galileo JAPAN TRUST

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

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

APPENDIX 4D
Half Year Report

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2008 – 31 December 2008
Previous corresponding period:	1 July 2007 – 31 December 2007

Results for announcement to the Market

				($ '000)
Revenues from ordinary activities [1]	Down	30.0%	to	42,435
Profit/(Loss) from ordinary activities attributable to unitholders of the Trust [2]	Down	2,454%	to	(194,614)
Net profit/(loss) loss for the period attributable to unitholders of the Trust [2]	Down	2,454%	to	(194,614)
Distributable earnings for the half-year[3]	**Up**	**6.6%**	**to**	**17,535**
Distributable earnings (cents per unit) for the half-year[3]	**Up**	**2.4%**	**to**	**4.32 (cpu)**

[1] Revenue from ordinary activities in the prior corresponding period includes a fair value adjustment gain to investment properties of $27.6 million;

[2] The loss in the current period includes a fair value adjustment loss relating to investment properties of $82.6 million. In the previous corresponding period it includes a fair value adjustment gain relating to investment properties of $27.6 million;

[3] The distributable earnings is a measure not prescribed by Australian Accounting Standards. It represents profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items. In determining distributable earnings for the half-year ended 31 December 2008 adjustments have been made to exclude the losses on financial derivatives, deferred tax charge, property revaluation loss and the amortisation of finance costs.

Distributions to unitholders (nil % franked)	**$ (cents per unit)**
Previous corresponding period: Interim distribution	4.00
Current period: Interim distribution	Nil[4]
Record date to determine entitlement to interim distribution	N/A

[4] As previously announced to the market, an interim distribution for the half-year ended 31 December 2008 will not be paid to unitholders.

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Distribution reinvestment plan (DRP)

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

Explanation and discussion of the above results

Refer to the associated ASX results presentation and related announcement.

Net Tangible Assets

	31 December 2008	30 June 2008
Net tangible asset backing per unit	$0.94	$0.90

Statement of retained earnings showing movements

	31 December 2008 $'000	30 June 2008 $'000
Balance at the beginning of the period	1,715	21,957
Net profit/(loss) attributable to unitholders of the Trust	(194,614)	12,202
Distributions paid and payable	-	(32,444)
Balance at the end of the period	(192,899)	1,715

Details of controlled entities and associates

There were no new entities over which control was gained during the period, nor any Associates or Joint Venture Entities that became part of the consolidated group during the period.

Accounting standards used by foreign entities

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

Financial report of the Trust for the half-year ended 31 December 2008

The financial report of the Trust for the half-year ended 31 December 2008 is attached to this announcement.

Other significant information

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

Compliance statement

This Appendix 4D is based on the financial statements of the Trust for the half-year ended 31 December 2008 which have been reviewed by PricewaterhouseCoopers. Refer to the financial statements for a copy of their review report.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

GALILEO JAPAN TRUST
Financial Report
For the half-year ended 31 December 2008

Contents:

Directors' Report to Unitholders

The directors of Galileo Japan Funds Management Limited, the responsible entity (the 'Responsible Entity') of Galileo Japan Trust (the 'Trust'), submit herewith their report together with the consolidated financial report of the Trust and its controlled entity (together the 'Consolidated Entity') for the half-year ended 31 December 2008. 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 half-year ended 31 December 2008 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

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. There was no change in this activity during the period.

Review and Results of Operations

The consolidated net loss attributable to unitholders of the Trust for the half-year ended 31 December 2008 was $194.6 million (31 December 2007- net profit of $8.3 million). The primary cause of the loss for the period is a property revaluation decrement of $82.6 million and a loss on financial instruments of $137.7 million.

A distribution equal to 4.00 cents per unit was paid on 29 August 2008 relating to the six-months ended 30 June 2008. As previously disclosed to the market, an interim distribution for the half-year ended 31 December 2008 will not be paid to unitholders. The Trust's Distribution Reinvestment Plan (DRP) is not currently in operation.

As at 31 December 2008 the Consolidated Entity had total assets of $1,487.5 million (30 June 2008 - $996.3 million).

The Consolidated Entity had net assets at 31 December 2008 of $386.2 million (30 June 2008 - $370.9 million).

