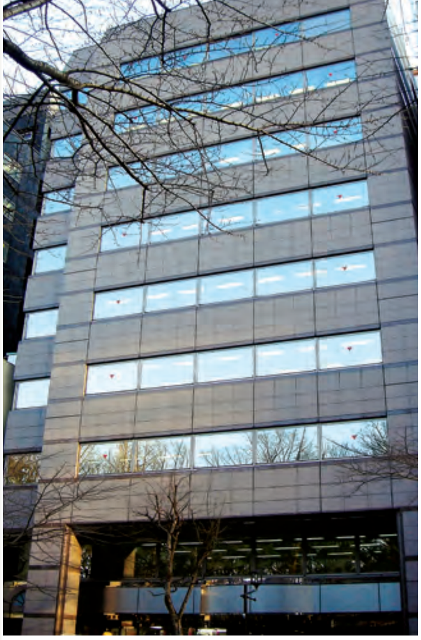
TENANCY PROFILE
(% of total rent)

Amphenol Japan K.K.	14%
Infinicon Co. Ltd	13%
Heichinrou Co. Ltd	13%
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 2012.



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]	1.75

STATISTICS

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

TENANCY PROFILE
(% of total rent)

Lattice Technology K.K.	24%
Japan M. Machinery Association	17%
PAO KK	13%

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]	1.40

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]	0.70

STATISTICS

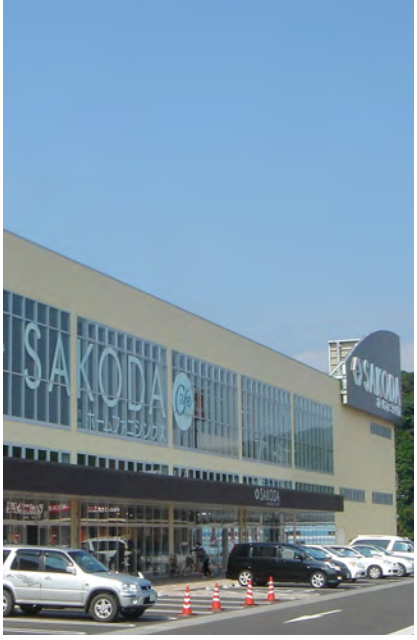
Land area (sqm)	337
NRA (sqm)	1,863
Year completed	1989
PML	13.9%

TENANCY PROFILE
(% of total rent)

Cosmo Medical System Co Ltd	12%
Goto Sangyo Co Ltd	11%
Ina Research Inc	9%

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]	7.51

STATISTICS

Land area (sqm)	39,789
NRA (sqm)	53,547
Year completed	1994
PML	14.6%

TENANCY PROFILE
(% of total rent)

Nagasakiya	58%
Nobuta	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) and Mega Don Quijote (Discount Store). The centre also includes 30 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.

1 Represents 100% Interest.
2 Carrying value as at 30 June 2012.

11. Suroy Mall, Chikushino

DETAILS

Address	836-4 Oaza Harada, Chikushino-shi, Fukuoka
Submarket	Chikushino-shi
Sector	Retail/Leisure
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	7.41

STATISTICS

Land area (sqm)	121,423
NRA (sqm)	32,160
Year completed	2007
PML	1.7%

TENANCY PROFILE
(% of total rent)

Sakoda	24%
Mr Max	21%
Edion West	14%
Red Cabbage	7%

DESCRIPTION

Suroy Mall was purchased as part of a portfolio of three assets in July 2007. Suroy Mall is 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 25 tenants, and will operate as a Power Centre/Big Box retailing format, representing a new generation of retailing in the Japanese market.

12. Suroy Mall, Nagamine

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]	3.94

STATISTICS

Land area (sqm)	28,546
NRA (sqm)	12,585
Year completed	2007
PML	10.5%

TENANCY PROFILE
(% of total rent)

To-sho Co Ltd	20%
Sanki	18%
Kumamoto Halloday	15%
Arigato Service	12%

DESCRIPTION

Suroy Mall was 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.

13. 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]	3.74

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.

14. 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]	1.73

STATISTICS

Land area (sqm)	9,533
NRA (sqm)	5,976
Year completed	1998
PML	6.3%

TENANCY PROFILE
(% of total rent)

Summit	79%
Ohizumi Swimming School	21%

DESCRIPTION

Lions Square contains 5,976 sqm of rentable retail space and parking for 641 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).

15. 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]	1.16

STATISTICS

Land area (sqm)	1,222
NRA (sqm)	3,108
Year completed	1994
PML	10.0%

TENANCY PROFILE
(% of total rent)

Yoshiya	32%

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.

16. Confomall

DETAILS

Address	1005-4 Minami 4-jyo Nishi 10-chome, Chuo-ku Sapporo-shi, Hokkaido
Submarket	Sapporo-shi
Sector	Mixed Use
Ownership Interest	98.5%
Carrying Value (¥bn)[1,2]	1.26

STATISTICS

Land area (sqm)	2,743
NRA (sqm)	5,940
Year completed	2003
PML	1.0%

TENANCY PROFILE
(% of total rent)

Central Sports	57%
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.

17. Shiroi

DETAILS

Address	151-2 Fuji, Shiroi-shi, Chiba
Submarket	Shiroi-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	2.23

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	289

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 340 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).

18. 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]	2.02

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	127

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.

1 Represents 100% Interest.
2 Carrying Value as at 30 June 2012.



19. Royalhill Sannomiya II

DETAILS

Address	3-5-11 Kanoucho, Chuo-ku, Kobe-shi, Hyogo
Submarket	Kobe-shi
Sector	Residential
Ownership Interest	98.5%
Carrying Value(¥bn)[1,2]	1.43

STATISTICS

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

TENANCY PROFILE
(total number of units occupied)

Residential – Units	108

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 112 apartments and a retail space.

20. 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]	0.97

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	62

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.

21. 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]	0.76

STATISTICS

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

TENANCY PROFILE
(total number of units occupied)

Residential – Units	65

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.

22. 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]	1.58

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 23 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).

23. 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]	0.71

STATISTICS

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

TENANCY PROFILE
(% of total rent)

Tesco Japan	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 58 car park bays.

1 Represents 100% Interest.
2 Carrying Value as at 30 June 2012.

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 15 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. Donna is a member of Chartered Secretaries Australia.

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, REPRESENTATIVE DIRECTOR

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 over 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, ASST. SENIOR 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 Lang 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.

