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)

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APPENDIX 4D
Half Year Report

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	1 July 2013 – 31 December 2013
Previous corresponding period:	1 July 2012 – 31 December 2012

Results for announcement to the Market

The previous corresponding period results have been adjusted to reflect a change in accounting policy for the Trust. Refer to Note 2(b) of the attached financial statements for further details relating to this change.

		($ '000)
Revenues from ordinary activities	% movement not applicable*	from nil to 31,273
Profit from ordinary activities attributable to unitholders of the Trust	% movement not applicable*	from (19,332) to 22,841
Net profit for the period attributable to unitholders of the Trust	% movement not applicable*	from (19,332) to 22,841

* the percentage movement cannot be calculated as the result for the previous corresponding period was a loss or nil

Distributions to unitholders	**Amount per unit (cents)**
Previous corresponding period: Interim distribution	Nil
Current period: Interim distribution	3.5
Record date to determine entitlement to interim distribution	31 December 2013

Note: Franked amount per unit is not applicable

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 2013	30 June 2013
Net tangible assets per unit	$2.15	$8.29

Details of controlled entities and associates

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

Accounting standards used by foreign entities

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

Financial report of the Trust for the half-year ended 31 December 2013

The financial report of the Trust for the half-year ended 31 December 2013 is attached to this announcement.

Other significant information

Refer to the Directors' report which is attached to this announcement along with the associated ASX results presentation and announcement.

Compliance statement

This Appendix 4D is based on the financial statements of the Trust for the half-year ended 31 December 2013 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 2013

Contents:

The Directors of Galileo Japan Funds Management Limited, the responsible entity (Responsible Entity) of Galileo Japan Trust submit herewith the financial report of Galileo Japan Trust (the 'Trust') for the half-year ended 31 December 2013.

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

Corporate Information

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

Directors

The following persons have held office as directors of the Responsible Entity during the half-year ended 31 December 2013 and up to the date of this report:

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

During the half-year ended 31 December 2013 there were 5 directors meetings held and all directors were present.

During the half-year ended 31 December 2013 there were 4 meetings held by the Committee of Independent Directors relating to the recapitalisation transaction and all members were present.

Principal Activity of the Trust

The principal activity of the Trust is to maximise the returns for unitholders via an indirect investment in a Japanese Tokumei Kumiai which owns a diverse portfolio of real estate assets in Japan ('TK Business').

Operating and Financial Review

Recapitalisation undertaken during the half-year ended 31 December 2013

As announced to the market in October 2013 the Trust successfully completed a recapitalisation that has resulted in a simplified capital structure of the Trust and the TK Business, a reduction in gearing, an extension of the maturity of the senior loan facility and allowed for the reinstatement of Trust distributions. The key components of the recapitalisation are outlined below.

i) Institutional book build
The Trust successfully completed an institutional book build which raised $147.5 million with 98,333,333 new units issued at $1.50 per unit. The new units were allotted on 10 October 2013.

ii) Issue of new Eurobonds
The TK Business issued new Eurobonds with a par value of ¥6.12 billion ($67.0 million) at an issue price of ¥6.0 billion ($65.7 million). The Eurobonds have a seven year term and a fixed interest rate of 8% per annum on the par value.

Operating and Financial Review (continued)

iii) Refinancing of the senior loan
The TK Business made a principal repayment of ¥6.45 billion ($70.6 million), including accrued interest thereon and the senior loan was refinanced on more favourable terms than those under the old facility, which include:
- extending the maturity date from March 2014 to October 2018;
- reducing the interest margin from 1.75% to 1.25%; and
- removing the principal amortisation requirement during the remaining term of the loan.

The above recapitalisation has simplified the capital structure of the Trust and the TK Business by:

i) refinancing and extending the maturity of the senior loan;
ii) repaying in full the mezzanine Eurobonds;
iii) repaying in full the convertible Eurobonds; and
iv) repaying in full the foreign currency loan at a discount to par of 68%.

Financial results
Key points relating to the financial result for the half-year ended 31 December 2013 are summarised below. The adoption of AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* has resulted in significant presentation and disclosure changes for the financial statements of the Trust. Refer to Note 2(b) of the financial statements for further details of the change in accounting policy and its impact.

- Fair value gain on financial assets held at fair value through profit or loss for the half-year of $5.2 million (31 December 2012: loss of $7.5 million);
- Net asset value of $2.15 per unit at 31 December 2013;
- The repayment in full of the foreign currency loan at a discount of 68% to its par value has resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the period;
- Unrealised foreign exchange loss for the period of $6.7 million as a result of the weaker average Japanese yen ($1.00 = ¥91.86) compared to 31 December 2012 ($1.00 = ¥82.93);
- The net current asset deficiency at balance date equal to $1.9 million is a result of the provision for distribution of $3.7 million which is to be paid to unitholders on 28 February 2014. As disclosed in Note 9 of the Financial Statements, other net assets of the TK Business include ¥986.1 million ($10.5 million) in cash and cash equivalents. A portion of this cash was distributed to the Trust after period end to enable the Trust to pay the interim distribution.