The Trust's net tangible asset backing has improved to 94 cents per unit at 31 December 2008 (up from 90 cents per unit at 30 June 2008) largely as a result of the depreciation of the Australian dollar against the Japanese Yen. The underlying cash flow from operations remained stable during the period however, the Trust's current liabilities exceeded the Trust's current assets by $244 million at 31 December 2008. This deficiency is due to short term refinancing requirements in the next 12 months and due to the classification of certain financial derivatives as current liabilities.

The financial report for the Trust as at 31 December 2008 has been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Trust's going concern status and despite the significant uncertainty identified in Note 2(b), have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. Significant uncertainty exists as to the Trust's ability to continue as a going concern due to the excess of current liabilities over current assets. No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern. Refer to Note 2(b) for further details.

Directors' Report to Unitholders (continued)

Property valuations
The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

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 estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be lower than the most recent valuation, or lower than the fair value recorded in the financial statements.

Events occurring after reporting date
As announced to the market, on 30 January 2009, the Trust repaid the outstanding balance of the loan facility which was scheduled to mature on that day amounting to ¥1.04 billion ($16.7 million) - the original facility was ¥1.49 billion.

As at 1 March 2009 the Trust has exceeded the 65% threshold under its foreign currency covenant test. The Responsible Entity and the counterparty have agreed, in principle, to a waiver of this test relating to the 31 December 2008 financial statements, subject to full compliance with all loan covenants.

A notice was received from the lender on 24 February 2009 indicating that the loan to value ratio for both Loan A and Loan B exceeds the requirement as specified in the respective loan agreements, and that the lender intends to trap cash from 30 April 2009 to repay loan principal. Refer to Note 2(b) for further details.

The financial effect of these events has not been brought to account at 31 December 2008.

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 5.

Rounding of amounts to the nearest thousand dollars
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 report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

Jack Ritch
Chairman
Sydney, 1 March 2009

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Auditor's Independence Declaration

As lead auditor for the review of Galileo Japan Trust and its consolidated entities for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
1 March 2009

GALILEO JAPAN TRUST
Income Statement
For the half-year ended 31 December 2008

	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000
Income		
Rental income	38,896	27,477
Net realised foreign exchange gain	-	756
Fair value adjustment to investment property	-	27,613
Interest and other income	3,539	4,804
Total income	42,435	60,650
Expenses		
Property expenses	(10,421)	(7,330)
Finance costs	(8,630)	(6,513)
ASX and other fees	(147)	(129)
Loss on derivative financial instruments	(137,740)	(26,392)
Net realised foreign exchange loss	(3,236)	-
Fair value adjustment to investment property	(82,620)	-
Other expenses	(4,298)	(2,308)
Total expenses	(247,092)	(42,672)
Net profit/(loss) before tax	(204,657)	17,978
Income tax credit/(expense)	9,304	(8,904)
Net profit/(loss) after tax for the half-year	(195,353)	9,074
Net loss/(profit) attributable to minority interest	739	(806)
Net profit/(loss) attributable to unitholders of the Trust	(194,614)	8,268
Basic and diluted earnings per unit (cents)	(47.99)	2.12

The Income Statement should be read in conjunction with the notes to the financial statements as set out on pages 10 to 18.

GALILEO JAPAN TRUST
Balance Sheet
As at 31 December 2008

	Note	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Assets			
Current Assets			
Cash and cash equivalents	11	66,399	46,951
Trade and other receivables		9,510	15,693
Derivative financial instruments		-	12,483
Total Current Assets		75,909	75,127
Non-Current Assets			
Investment property	5	1,409,047	921,220
Deferred tax asset		2,530	-
Derivative financial instruments		-	-
Total Non-Current Assets		1,411,577	921,220
TOTAL ASSETS		1,487,486	996,347
Liabilities			
Current Liabilities			
Trade and other payables		24,393	13,013
Interest bearing liabilities	6	156,224	23,040
Tenant security deposits		14,047	12,932
Derivative financial instruments		125,256	-
Provision for distribution		-	16,222
Total Current Liabilities		319,920	65,207
Non-Current Liabilities			
Interest bearing liabilities	6	714,783	522,590
Tenant security deposits		51,980	27,898
Deferred tax liability		-	8,040
Derivative financial instruments		14,633	1,709
Total Non-Current Liabilities		781,396	560,237
TOTAL LIABILITIES		1,101,316	625,444
NET ASSETS		386,170	370,903
UNITHOLDERS’ EQUITY			
Parent entity interest			
Contributed equity	8	386,856	386,856
Reserves		186,307	(24,313)
Undistributed income		(192,899)	1,715
Total parent entity interest		380,264	364,258
Minority interest		5,906	6,645
TOTAL EQUITY		386,170	370,903

The Balance Sheet should be read in conjunction with the notes to the financial statements as set out on pages 10 to 18.