SHIRO MORIMOTO, VICE PRESIDENT – ASSET MANAGEMENT

Mr. Morimoto has spent the last four years engaged in all facets of asset management for KW Investment Co., a subsidiary of Kennedy Wilson and Wells Fargo Co. He was also involved with treasury accounting and compliance related roles. He received a B.A in Finance from the University of Nevada, Las Vegas.

Japanese Relationship Partner

Management services are provided to Galileo Japan by Nippon Kanzai, a 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.

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

TOKYO CAPITAL MANAGEMENT

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

Tokyo Capital Management 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
- La Park Kishiwada
- Suroy Mall, Chikushino
- Seiyu Minakuchi
- Itabashi Belle Maison
- Suroy Mall, Nagamine
- Nara 2

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

ITABASHI BELLE MAISON

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 2012 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 2012, 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 2012 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	5 years, 10 months
Philip Redmond	Non-executive Director	5 years, 10 months
Frank Zipfinger	Non-executive Director	5 years, 10 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	5 years, 10 months
Peter Murphy	Executive Director and Chief Operating Officer	5 years, 10 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 recently retired as chairman of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports) and is the Chairman of the AMP Capital Managed Aged Care Investment Trusts. His other activities include Chairman of the Powerhouse Museum Foundation.

FRANK ZIPFINGER, NON-EXECUTIVE DIRECTOR

Frank has over 30 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 non-executive chairman of Aspen Property Group (ASX code APZ) and chairman of the Investor Representive Committees of the AMP Capital Wholesale Office Fund and the AMP Capital Wholesale Shopping Centre Fund. Frank is a Member of the Australian Institute of Company Directors. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the board of Melbourne Business School and President of the School's Alumni Council, and a director of the Australian Youth Orchestra.

PHILIP REDMOND, NON-EXECUTIVE DIRECTOR

Philip has over 25 years experience in the real estate industry in Australia, including 12 years at UBS where he held the position of Managing Director – Head of Real Estate Australasia. Philip has played a leading role in the development of the listed property trust sector within Australia and has a comprehensive understanding of financial markets. Philip is a member of the Australian Institute of Company Directors.

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 2012 there were 4 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, the latest rotation occured this financial year. 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, most recently in March 2012.

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 2012 are set out in the financial report.

The remuneration of directors is paid by GJFML, using its own funds and any of the fees payable by the Trust to GJFML. Accordingly, the Trust does not directly bear the costs of any director. The Board of GJFML may consider the remuneration payable to its independent directors from time to time. Remuneration for independent directors is approved by the Board and is benchmarked to market rates.

The remuneration of executives is paid by a GJFML related entity using its own funds, such that the Trust does not directly bear the costs of any executive or employee. Remuneration of executives is determined by the Managing Director from time to time.

GJFML aims to ensure that its remuneration practices:

- are fair and reasonable;
- 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.

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.

In accordance with ASX Listing Rule 12.9, a copy of the securities trading policy has been released to the market.

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 2012.

INVESTOR RELATIONS

Key Dates

21 DECEMBER 2012

Ex Distribution date for half year distribution

2 JANUARY 2013

Record date for half year distribution

25 FEBRUARY 2013

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

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FINANCIAL REPORT

ANNUAL REPORT 2012

GALILEO JAPAN TRUST (ARSN 122 465 990)

For the financial year ended 30 June 2012

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Directors’ Report to Unitholders

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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 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 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 40 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 recently retired as Chairman of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports) and is the Chairman of AMP Capital Managed Aged Care Investment Trusts. His other activities include Chairman of the Powerhouse Museum Foundation.

Philip Redmond, Non-Executive Director

Philip has over 25 years experience in the real estate industry in Australia, including 12 years at UBS where he held the position of Managing Director – Head of Real Estate Australasia. Philip has played a leading role in the development of the listed property trust sector within Australia and has a comprehensive understanding of financial markets. Philip is a Member of the Australian Institute of Company Directors.

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 the non-executive chairman of Aspen Property Group (ASX code APZ) and chairman of the Investor Representative Committees of the AMP Capital Wholesale Office Fund and the AMP Capital Wholesale Shopping Centre Fund. Frank is a Member of the Australian Institute of Company Directors. He is a member of the Executive Committee of the St Joseph’s College Indigenous Fund, a member of the Board of Melbourne Business School and President of the school’s Alumni Council, and Director of the Australian Youth Orchestra.

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 a lawyer and has a Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance.

Directors' relevant Interests in the Trust

As at 30 June 2012, the interests of the directors, held directly or indirectly, in the Trust were:

	Units Held
Jack Ritch	2,829
Philip Redmond	5,300
Frank Zipfinger	4,400
Neil Werrett*	515,031
Peter Murphy	16,803

* 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 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 aims to maximise the returns for unitholders through an orderly asset sale program, the success of which will ultimately be dependent upon the realisation amount for property investments. The proceeds realised from asset sales will be utilised to repay debt.

Operating and Financial Review

Financial results for the year

Key points relating to the financial result for the year ended 30 June 2012 are:

- Three assets were sold during the year resulting in a loss on sale of $0.6 million. The net sale proceeds from the asset sales were used to repay debt with the balance going towards working capital. Refer to note 4 in the financial statements for further details;
- Net rental income in Australian dollars decreased by 2% to $46.94 million (June 2011: $47.92 million), due primarily to the impact of asset sales during the year;
- The net loss attributable to unitholders of the Trust was $22.8 million (June 2011: net loss $37.6 million) includes a debt forgiveness gain of $7.0 million and a discount on the foreign currency loan of $10.0 million, both of which are recognised in the statement of comprehensive income for accounting purposes. Additional unrealised investment property revaluation losses of $40.1 million have been recognised in the net loss for the year;
- Total assets in Australian dollars equated to $791.7 million (June 2011: $854.6 million) with the decrease from the prior year primarily due to asset sales and a further valuation loss on investment properties, partially offset by a stronger Japanese Yen compared to the prior year;
- Net tangible assets per unit decreased by 17.7% to $10.67 (June 2011: $12.97). If the Convertible Eurobonds had been converted into an interest in the Japanese TK at 30 June 2012 the net tangible asset per unit would have reduced to $5.83 (June 2011: $6.21). The adjusted net tangible asset backing per unit reflects the position using the 30 June 2012 Statement of Financial Position that has the foreign currency loan recorded at fair value of $40.1 million. The adjusted net tangible asset backing per unit using the face value of the foreign currency loan of $49.4 million is $4.67 per unit. Refer to note 17 in the financial statements for further details.