Operating performance
Through its indirect investment in the Japanese TK Business, the Trust holds a beneficial interest in 21 properties (31 December 2012: 23 properties). Net operating income of the investment properties is set out below:

	31 December 2013 $'000	31 December 2012 $'000
Office	6,157	7,451
Retail-leisure	7,296	9,519
Mixed Use	1,159	1,651
Residential	2,783	2,888
Industrial	851	937
Total net operating income	18,246	22,446

At 31 December 2013 the fair value of investment property equates to ¥57.56 billion ($612.7 million) which is up 0.3% (in Japanese yen terms) from 30 June 2013 (¥57.38 billion; $626.1 million) however, decreased in Australian dollar terms as a result of the weaker Japanese yen. The 31 December 2013 value has been determined using independent valuations for seven properties prepared by DTZ Debenham Tie Leung KK, with the remainder of the portfolio being the Directors' assessment of fair value.

Operating and Financial Review (continued)

Distributions

As announced to the market on 13 December 2013 the Trust intends to pay an interim distribution equivalent to 3.4 cents per unit on or about 28 February 2014. As announced to market on 31 January 2014 the amount of the estimated distribution was increased from 3.4 cents per unit to 3.5 cents per unit as a result of a favourable movement in the foreign exchange rate applicable when the Japanese yen for the period was translated into Australian dollars. 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, including the successful recapitalisation of the Trust, there were no significant changes in the state of affairs of the Trust that occurred during the half-year ended 31 December 2013 and up to the date of this report.

Events subsequent to balance date

The Directors are not aware of any matter or circumstance occurring since 31 December 2013 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.

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, 27 February 2014

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Auditor's Independence Declaration

As lead auditor for the review of Galileo Japan Trust for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

EA Barron
Partner
PricewaterhouseCoopers

Sydney
27 February 2014

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GALILEO JAPAN TRUST
Income Statement
For the half-year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012* $'000
Revenue and other income			
Fair value gain on financial assets held at fair value through profit or loss	**5**	5,201	-
Debt forgiveness – foreign currency loan facility	**6**	26,061	-
Interest and other income		11	-
Total revenue and other income		**31,273**	**-**
Expenses			
Fair value loss on financial assets held at fair value through profit or loss		-	(7,545)
Finance costs – foreign currency loan facility		(1,045)	(2,061)
Responsible entity fees and costs	**11**	(315)	(300)
Professional fees		(203)	(185)
Other expenses		(127)	(160)
Unrealised foreign exchange loss		(6,742)	(9,081)
Total expenses		**(8,432)**	**(19,332)**
Net profit/(loss) before tax for the half-year		**22,841**	**(19,332)**
Income tax expense		-	-
Net profit/(loss) after tax for the half-year		**22,841**	**(19,332)**
Basic and diluted earnings/(loss) per unit		$0.44	($2.38)

* refer to Note 3 for restatement as a result of a change in accounting policy

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

GALILEO JAPAN TRUST
Statement of Comprehensive Income
For the half-year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012* $'000
Net profit/(loss) after tax for the half-year		22,841	(19,332)
Other comprehensive income		-	-
Total comprehensive Income		**22,841**	**(19,332)**

* refer to Note 3 for restatement as a result of a change in accounting policy

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

GALILEO JAPAN TRUST
Balance Sheet
31 December 2013

	Note	31 December 2013 $'000	30 June 2013* $'000	1 July 2012* $'000
Assets				
Current Assets				
Cash and cash equivalents	**10**	1,151	510	483
Trade and other receivables		813	103	307
Total Current Assets		**1,964**	**613**	**790**
Non-Current Assets				
Financial asset held at fair value through profit or loss	**5**	230,953	109,605	130,083
Total Non-Current Assets		**230,953**	**109,605**	**130,083**
TOTAL ASSETS		**232,917**	**110,218**	**130,873**
Liabilities				
Current Liabilities				
Trade and other payables		187	525	2,559
Provision for distribution	**4**	3,726	-	-
Total Current Liabilities		**3,913**	**525**	**2,559**
Non-Current Liabilities				
Borrowings	**6**	-	39,101	40,072
Other		-	2,270	1,670
Total Non-Current Liabilities		**-**	**41,371**	**41,742**
TOTAL LIABILITIES		**3,913**	**41,896**	**44,301**
NET ASSETS		**229,004**	**68,322**	**86,572**
UNITHOLDERS' EQUITY				
Contributed equity	**7**	528,423	386,856	386,856
Accumulated losses		(299,419)	(318,534)	(300,284)
TOTAL EQUITY		**229,004**	**68,322**	**86,572**

* refer to Note 3 for restatement as a result of a change in accounting policy

The Balance Sheet should be read in conjunction with the accompanying notes.