GALILEO JAPAN TRUST
Statement of Changes in Equity
For the half-year ended 31 December 2008

	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000
Total equity at the beginning of the period	370,903	268,787
Net income recognised in equity:		
Net exchange differences on translation of foreign operations	224,045	21,190
Fair value movement on hedge instrument	(13,425)	(6,705)
Total net income recognised in equity	210,620	14,485
Net profit/(loss) after tax for the period	(195,353)	9,074
Total recognised income and (expense) for the period	15,267	23,559
Total recognised income and expense for the period attributable to:		
Unitholders	16,006	22,753
Minority interest	(739)	806
	15,267	23,559
Transactions with unitholders in their capacity as unitholders:		
Proceeds from units issued	-	115,584
Transaction costs	-	(3,014)
Profit/(loss) attributable to unitholders	16,006	22,753
Distributions paid and payable	-	(16,222)
Total transactions with unitholders	16,006	119,101
Transactions with minority interest:		
Value of contributions	-	1,601
Net profit/(loss) attributable to minority interest	(739)	806
Total transactions with minority interest	(739)	2,407
Total equity at the end of the period	386,170	390,295
Attributable to:		
Unitholders of the Trust	380,264	383,686
Minority interest	5,906	6,609
	386,170	390,295

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements as set out on pages 10 to 18.

GALILEO JAPAN TRUST
Cash Flow Statement
For the half-year ended 31 December 2008

	Note	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000
Cash flows from operating activities			
Rental and other property income		40,682	30,718
Property and other operating expenses		(13,964)	(16,365)
Realised foreign exchange gain/(loss)		(3,236)	756
Interest and other income received		6,916	3,260
Borrowing costs		(7,157)	(4,954)
Tenant security deposits received/(repaid)		(387)	9,082
Withholding tax paid		(1,027)	(747)
Consumption tax/GST		9,541	(506)
Net cash inflows from operating activities		31,368	21,244
Cash flows from investing activities			
Investment properties		(2,569)	(300,597)
Net cash outflows from investing activities		(2,569)	(300,597)
Cash flows from financing activities			
Amount advanced from Galileo Japan KK		-	2,367
Proceeds from borrowings		-	185,229
Repayment of borrowings		(20,545)	-
Distributions paid		(16,222)	(11,133)
Transaction and finance costs		(376)	(5,637)
Proceeds from units issued		-	115,584
Net cash inflows from financing activities		(37,143)	286,410
Net increase in cash assets held		(8,344)	7,075
Effect of foreign exchange movements on cash		27,792	1,644
Cash assets at the beginning of the period		46,951	28,736
Cash assets at the end of the period	11	66,399	37,437

The Cash Flow Statement should be read in conjunction with the notes to the financial statements as set out on pages 10 to 18.

Note 1. General information

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

The Trust aims to generate long term income and capital growth from investing in stabilised real estate in Japan. The responsible entity of the Trust is Galileo Japan Funds Management Limited (the 'Responsible Entity').

The financial statements were authorised for issue by the directors on 1 March 2009.

Note 2. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the half-year ended 31 December 2008 are set out below. These policies have been consistently applied for the half-year unless otherwise stated.

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 half-year and the amounts of revenues and expenses during the reporting period. Estimates are based on management's best knowledge and actual results may ultimately differ. Where any such judgements are made they are indicated within the accounting policies.

(a) Basis of preparation

The financial report, which is a general purpose financial report, has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001. This half-year financial report does not include all of the information required for a full financial report. Accordingly, this report should be read in conjunction with the most recent annual financial report and any public announcements made by the Trust during the half-year ended 31 December 2008 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and investment property at fair value through the income statement.