Senior Loan Facility

As announced to the market on 26 April 2012 the Japanese TK completed an extension of the Senior Loan Facility to 31 March 2014 on substantially the same terms of the existing facility with the following key commercial terms:

- the margin on the loan remained unchanged at 175 basis points;
- principal amortisation increased to 300 basis points per annum on the outstanding principal balance (previously 230 basis points); and
- an extension fee of ¥100 million ($1.2 million) payable in four equal quarterly instalments of ¥25 million ($0.3 million).

Foreign Currency Loan

As announced to the market on 11 May 2012 and 14 May 2012, the Responsible Entity was informed that the original lender, UBS AG, Australia Branch (UBS), had sold its loan facility with the Trust to Galileo Finance Pty Limited. With effect from the sale date, Galileo Finance Pty Limited, UBS and the Responsible Entity agreed to withdraw all notices, including alleged default notices by UBS, under the foreign currency loan, and to terminate and release each other from all claims and liability in relation to, among other things, UBS's insolvency application against the Responsible Entity.

Galileo Finance Pty Limited is 50% owned by an entity controlled by Mr Neil Werrett (Chief Executive Officer and Executive Director of the Responsible Entity), with the other 50% owned by an entity associated with Forum Partners (an affiliate of the note holder of the Mezzanine Eurobonds in the Japanese TK structure). The Trust remains the borrower under the facility and its rights and obligations under that agreement remain unchanged other than the changes outlined below.

The Trust made an early principal repayment of ¥500 million ($6.2 million) to the new lender, Galileo Finance Pty Limited, on 14 May 2012 to reduce the amount outstanding under the foreign currency loan. Galileo Finance Pty Limited granted the following concessions to the Trust with effect from 14 May 2012:

- a ¥565 million ($7.0 million) reduction in the loan principal outstanding which, together with the early principal repayment of ¥500m ($6.2 million) outlined above, reduced the principal outstanding under the facility from ¥5.065 billion to ¥4.0 billion; and
- no further interest will be charged on the facility for the remainder of the loan term through to maturity in September 2014.

From an accounting perspective, this loan modification has resulted in a reduction in the carrying value of the liability and a corresponding gain in the Statement of Comprehensive Income of $7.0 million relating to the permanent reduction to the loan principal.

Property valuations

At 30 June 2012 the fair value of investment property equated to ¥60.14 billion (June 2011: ¥69.23 billion), which is down 4.5% from 30 June 2011 after adjusting for assets sales. The 30 June 2012 value has been determined using independent valuations for twenty 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 is a significant change in fair value within the period. There were nineteen properties independently valued at 31 March 2012 and one property independently valued at 30 June 2012, resulting in 93% (by value) of the portfolio being independently valued in the last 12 months. 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 logic 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 value estimations are regularly assessed against available market information and actual market transactions.

Distributions

No distribution has been paid or is payable for the year ended 30 June 2012. The Trust's Distribution Reinvestment Plan (DRP) is not in operation.

Significant changes in the state of affairs

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, there were no significant changes in the state of affairs of the Trust that occurred during the year ended 30 June 2012 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 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.

Fees Paid by the Trust to the Responsible Entity

Fees paid or payable to the Responsible Entity for services provided during the year are determined in accordance with the Trust Constitution and disclosed in Note 22 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 was completed in September 2009, the Responsible Entity agreed to permanently waive its share (0.1%) of base Responsible Entity fees and performance fees 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 2012 cost recovery charges of $600,000 (June 2011: $600,000) 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 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.

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 2012

pwc

Auditor's independence declaration

As lead auditor for the audit of Galileo Japan Trust for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

1 no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

2 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.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
30 August 2012

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Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue			
Rental income		65,994	69,620
		65,994	69,620
Other income			
Gain on derivative financial instruments		4,175	5,437
Interest income		20	38
Other income		7,040	-
		11,235	**5,475**
Total revenue and other income		**77,229**	**75,095**
Expenses			
Property expenses		(19,051)	(21,702)
Finance costs	**4(i)**	(30,847)	(41,279)
ASX and other fees		(167)	(155)
Loss on disposal of investment property	**4(ii)**	(566)	-
Loss on investment property revaluation		(40,123)	(41,772)
Other expenses	**4(iii)**	(9,651)	(8,156)
Total expenses		**(100,405)**	**(113,064)**
Loss before tax for the year		**(23,176)**	**(37,969)**
Income tax credit	**6**	-	-
Loss after tax for the year		**(23,176)**	**(37,969)**
Other comprehensive income			
Foreign exchange translation adjustments	**14**	4,121	(21,214)
		(19,055)	**(21,214)**
Total comprehensive loss for the year		**(19,055)**	**(59,183)**
Loss attributable to:			
- Unitholders of the Trust		(22,810)	(37,631)
- Non-controlling interest	**16**	(366)	(338)
		(23,176)	**(37,969)**
Total comprehensive loss attributable to:			
- Unitholders of the Trust		(18,689)	(58,845)
- Non-controlling interest	**16**	(366)	(338)
		(19,055)	**(59,183)**
Basic and diluted earnings per unit (dollars)	**18**	(2.81)	(4.64)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2012

		Consolidated	
		2012	2011
	Note	$'000	$'000
Assets			
Current Assets			
Cash and cash equivalents	**25**	43,416	44,403
Trade and other receivables	**7**	4,771	8,236
Assets held for sale	**8**	-	46,334
Total Current Assets		**48,187**	**98,973**
Non-Current Assets			
Investment property	**9**	743,504	755,589
Total Non-Current Assets		**743,504**	**755,589**
TOTAL ASSETS		**791,691**	**854,562**
Liabilities			
Current Liabilities			
Trade and other payables	**10**	17,410	15,872
Borrowings	**12**	13,821	51,270
Tenant security deposits		10,490	7,539
Derivative financial instruments	**20**	423	2,230
Total Current Liabilities		**42,144**	**76,911**
Non-Current Liabilities			
Borrowings	**12**	626,752	629,079
Tenant security deposits		31,955	37,187
Derivative financial instruments	**20**	-	2,090
Other		1,670	1,070
Total Non-Current Liabilities		**660,377**	**669,426**
TOTAL LIABILITIES		**702,521**	**746,337**
NET ASSETS		**89,170**	**108,225**
UNITHOLDERS' EQUITY			
Parent entity interest			
Contributed equity	**13**	386,856	386,856
Reserves	**14**	72,347	68,226
Accumulated losses	**15**	(372,631)	(349,821)
Total parent entity interest		86,572	105,261
Non-controlling interest	**16**	2,598	2,964
TOTAL EQUITY		**89,170**	**108,225**

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 2012

	Consolidated Entity					
	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2011	**386,856**	**68,226**	**(349,821)**	**105,261**	**2,964**	**108,225**
Movement in foreign currency translation reserve	-	4,121	-	4,121	-	4,121
Net income/(loss) recognised directly in equity	-	4,121	-	4,121	-	4,121
Profit/(loss) for the year	-	-	(22,810)	(22,810)	(366)	(23,176)
Total comprehensive income/(loss) for the year	-	4,121	(22,810)	(18,689)	(366)	(19,055)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-		-
Distribution paid or payable	-	-	-	-		-
Balance at 30 June 2012	**386,856**	**72,347**	**(372,631)**	**86,572**	**2,598**	**89,170**
Balance 1 July 2010	**386,856**	**89,440**	**(312,190)**	**164,106**	**3,302**	**167,408**
Movement in foreign currency translation reserve	-	(21,214)	-	(21,214)	-	(21,214)
Net income/(loss) recognised directly in equity	-	(21,214)	-	(21,214)	-	(21,214)
Profit/(loss) for the year	-	-	(37,631)	(37,631)	(338)	(37,969)
Total comprehensive income/(loss) for the year	-	(21,214)	(37,631)	(58,845)	2,964	(59,183)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-	-	-
Distribution paid or payable	-	-	-	-	-	-
Balance 30 June 2011	**386,856**	**68,226**	**(349,821)**	**105,261**	**2,964**	**108,225**

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 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Rental and other property income received		69,171	68,663
Property and other expenses paid		(18,663)	(21,375)
Interest and other income received		20	38
Borrowing costs and interest paid		(26,250)	(28,701)
Other operating costs paid to suppliers		(8,350)	(8,632)
Tenant security deposits		(968)	(844)
Consumption tax/GST received/(paid)		621	199
Net cash inflow from operating activities	**24**	15,581	9,348
Cash flows from investing activities			
Additions to investment properties		(4,046)	(3,553)
Proceeds from the disposal of investment properties		69,192	-
Net cash inflow from operating activities		65,146	(3,553)
Cash flows from financing activities			
Repayment of borrowings		(83,996)	(11,764)
Finance costs paid		(725)	-
Net cash outflow from financing activities		(84,721)	(11,764)
Net decrease in cash assets held		(3,994)	(5,969)
Effect of foreign exchange movements on cash		3,007	(6,824)
Cash assets at the beginning of the year		**44,403**	**57,196**
Cash assets at the end of the year	**25**	**43,416**	**44,403**

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 is currently undertaking an orderly asset sale program for the purpose of repaying debt, maintaining sufficient working capital and maximising returns to unitholders, 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 2012. 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 the Statement of Comprehensive Income.

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 9 and Note 20 are the main policies where estimations of fair value are described and Note 2(p) describes the assumptions in relation to deferred tax liabilities.

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.

New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ended 30 June 2012. The Responsible Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect the classification and measurement of financial assets and liabilities. The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and does not expect to adopt the new standard before the operative date.

Note 2. Summary of significant accounting policies (continued)

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, Consolidated Financial Statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns.

Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and does not expect to adopt the new standard before the operative date.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and does not expect to adopt the new standard before the operative date.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact the type of information disclosed in relation to the Trust's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate Financial Statements. Application of this standard by the Trust will not affect any of the amounts recognised in the Financial Statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The Responsible Entity's preliminary assessment shows that the new standard will not have a significant impact on the composition of the Financial Statements and does not expect to adopt the new standard before the operative date.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013).

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Trust has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the Financial Statements. However, application of the new standard will impact the type of information disclosed in the notes to the Financial Statements. The Trust does not intend to adopt the new standard before its operative date.

Note 2. Summary of significant accounting policies (continued)

(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.

(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.

Note 2. Summary of significant accounting policies (continued)

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 while income and expenditures are translated at the average of rates ruling during the financial year. The foreign exchange rate for Japanese Yen at the balance date was $1.00 = ¥80.89 (30 June 2011 – ¥86.33) while the average foreign exchange rate for the year ended 30 June 2012 was $1.00 = ¥81.13 (30 June 2011 – ¥82.02). Foreign exchange differences arising on translation are recorded in the foreign currency translation reserve.

The Trust's activities expose it to changes in foreign exchange rates. There are policies and limits in respect of the use of derivatives and other financial instruments to manage its risk associated with cash flows subject currency risks (refer note 20).

(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) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less any directly attributable set up costs. Subsequent to initial recognition, 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.

A substantial modification of the terms of an existing financial liability or part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees are recognised as part of the gain or loss on extinguishment.

Note 2. Summary of significant accounting policies (continued)

(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.

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.

Note 2. Summary of significant accounting policies (continued)

(p) Taxation

i) Australian income tax

Under current Australian income tax legislation, the Trust is should not be liable to income tax provided unitholders are presently entitled to all of the Trust's taxable distributable income at 30 June each year and any taxable gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Rather, unitholders should be subject to tax on their proportionate share of the taxable income of the Trust. Distributions received by unitholders in excess of their proportionate share of the taxable income of the Trust for an income year will be in the form of tax deferred distributions, and should be applied to reduce unitholders capital gains tax cost base of their units. Tax deferred amounts are usually attributable to allowances for building, plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

ii) Japanese withholding tax

Effective as of 1 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.

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.

Note 2. Summary of significant accounting policies (continued)

(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 figure

The comparative figures represent the year ended 30 June 2011.

(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 26, has been prepared on the same basis as the consolidated financial statements, unless otherwise stated.

Note 3. Other income

Other income for the year includes the following items of income:

	Consolidated	
	2012	2011
	$'000	$'000
Debt forgiveness - Foreign currency loan	7,040	-

Note 4. Loss for the year

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

(I) Finance costs

	Consolidated	
	2012	2011
	$'000	$'000
Interest expense – senior bank loan	12,852	16,056
Interest expense – foreign currency loan	2,823	3,009
Mezzanine Eurobond coupon	18,343	18,852
Convertible Eurobond coupon	2,853	2,453
Amortisation of finance costs *	3,421	909
Fair value adjustment - non-interest bearing foreign currency loan ^	(10,038)	-
Amortisation of fair value adjustment - non-interest bearing foreign currency loan ^	593	-
	30,847	**41,279**

* In accordance with AASB139 Financial Instruments: Recognition and Measurement, the extension of the senior bank loan in April 2012 and renegotiation of terms in relation to the foreign currency loan in May 2012 were deemed to be an 'extinguishment' of a financial liability. Accordingly, these finance costs include the write-off of all unamortised financing costs relating to these loan facilities and all costs incurred in the current year relating to these loan facilities.