(b) Going concern

The financial statements for the Trust and the entity it controlled as at 31 December 2008 have been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Trust's going concern status, have concluded that there are reasonable grounds to believe that the Trust and the entity it controlled will be able to pay their debts as and when they become due and payable. However, a significant uncertainty exists as to the Trust's ability to continue as a going concern as a result of the factors set out below.

The review was undertaken as, in the opinion of the directors of the Responsible Entity, the rapid and unanticipated dislocation in global credit markets and associated volatility in equity markets has had a material impact on the financial position and outlook for the Trust. The Trust's net tangible asset backing has improved to 94 cents per unit at 31 December 2008 (up from 90 cents per unit at 30 June 2008) largely as a result of the depreciation of the Australian dollar against the Japanese Yen. The underlying cash flow from operations remained stable during the period however, the Trust's current liabilities exceeded the Trust's current assets by $244 million at 31 December 2008. This deficiency is due to short term refinancing requirements in the next 12 months and due to the classification of certain financial derivatives as current liabilities.

Note 2. Summary of significant accounting policies (continued)

Ongoing risks to the Trust's future performance as a going concern include:

(i) Ability to refinance debt facilities as they fall due and maintain debt covenants
As disclosed in Note 6 to the financial statements, there is A$42.2 million (¥2.64 billion) of debt maturing in September 2009 and a further A$98.0 million (¥6.13 billion) of debt maturing in December 2009. Discussions are currently underway with a number of parties to arrange refinancing of these facilities, however, there is no certainty that these facilities will be able to be refinanced by the required maturity dates.

When using the carrying value of the investment properties in the 31 December 2008 financial statements, which represent fair market value and are supported by independent valuations, the Trust was in compliance with its debt covenants. If the fair value of the investment properties continues to decline and the Trust is unable to generate sufficient asset sales to repay debt or is unable to renegotiate debt covenants, or both, there is a high likelihood that debt covenants could be breached.

The Japanese lender holding security over the Japanese property portfolio has instructed a valuer to conduct appraisals to ascertain compliance with the loan to value covenant tests in the loan documents. The Responsible Entity did not have the opportunity to review the valuation instructions in order to assess whether the valuation approach and methodology was consistent with the approach and methodology adopted in all previous valuations. The final appraisal reports have not been issued to the Responsible Entity. A notice was received from the lender on 24 February 2009 indicating that if the values provided by their appraiser were used to test the loan to value ratio, the loan to value ratio for both Loan A and Loan B would exceed the requirement as specified in the respective loan agreements. The notice also indicates that the lender intends to trap cash to repay loan principal. The next opportunity for the lender to trap cash is on 30 April 2009, relating to the cash flow for the March 2009 quarter. In order to avoid a cash trap by the lender, principal repayments of ¥1.66 billion (A$26.5 million) for Loan A and ¥131.3 million (A$2.1 million) for Loan B are required prior to 16 April 2009. If no principal repayments are made by that date and the loan to value ratio exceeds the requirement on that date, all excess operating cash that would otherwise be released by the lender will be retained and used to repay principal on each of the loans until such time the requirements of loan to value covenant tests have been met. The failure of the loan to value covenant tests does not give the lender rights to reprice any of the loan facilities or accelerate their term. Discussions are currently ongoing with the lender concerning this matter.

In order to avoid a cash trap loan principal could be repaid using proceeds raised from new equity, new debt or though significant asset sales. A refinancing of the existing facilities could also allow for renegotiation of the financial covenants or obtaining a waiver from the lender. Due to the magnitude and timing of the required principal repayments there can be no assurance that any of these remedies can be achieved. An ongoing breach of debt covenants that is not cured or waived by the lender would likely jeopardise the ability of the Trust to continue as a going concern.

(ii) Fair value risk on property investments
The Trust measures investment properties at fair value. Given the Trust's short term debt obligations and the potential difficulty in refinancing these obligations, it is likely that the Trust may need to sell a portion of its property portfolio over the next 12 months. Upon sale the Trust may not realise the values recognised in the financial statements. Further details on the approach used to value investment properties are disclosed in Note 2(c).