^ The Fair value adjustment - non-interest bearing foreign currency loan represents the discount associated with measuring the non-interest bearing foreign currency loan at its fair value. A corresponding amortisation cost is recognised in the statement of comprehensive income over the remaining life of the loan facility. Refer to Note 12 Borrowings for further details.

(ii) Loss on disposal of investment properties

	Consolidated			
	Shinbashi Redbrick	Daimyo 247	Asakusa Vista	Total
	$'000	$'000	$'000	$'000
Disposal proceeds (less selling costs)	45,900	12,009	12,933	70,842
Fair value of properties at sale date	(46,334)	(12,120)	(12,954)	(71,408)
Loss on disposal	(434)	(111)	(21)	(566)

Note 4. Loss for the year (continued)

iii) Other expenses

	Consolidated	
	2012	2011
	$'000	$'000
TK operating costs		
- asset management fees	5,169	5,723
- legal fees	55	50
- valuation fees	-	140
- other professional fees	596	735
- other TK operating expenses	1,679	310
Total TK operating costs	7,499	6,958
Travel and related expenditure	193	29
Legal and other professional fees	1,134	337
Information technology expenses	56	62
Insurance	167	167
Responsible entity cost recharge	600	600
General and administration expenses	2	3
	9,651	**8,156**

Note 5. Auditor's remuneration

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

	Consolidated	
	2012	2011
Amounts received or receivable by the Trust's auditors for:		
- Audit of the financial report (Australia)	268,000	268,000
- Audit of the Trust compliance plan (Australia)	11,000	11,000
- Audit services (Japan)	217,489	233,501
- Tax services (Australia)	63,000	31,700
- Tax services (Japan)	141,378	168,008
	700,867	**712,209**

Note 6. Income tax

	Consolidated	
	2012	2011
	$'000	$'000
Reconciliation of tax:		
Net loss before tax for the year	(23,176)	(37,969)
Tax at the Australian rate of 30% (2011: 30%)	(6,952)	(11,391)
Tax effect of tax credits not taken into account	6,952	11,391
	-	**-**

Note 7. Trade and other receivables

	Consolidated	
	2012	2011
	$'000	$'000
Trade receivables	3,838	5,903
Consumption tax/GST	67	6
Prepayments	677	1,551
Other receivables	189	776
	4,771	**8,236**

Note 8. Asset held for sale

	Consolidated	
	2012	2011
	$'000	$'000
Balance at the beginning of the year	46,334	-
Transfer from investment property	-	46,334
Sold during the year	(46,334)	-
Balance at the end of the year	**-**	**46,334**

The Japanese TK business sold its beneficial interest in Shinbashi Redbrick, Tokyo in July 2011 for $46.33 million (¥4.00 billion).

Note 9. Investment property

	Consolidated	
	2012	2011
	$'000	$'000
Fair value at the beginning of the year	755,589	961,164
Additions to investment property	4,058	3,553
Property reclassified to 'asset held for sale'	-	(46,334)
Sold during the year	(25,074)	-
Revaluation adjustments	(40,123)	(25,074)
Foreign currency translation movements	49,054	(25,074)
Fair value at the end of the year	**743,504**	**868,235**

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 twenty investment properties at 30 June 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 regularly assessed against available market information and actual Market transactions.

Note 9. Investment property (continued)

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

2012

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

2011

	Office	Retail/ Leisure	Mixed Use	Residential	Industrial	Hotel
Weighted average capitalisation rate	5.3%	6.1%	6.8%	7.2%	7.2%	8.2%
Lease vacancy rates	0.6%	0.0%	1.4%	1.5%	0.0%	0.0%

Refer Note 2(c) for information on the valuation basis adopted for investment property by the Consolidated Entity, Note 12 for information on investment property pledged as security and Note 19 for information on leasing arrangements.

Note 10. Trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Trade payables and accrued expenses	10,362	8,672
Withholding tax payable	1,876	1,876
Rent received in advance	4,034	4,888
Consumption tax payable	958	196
Other payables	180	240
	17,410	**15,872**

Note 11. Provision for distribution

There is no distribution paid/payable for the year ended 30 June 2012 and 30 June 2011.

Note 12. Borrowings

		Consolidated	
		2012	2011
	Maturity date	$'000	$'000
Current			
Senior bank loan (i)		13,821	48,953
Mezzanine Eurobonds (ii)		-	2,317
		13,821	**51,270**
Non-Current			
Senior bank loan (i)	March 2014	452,119	436,485
Mezzanine Eurobonds (ii)	September 2014	113,889	121,526
Convertible Eurobonds (iii)	September 2016	21,927	17,864
Foreign currency loan facility (iv)	September 2014	40,072	56,069
Less: unamortised borrowing costs		(1,255)	(2,865)
		626,752	**629,079**
Total borrowings		**640,573**	**680,349**

Details of loan facilities

(i) Senior bank loan

In April 2012 the maturity date of the senior bank loan facility was extended to 31 March 2014. The facility is secured by a mortgage over 20 investment properties and contains cross default provisions with the Eurobonds. This loan is denominated in Japanese Yen (30 June 2012: ¥37.7 billion) and has mandatory principal repayments equal to 3.0% per annum of the outstanding loan principal. Through the use of interest rate swaps the effective interest rate on this loan for the year ended 30 June 2012 was 2.73%. The interest rate swap in place at 30 June 2012 expired on 20 July 2012 and from that date the loan facility will have an interest rate equivalent to Japanese 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 Japanese Yen denominated Eurobonds (30 June 2012: ¥9.2 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 is accrued and compounded quarterly at a rate of 4.91%. There are no DSCR or LTV covenant tests for these bonds.

(iii) Convertible Eurobonds

The Convertible Eurobonds are Japanese Yen denominated Eurobonds (30 June 2011: ¥1.8 billion) with a term of 7 years from 18 September 2009 with a put option after 5 years in favour of the bondholder. 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 currently held by the Trust.

(iv) Foreign currency loan

The foreign currency loan is a Japanese Yen denominated facility and as announced to the market on 11 May 2012 and 14 May 2012, the Responsible Entity was informed that the original lender, UBS AG, Australia Branch (UBS), had sold the loan facility to Galileo Finance Pty Limited. The Trust made an early principal repayment of ¥500 million ($6.2 million) to the new lender on 14 May 2012 to reduce the amount outstanding under the foreign currency loan. At the same time the new lender provided debt forgiveness equivalent to ¥565 million ($7.0 million) reducing the principal outstanding under the facility from ¥5.065 billion to ¥4.0 billion.

Note 12. Borrowings (continued)

The Trust's rights and obligations under the facility agreement remain unchanged other than the interest rate on the loan changing to 0% for the remainder of the loan term. This change of terms triggered the derecognition rules in AASB139 Financial Instruments: Recognition and Measurement. As a result, the carrying value of the loan facility at 14 May 2012 was derecognised and new loan recognised at its fair value at the same time. The resulting gain of $10.0 million as discussed in Note 4 above was recognised directly in the statement of comprehensive income. The loan has subsequently been measured at its fair value and will be increased to its face value by September 2014 via interest charged through the finance costs line in the statement of comprehensive income.

The loan facility has a face value of ¥4.0 billion ($49.4 million) as at 30 June 2012 and is measured in the statement of financial performance at its fair value of ¥3.19 billion ($40.1 million). The facility is repayable in full on 18 September 2014. There are no DSCR or LTV covenant tests for this facility.

Note 13. Contributed equity

	Consolidated	
	2012	2011
Units on issue	$'000	$'000
Contributed equity	386,856	386,856

	Consolidated	
	2012	2011
Number of units on issue	(Units)	(Units)
Balance at the beginning of the year	8,111,332	405,558,571
Reduction due to unit consolidation	-	(397,447,239)
Balance at the end of the year	**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 purposes of distributions, voting and in the event of the Trust terminating.

Note 14. Reserves

	Consolidated	
	2012	2011
	$'000	$'000
Foreign currency translation reserve		
Balance at the beginning of the year	68,226	89,440
Foreign exchange translation movement for the year	4,121	(21,214)
Balance at the end of the year	**72,347**	**68,226**

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.

Note 15. Accumulated losses

	Consolidated	
	2012	2011
	$'000	$'000
Balance at beginning of the year	(349,821)	(312,190)
Net loss attributable to unitholders of the Trust	(22,810)	(37,631)
Balance at the end of the year	**(372,631)**	**(349,821)**

Note 16. Non-controlling interest

	Consolidated	
	2012	2011
	$'000	$'000
Balance at beginning of the year	2,964	3,302
Net loss attributable to non-controlling interest	(366)	(338)
Balance at the end of the year	**2,598**	**2,964**

Note 17. Net tangible assets

	Consolidated	
	2012	2011
	$'000	$'000
Total tangible assets	791,691	854,562
Total liabilities	(702,521)	(746,337)
Net tangible assets attributable to non-controlling interest	(2,598)	(2,964)
Net tangible assets attributable to the unitholders of the Trust	**86,572**	**105,261**
Total number of units on issue	8,111,332	8,111,332*
Net tangible asset backing per unit	$10.67	$12.97

* For comparative purposes the June 2011 weighted average number of units has been adjusted to reflect the unit consolidation that took place in February 2011.

As disclosed in Note 12 above the Japanese TK issued Mezzanine Eurobonds and Convertible Eurobonds during the year ended 30 June 2009. 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 2012 the net tangible asset backing per unit would have reduced from $10.67 per unit to $5.83 per unit (June 2011: $6.21 per unit). The adjusted net tangible asset backing per unit reflects the position using the 30 June 2012 Statement of Financial Position that has the foreign currency loan recorded at fair value of $40.1 million. The adjusted net tangible asset backing per unit using the face value of the foreign currency loan of $49.4 million is $4.67 per unit. At this point in time it is unclear if and when the Convertible Eurobonds will be converted.

Note 18. Earnings per unit

	Consolidated	
	2012	2011
	$'000	$'000
Basic and diluted earnings ($ per unit)	(2.81)	(4.64)
Earnings used in the calculation of earnings per unit ($'000)	(22,810)	(37,631)

There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU. The weighted average number of units used in determining basic and diluted earnings per unit (EPU) is 8,111,332 (2011: 8,111,332). For comparative purposes the June 2011 weighted average number of units has been adjusted to reflect the unit consolidation that took place in February 2011.

Note 19. 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 of 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	
	2012	2011
	$'000	$'000
Within one year	21,476	20,732
Later than 1 year but not later than 5 years	85,095	80,107
Later than 5 years	179,767	158,369
	286,338	259,208

Note 20. 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 rates, 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 in September 2009 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.

Note 20. Financial risk management (continued)

(a) Capital risk

The Trust's objective when managing capital is to maintain an optimal capital structure to reduce the cost of capital and to safeguard its ability to continue as a going concern.

Capital management is monitored in two main ways:

(i) 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 currently undertaking an orderly asset sale program for the purpose of repaying debt, maintaining sufficient working capital and maximising returns to unitholders, the success of which will ultimately be dependent upon the realisation amount for property investments.

The Trust protects its equity in investment property 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 2009 financial 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 repaying debt and maintaining sufficient working capital. 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 may use 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.

(i) Foreign exchange risk

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

The Trust's foreign currency risk arises primarily from:

> net investments in foreign operations
> 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 exchange rate for the year ended 30 June 2012 and 30 June 2011 would result in a gain to the statement of comprehensive income of $6.3 million (30 June 2011: gain of $6.6 million). A 25% decrease in the average exchange rate at balance date would result in a loss to the statement of comprehensive income of $10.4 million (30 June 2011: loss of $11.0 million).

A sensitivity of 25% 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.

Note 20. Financial risk management (continued)

(II) Interest rate risk

The Trust is exposed to interest rate risk on its cash assets, 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 considered necessary after careful analysis. 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	
	2012	2011
	$'000	$'000
Principal amounts of all interest bearing liabilities:		
Current interest bearing liabilities	13,821	51,270
Non-current interest bearing liabilities	628,007	631,944
Principal amounts subject to interest rate exposure	641,828	683,214
Principal amounts of fixed interest rate liabilities:		
Interest rate swap agreements	122,409	428,436
Principal amounts on which interest rate exposure has been hedged	122,409	428,436

At balance date the Trust has fixed 26% of its interest payable exposure through the use of interest rate swaps. A further 17% of the Trusts borrowings are fixed rate borrowings. The remaining 57% of the Trusts borrowings are exposed to floating rates on a principal balance of $343.5m at an average interest rate of 1.94% (30 June 2011: 3.6% unhedged; principal balance of $60.9m at an average rate of 5.3%). As disclosed in Note 12, the new lender under the foreign currency facility agreement has agreed to not charge interest on the outstanding balance up until loan maturity in September 2014.