(iii) Foreign exchange derivative covenants
As previously announced to the market, the Trust has a number of foreign exchange contracts related to its Yen denominated assets and income. The foreign exchange derivative contracts require that the Trust's total interest bearing liabilities (including mark to market of derivative contracts) to total assets should not exceed 70% for any period and should not exceed 65% for more than 90 days. These ratios are tested twice yearly based on the release of the Trust's audited (or reviewed) financial statements at the 30 June and 31 December balance dates.

Note 2. Summary of significant accounting policies (continued)

The Trust confirms as at 1 March 2009 that the result of this covenant calculation at 31 December 2008 is 68.1% and therefore exceeds the 65% covenant requirement. Under the terms of the foreign exchange derivative agreements the Trust has 90 days from the issuance of these financial statements to reduce total interest bearing liabilities (including mark to market of derivative contracts) to below the required threshold. However, the Responsible Entity and the counterparty have agreed, in principle, to a waiver of this test relating to the 31 December 2008 financial statements, subject to full compliance with all loan covenants.

Included in the Events occurring after reporting date note (note 14) are details on progress made to date on capital management initiatives.

The Trust did not declare a distribution for the half year ended 31 December 2008 in order to retain operating capital and assist with the refinancing of debt facilities.

The directors have concluded that, despite the significant uncertainty, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable because of its potential to:

- Refinance existing loan facilities with new or existing lenders;
- Repay loan facilities via capital raising;
- Renegotiate financial covenant tests relating to loans and foreign currency derivatives or obtain a waiver if there is an ongoing breach;
- Sell investment properties; and
- Generate operating cash flows significantly in excess of current interest obligations;

Alternatively, one or several of the above items may form part of a wider strategic initiative to maximise unitholder value. This might include soliciting bids that could lead to a proposal to acquire 100% of GJT's units or the sale of all of GJT's assets.

No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

(c) Property valuations

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

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 estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in the future the price achieved may be lower than the most recent valuation, or lower than the fair value recorded in the financial statements.

Note 3. Responsible entity fees

The Responsible Entity of the Trust, Galileo Japan Funds Management Limited, 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. This fee has been waived until the annualised cash distribution yield on equity to investors exceeds 8.0% on the IPO Application Price of $1.00 per unit.

There were no base Responsible Entity fees paid or payable to the Responsible Entity for the half-year ended 31 December 2008 or the corresponding half-year ended 31 December 2007.

(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 was not entitled to a performance fee for the half-year ended 31 December 2008 or for the corresponding half-year ended 31 December 2007.

(c) 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.

The sponsor fee paid or payable by the Trust for the half-year ended 31 December 2008 was $nil (half-year ended 31 December 2007 - $2.8 million).

Note 4. Income tax

	Consolidated 31 December 2008 $'000	Consolidated December 2007 $'000
Income tax expense/(credit):		
Deferred tax	(10,570)	7,725
Withholding tax	1,266	1,179
	(9,304)	8,904

Note 5. Investment property

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 TK Operator.

	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Investment property at fair value	1,409,047	921,220
Fair value at the beginning of the period	921,220	557,507
Additions to investment property	2,569	348,782
Revaluation adjustments	(82,620)	181
Foreign currency translation movements	567,878	14,750
Fair value at the end of the period	1,409,047	921,220

During the period there were 12 properties independently valued. As at 31 December 2008 the carrying value of the investment properties in the financial statements are based on the fair market values as determined by the independent valuers and as assessed by the Directors of the Responsible Entity using current market information provided in the independent valuations. The lender has obtained its own appraisals to ascertain compliance with the loan to value covenant tests in the loan documents. The Responsible Entity did not have the opportunity to review the valuation instructions in order to assess whether the valuation approach and methodology was consistent with the approach and methodology adopted in all previous valuations. The Responsible Entity has not been provided with the final appraisal reports obtained by the lender. The carrying value of the investment properties in the 31 December 2008 financial statements represent fair market value and have been determined based on instructions consistent with those for all previous valuations.