An increase in the market rate of 0.5% would result in increased interest expense of $1.7 million (30 June 2011: $0.6 million). A decrease in the market rate of 0.5% would result in a decrease in interest expense of $1.7 million (30 June 2011: $0.6 million). 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.

Note 20. Financial risk management (continued)

The Trust's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2012 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	2.10%	483	-	-	-	483
Cash – Japan	0.05%	42,933	-	-	-	42,933
Trade and other receivables		-	-	-	4,771	4,771
Total		**43,416**	**-**	**-**	**4,771**	**48,187**
Financial liabilities:						
Borrowings	See note 12	13,821	628,007	-	-	641,828
Interest rate swap		-	**-**	-	423	423
Trade and other Payables					17,410	17,410
Total		**13,821**	**628,007**	**-**	**17,833**	**659,661**

The Trust's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2011 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	2.30%	569	-	-	-	569
Cash – Japan	0.05%	43,834	-	-	-	43,834
Trade and other receivables		-	-	-	8,236	8,236
Total		**44,403**	**-**	**-**	**8,236**	**52,639**
Financial liabilities:						
Borrowings	See note 12	51,270	631,944	-	-	683,214
Interest rate swap		-	**-**	-	4,320	4,320
Trade and other Payables					15,872	15,872
Total		**51,270**	**631,944**		**20,192**	**703,406**

Cash flow interest rate risk is managed by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps it is agreed with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts calculated by reference to agreed notional principal amounts.

There are remaining in place interest rate swap agreements with a notional value of ¥9.9 billion at 30 June 2012 ($428.4 million) (June 2011: ¥37.0 billion ($428.4m)). This swap matured on 20 July 2012. The effect of the interest rate swap at 30 June 2012 means that interest is paid on the notional amount at a fixed rate of 3.45% and there is a receipt of interest at the floating rate for the corresponding period that is based on the Japanese Yen three month LIBOR rate. As of 20 July 2012, there are no interest rate swaps in place and the interest on the senior bank loan facility equates to Japanese LIBOR plus 1.75%.

Note 20. Financial risk management (continued)

The use of interest rate swap contracts to hedge interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for payments to unitholders and that such losses may exceed the amount invested in such instruments.

The profitability of the Trust may be adversely affected during any period as a result of changing interest rates. Interest rate swap contracts 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 2012 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. Any rental arrears that are greater than 30 days old are provided for as well as amounts less than 30 days on a case by case 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 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.

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

Consolidated ($'000)

	2012				2011			
	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	423	-	-	-	2,230	2,090	-	-
Real estate debt	13,821	452,119	175,888	-	51,270	631,944	-	-
Total	**14,244**	**452,119**	**175,888**	**-**	**53,500**	**634,034**	**-**	**-**

Note 20. Financial risk management (continued)

(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. Factors include, 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 using 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.

The Trust has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires the classification of the 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 2012 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 Trus relies on the counterparties' valuations for derivative values.

The consolidated entity's assets and liabilities measured and recognised at fair value at 30 June 2012 in accordance with AASB 7 *Financial Instruments: Disclosures* consist solely of interest rate swap contracts. These interest rate swap contracts totalling $0.4 million (June 2011: $4.3 million) are out of the money at 30 June 2012, with $0.4 million included in current liabilities (30 June 2011: $2.2 million) and $nil (June 2011: $2.1 million) included in non-current liabilities.

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 21. 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.

	Retail-Leisure $ '000	Office $ '000	Residential $'000	Mixed Use $'000	Industrial $'000	Hotel $'000	Total $'000
Year ended 30 June 2012							
Investment property revenue	26,752	21,580	8,863	6,046	2,155	598	**65,994**
Investment property expenses	(7,278)	(5,803)	(2,819)	(2,424)	(582)	(145)	**(19,051)**
Net operating income	**19,474**	**15,777**	**6,044**	**3,622**	**1,573**	**453**	**46,943**
Year ended 30 June 2011							
Investment property revenue	30,106	20,784	8,425	5,979	2,826	1,500	**69,620**
Investment property expenses	(8,586)	(6,402)	(3,476)	(2,524)	(496)	(218)	**(21,702)**
Net operating income	**21,520**	**14,382**	**4,949**	**3,455**	**2,330**	**1,282**	**47,918**

Total segment assets							
30 June 2012	291,648	293,595	92,537	51,532	28,334	9	**757,655**
30 June 2011	344,049	299,259	81,218	49,376	25,853	14,820	**814,575**
Total segment liabilities							
30 June 2012	187,715	226,449	56,586	31,743	14,897	245	**517,635**
30 June 2011	212,205	222,827	56,046	31,612	14,486	845	**538,021**

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 year 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.

Note 21. Segment information (continued)

	Consolidated	
	2012	2011
	$'000	$'000
Segment result	**46,943**	**47,918**
Interest income	20	38
Other income	7,040	-
Finance costs	(30,847)	(41,279)
ASX and other fees	(167)	(155)
Other operating expenses	(9,651)	(8,156)
Loss on investment property revaluations	(40,123)	(41,772)
Gain on derivative financial instruments	4,175	5,437
Loss on disposal of investment properties	(566)	-
Loss before income tax for the year	**(23,176)**	**(37,969)**

Note 22. 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 completed in September 2009 (refer Note 22(c) below).

There was no base responsible entity fee paid or payable for the year ended 30 June 2012 or for the year ended 30 June 2011.

(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 completed in September 2009 (refer Note 22(c) below).

The Responsible Entity was not entitled to a performance fee for the year ended 30 June 2012 or 30 June 2011.

(c) Responsible Entity Cost Recovery

As a part of the refinancing that was completed in September 2009, the Responsible Entity has agreed to permanently waive any base Responsible Entity fees and performance fees 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 2012 cost recovery charges of $600,000 (June 2011: $470,000) were accrued by the Trust for payment to the Responsible Entity.

Note 22. 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 2012 or 30 June 2011.

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 2012 and amount of distribution receivable at June 2012.

	Units Held	Distribution Due
Jack Ritch	2,829	$nil
Philip Redmond	5,300	$nil
Frank Zipfinger	4,400	$nil
Neil Werrett*	515,031	$nil
Peter Murphy	16,803	$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 2012 and 30 June 2011.

	Consolidated	
	2012 $'000	2011 $'000
Foreign currency loan	20,036	-
Disposaition fee - Galileo Japan K.K.	732	-
Asset management fee - Galileo Japan K.K.	2,545	2,678

Foreign currency loan

As announced to the market on 11 May 2012 and 14 May 2012, the Responsible Entity was informed that the original lender, UBS AG, Australia Branch (UBS), had sold the loan facility to Galileo Finance Pty Limited. Galileo Finance Pty Limited is 50% owned by an entity controlled by Mr Neil Werrett who is the Chief Executive Officer and Executive Director of the Responsible Entity.

The Foreign currency loan balance in the table above of $20.0 million (June 2011: $nil) represents Neil Werrett's indirect 50% share of the current outstanding loan balance.

Other transactions

Galileo Japan K.K. in entitled to a disposition fee equivalent to 1% of the sale price of properties sold. The fee disclosed in the table above represents the disposition fee for the three assets sold during the period.

Galileo Japan K.K. provides asset management services, due diligence services and other financial and operating support services to the TK Operator and receives fees as outlined in the table above for providing these services.

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 30 June 2012 GMST did not receive any payment from the Trust for these services.

Note 23. Key management personnel

(i) Details of Key Management Personnel

The Trust does not employ personnel in its own right. 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 22, 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 was completed in September 2009. Refer to Note 22(c) for further details.

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 24. Reconciliation of cash flows from operating activities

	Consolidated	
	2012 $'000	2011 $'000
Net loss after tax	(23,176)	(37,969)
Adjustment for non-cash items:		
Gain on derivative financial instruments	(4,175)	(5,437)
Loss on disposal of investment properties	566	-
Debt forgiveness - foreign currency loan	(7,040)	-
Fair value adjustment - foreign currency loan	(10,038)	-
Finance costs – capitalised interest	11,431	11,669
Loss on investment property revaluation	40,123	41,772
Amortisation of finance costs	3,289	909
Net cash provided by operating activities before changes in assets and liabilities	10,980	10,944
Changes in assets and liabilities during the year:		
Decrease / (Increase) in trade and other receivables	2,962	(699)
Increase / (Decrease) in trade and other payables	1,639	(897)
Net cash flows from operating activities	**15,581**	**9,348**

Note 25. Cash and Cash equivalents

	Consolidated	
	2012	2011
	$'000	$'000
Trust operating accounts	483	569
TK operating accounts	2,410	2,167
Cash reserves held by Trust Banks	26,448	28,730
Cash reserves held by Lender	14,075	12,937
	43,416	**44,403**

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 26. Parent entity financial information

SUMMARY FINANCIAL INFORMATION

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

	PARENT	
	2012	2011
	$'000	$'000
Statement of financial position		
Current assets	25,926	25,368
Total assets	96,607	136,979
Current liabilities	2,559	2,340
Total liabilities	44,301	59,479
Shareholders equity		
Contributed equity	386,856	386,856
Accumulated losses	(334,550)	(309,356)
	52,306	77,500
Loss for the year	**(25,194)**	**(34,032)**
Total comprehensive loss	**(25,194)**	**(34,032)**

The parent entity has not provided any guarantees nor does it have any contractual commitments or contingent liabilities as at 30 June 2012 or 30 June 2011.

Note 27. 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 28. Events subsequent to balance date

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

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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

(a) the financial statements and notes set out on pages 7 to 35 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 2012 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.

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

3. Note 2 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

4 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 2012 required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

Jack Ritch
Chairman

pwc

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

Report on the financial report

We have audited the accompanying financial report of Galileo Japan Trust (the "Trust"), which comprises the Statement of Financial Position at 30 June 2012, 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 Galileo Japan Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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 consolidated entity's financial position as at 30 June 2012 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

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EA Barron
Partner

30 August 2012

ASX Additional Information

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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
Allan Gray Australia Pty Ltd (formerly known as Orbis Investment Management (Australia) Pty Ltd)	9 August 2012	1,039,686	12.82
Asean Small Cap Fund	22 May 2012	902,571	11.13
Feitelson Group	9 May 2012	828,179	10.21
Galileo Japan Funds Management Limited and associated entities	5 July 2010	515,031	6.35

2. Twenty largest unitholders

The names of the twenty largest unitholders of quoted units as at 31 August 2012 are:

	No. of units	% of ordinary units
National Nominees Limited	1,134,312	13.98
Mr Philip Anthony Feitelson	676,603	8.34
HSBC Custody Nominees (Australia) Limited	599,718	7.39
JP Morgan Nominees Australia Limited	522,446	6.44
Citicorp Nominees Pty Limited	491,383	6.06
Galileo Japan Funds Management Limited	444,316	5.48
The Promenade Coffs Harbour Pty Ltd	279,990	3.45
ABN Amro Clearing Sydney Nominees Pty Ltd	263,775	3.25
HSBC Custody Nominees (Australia) Limited - A/C 2	236,327	2.91
Monex Boom Securities (HK)Lltd	209,978	2.59
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	117,983	1.45
JP Morgan Nominees Australia Limited (cash income account)	103,370	1.27
Mr Medhat Sawires+Mrs Ireny Sawires	101,160	1.25
Mr Peter Milliken + Ms Pui Chi Iris Chong	89,400	1.10
Galileo Investments Japan Pty Ltd	70,715	0.87
Endoline Pty Ltd (Drapac Holdings A/C)	60,400	0.74
Rundal Holdings Pty Ltd	53,634	0.66
Ms Meenakshe Ranchhod	51,169	0.63
Mrs Margaret Begg Robertson Gawler	50,000	0.62
McNeil Nominees Pty Limited	50,000	0.62
	5,606,679	69.12
Total other investors	2,504,653	30.88
Grand Total	**8,111,332**	**100.00**

3. Distribution of unitholders

The number of unitholders, by size and holding as at 31 August 2012 are:

	Number of holders	Number of units
1-1,000	939	356,533
1,001-5,000	332	720,050
5,001-10,000	49	360,826
10,001-100,000	56	1,492,562
100,001 and over	14	5,181,361
	1,390	**8,111,332**
Number of unitholders holding less than a marketable parcel of 642 securities are:	755	199,417

galileo
JAPAN TRUST