Note 6. Interest bearing liabilities

	Maturity Date	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Current			
Consumption tax loan		-	8,533
Secured bank loan – Subordinate loan B	Jan 2009	16,652	14,635
Secured bank loan – Subordinate loan A	Sep 2009	42,206	-
Secured bank loan – Loan B	Dec 2009	97,989	-
Less: unamortised borrowing costs		(623)	(128)
Total current interest bearing liabilities		156,224	23,040
Non-Current			
Secured bank loan – Subordinate loan A	Sep 2009	-	25,904
Secured bank loan – Loan B	Dec 2009	-	60,142
Secured bank loan – Loan A	July 2012	722,283	443,304
Less: unamortised borrowing costs		(7,500)	(6,760)
Total non-current interest bearing liabilities		714,783	522,590
Total Interest Bearing Liabilities		871,007	545,630

Note 6. Interest bearing liabilities (continued)

The consumption tax loan relates to funds borrowed to pay consumption tax on acquisitions. These loans were repaid in full upon receipt of the refund of the consumption tax from the tax office. In December 2008 an amount equal to ¥450 million (A$7.19 million) was repaid against the secured bank loan maturing in January 2009. The balance of this loan totalling ¥1.04 billion ($16.7 million) was repaid in full on 30 January 2009.

The Loan A and Loan B bank loans are secured by a pledge over the investment properties and contain cross default provisions. Bank loans are denominated in Japanese Yen and are interest only loans with principal amounts repayable at maturity. Through the use of interest rate swaps 82% of the loans are fixed at an average rate of 1.96% at 31 December 2008.

A notice was received from the lender on 24 February 2009 indicating that the loan to value ratio for both Loan A and Loan B exceeds the requirement as specified in the respective loan agreements, and that the lender intends to trap cash from 30 April 2009 to repay loan principal. Refer to Note 2(b) for further details.

At 31 December 2008 the following financing facilities were available:

	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Secured bank loans	879,130	552,518
Facilities used	(879,130)	(552,518)
Unused facilities	-	-

Note 7. Distributions

A distribution equal to 4.00 cents per unit was paid on 29 August 2008 relating to the six-months ended 30 June 2008. As previously disclosed to the market, an interim distribution for the half-year ended 31 December 2008 will not be paid to unitholders.

Note 8. Contributed equity

	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Units on issue		
Balance at the beginning of the period	386,856	274,502
Units issued during the period	-	115,585
	386,856	390,087
Transaction costs	-	(3,231)
Balance at the end of the period	386,856	386,856

Note 8. Contributed equity (continued)

	Consolidated 31 December 2008 (No. Units)	Consolidated 30 June 2008 (No. Units)
Number of units on issue		
Balance at the beginning of the period	405,558,571	283,891,000
Units issued during the period	-	121,667,571
Balance at the end of the period	405,558,571	405,558,571

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

Note 9. Statement of distribution

The distributable earnings are used as guidance for distribution determination and are a measure not prescribed by Australian Accounting Standards. It represents profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items.

	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000
Net Profit/(loss) attributable to unitholders of the Trust	(194,614)	8,268
Adjusted for:		
Loss on derivative financial instruments	137,740	26,392
Deferred tax	(10,570)	7,725
Amortisation of finance costs	1,206	753
Property revaluation loss/(gain) – net of minority interest share	81,380	(27,199)
Net foreign exchange loss/(gain) for the period	3,236	(756)
Gain/(loss) on foreign currency hedge contracts	(843)	1,261
Total	17,535	16,444
Distributions provided for or paid during the period	-	(16,222)
	17,535	222
Basic earnings per unit (cents)	(47.99)	2.12
Distributable earnings per unit (cents)	4.32	4.22
Distributions per unit (cents)	nil	4.00

Note 10. Segment information

The Trust is a listed property Trust which invests indirectly in a diverse portfolio of real estate assets in Japan and holds other assets and liabilities in Australia. Segment income, expenditure, assets and liabilities are attributed to geographic areas based on the location of the assets deriving the revenues and the nature of that revenue, based on the business segments. Segment accounting policies are consistent with those disclosed in the most recent annual report of the Trust.

Business segments

	Consolidated			
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
	Total Income	Total Income	Net Profit	Net Profit
Office	13,172	9,282	9,918	7,050
Residential	4,846	3,644	3,451	2,395
Retail/leisure	15,460	10,492	11,274	7,830
Mixed use	3,198	2,496	1,887	1,527
Hotel	894	612	793	544
Industrial	1,326	1,063	1,152	912
Corporate *	3,539	33,061	(223,089)	(11,990)
	42,435	60,650	(194,614)	8,268

* The 'Corporate' business segment includes amounts relating to non-property operations at the TK business level and operations of the Australian parent entity.

Note 11. Cash and cash equivalents

	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Trust operating accounts	1,460	1,936
JPY operating accounts	64,939	45,015
	66,399	46,951

The above JPY operating cash consists of restricted cash relating to trust bank and lender reserve amounts for tenant security deposits, capital expenditure and other property related items. The balance also includes cash required to settle trade creditors in January 2009 and the repayment of the loan maturing in January 2009 amounting to $16.7 million.

Note 12. Financial risk management

Derivative financial instruments that the Consolidated Entity uses to hedge risks such as interest rate and foreign currency movements include interest rate swaps, foreign currency forward exchange contracts and cross currency swap agreements. At 31 December 2008 the fair value loss position of the Consolidated Entity's cross currency swap and foreign currency forward exchange contracts was $125.3 million and the fair value loss position of the interest rate swap was $14.6m. The loss on the foreign currency contracts and cross currency swaps was a direct result of the appreciation of the JPY against the AUD during the period. This loss in derivative contract value is offset by an increase in the JPY denominated net assets of the Consolidated Entity.

Note 12. Financial risk management (continued)

The Trusts derivative contracts in relation to cross currency swaps and forward foreign currency exchange contain early termination and repayment provisions that can be exercised by either the Trust or the counterparty in August of each year until maturity.

The loss position on these foreign exchange derivative contracts as at 31 December 2008 was $125.3m. The Trust has not provided any security or collateral to the counterparty of the foreign exchange derivative contracts.

The foreign exchange derivative contracts require that the Trust's total interest bearing liabilities (including the mark to market value of the derivative contracts) to total assets should not exceed 70% for any period and should not exceed 65% for more than 90 days. These ratios are tested twice yearly based on the Trust's audited or reviewed financial statements at 30 June and 31 December balance dates. As at 31 December 2008 this ratio is 68.1% which exceeds the covenant requirement. Under the foreign exchange derivative contracts, the Trust has 90 days from the issuance of these financial statements to reduce total interest bearing liabilities (including mark to market of derivative contracts) to below the required threshold. The Responsible Entity and the counterparty have agreed, in principle, to a waiver of this test relating to the 31 December 2008 financial statements, subject to full compliance with all loan covenants.

Note 13. Commitments and contingent liabilities

Unless otherwise disclosed in the financial statements, there are no further material commitments or contingent liabilities.

Note 14. Events occurring after reporting date

As announced to the market, on 30 January 2009, the Trust repaid the outstanding balance of the loan facility which was scheduled to mature on that day amounting to ¥1.04 billion ($16.7 million) - the original facility was ¥1.49 billion. The financial effect of this transaction has not been brought to account at 31 December 2008.

As at 1 March 2009 the Trust has exceeded the 65% threshold under its foreign currency covenant test. The Responsible Entity and the counterparty have agreed, in principle, to a waiver of this test relating to the 31 December 2008 financial statements, subject to full compliance with all loan covenants. Refer to Note 12 for further details.

A notice was received from the lender on 24 February 2009 indicating that the loan to value ratio for both Loan A and Loan B exceeds the requirement as specified in the respective loan agreements, and that the lender intends to trap cash from 30 April 2009 to repay loan principal. Refer to Note 2(b) for further details.

GALILEO JAPAN TRUST

Directors' Declaration

Signed in accordance with a resolution of the directors.

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

   (a) the half-year financial statements and notes set out on pages 6 to 18 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year on that date; and

   (b) Whilst there is significant uncertainty as to whether the Trust can continue as a going concern as outlined in Note 2(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. The Directors of the Responsible Entity have been given the declarations by the chief executive officer and chief financial officer for the half-year ended 31 December 2008 required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Jack Ritch
Chairman

Dated at Sydney this 1 March 2009

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galileo Japan Trust (the Trust), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Galileo Japan Trust.

Directors' responsibility for the half-year financial report

The directors of the Galileo Japan Funds Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galileo Japan Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

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While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion we draw attention to the basis of preparation of the financial report set out in Note 2(b). The matters described in Note 2(b) indicate the existence of a significant uncertainty whether Galileo Japan Trust will continue as a going concern and, therefore, whether it will realise its assets and its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
1 March 2009