GALILEO JAPAN TRUST
Statement of Changes in Equity
For the half-year ended 31 December 2013

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
Balance 1 July 2013*	**386,856**	**-**	**(318,534)**	**68,322**	**-**	**68,322**
Profit for the half-year	-	-	22,841	22,841	-	22,841
Transactions with unitholders in their capacity as unitholders:						
Issue of share capital	147,500	-	-	147,500	-	147,500
Costs incurred in relation to equity issued	(5,933)	-	-	(5,933)	-	(5,933)
Distribution paid or payable	-	-	(3,726)	(3,726)	-	(3,726)
Balance 31 December 2013	**528,423**	**-**	**(299,419)**	**229,004**	**-**	**229,004**
Balance 1 July 2012 (as reported)	**386,856**	**72,347**	**(372,631)**	**86,572**	**2,598**	**89,170**
Adjustment due to change in accounting policy*	-	(72,347)	72,347	-	(2,598)	(2,598)
Restated total equity at the beginning of the period	**386,856**	**-**	**(300,284)**	**86,572**	**-**	**86,572**
Loss for the half-year	-	-	(19,332)	(19,332)	-	(19,332)
Transactions with Unitholders in their capacity as unitholders:						
Issue of share capital	-	-	-	-	-	-
Distribution paid or payable	-	-	-	-	-	-
Balance 31 December 2012 (restated)	**386,856**	**-**	**(319,616)**	**67,240**	**-**	**67,240**

* refer to Note 3 for restatement as a result of a change in accounting policy

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

GALILEO JAPAN TRUST
Statement of Cash Flows
For the half-year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012* $'000
Cash flows from operating activities			
Interest received		11	-
Operating costs paid		(3,261)	(748)
GST received/(paid)		(563)	42
Net cash outflow from operating activities		(3,813)	(706)
Cash flows from investing activities			
Investment in financial assets held at fair value through profit or loss		(123,359)	-
Distributions received		343	691
Net cash inflow/(outflow) from investing activities		(123,016)	691
Cash flows from financing activities			
Proceeds from the issue of units		147,500	-
Costs incurred in relation to issue of units		(5,933)	-
Repayment of borrowings		(14,086)	-
Net cash inflow from financing activities		127,481	-
Net increase/(decrease) in cash and cash equivalents		652	(15)
Effect of foreign exchange movements on cash		(11)	(1)
Cash and cash equivalents at the beginning of the period		**510**	**483**
Cash and cash equivalents at the end of the period	**10**	**1,151**	**467**

* refer to Note 3 for restatement as a result of a change in accounting policy

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

Note 1. General information

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

The Trust's aim is to maximise the returns for unitholders via an indirect investment in a Japanese Tokumei Kumiai which owns a diverse portfolio of real estate assets in Japan ('TK Business').

Note 2. Summary of significant accounting policies

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

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2013 has been prepared in accordance with the requirements of the Trust Constitution, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by the Trust during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial report was approved by the Board of Directors on 27 February 2014.

(b) Application of new and revised accounting standards

Changes in accounting policy or disclosure

AASB 10 *Consolidated Financial Statements* and AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*

The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether, for Australian accounting purposes, an investor controls an investee. The Responsible Entity has determined that, while judgemental given the structure of the investment in the TK Business (refer to Note 5), the Trust continues to control the TK Business as defined in Australian Accounting Standards.

The amendments made by AASB 2013-5 introduce an exemption from consolidation requirements for investment entities. This accounting standard is effective for annual reporting periods beginning on or after 1 January 2014 but can be adopted early. The Responsible Entity has elected to early adopt this accounting standard. It defines an investment entity and sets out the accounting treatment and measurement requirements of investments in other entities. The Responsible Entity has determined that the Trust meets the definition of an investment entity for the purpose of the application of this accounting standard and it has therefore changed its accounting policy with respect to its investments. The investees, which were previously consolidated, are now accounted for at fair value through profit or loss. The early adoption of this accounting standard has resulted in significant presentation and disclosure changes for the financial statements of the Trust, the impact of which is shown in Note 3 of the financial statements.

Note 2. Summary of significant accounting policies (continued)

AASB 13 Fair Value measurement
This accounting standard establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Additional disclosure for financial assets and liabilities is required for the first time in this half-year financial report.

Consequential amendments were also made to other accounting standards via AASB 2011-8 which has resulted in additional disclosures regarding the fair value of financial instruments.

The adoption of other amendments and changes in accounting standards that were effective in this reporting period did not result in any material changes to the financial report.

(c) Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the accounting policies referred to in Note 2(b) above.

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 financial statements are presented in Australian dollars, being the Trust's functional and presentation currency.

Translation of foreign currency transactions
Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transactions. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at rates of exchange current at that date. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The foreign exchange rate at the balance date was A$1=¥93.95 (30 June 2013: A$1=¥91.64) while the average foreign exchange rate for the half-year ended 31 December 2013 was A$1=¥91.86 (31 December 2012: A$1=¥82.93). Foreign exchange differences arising on translation are recorded in the Income Statement.

Comparatives

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

Note 2. Summary of significant accounting policies (continued)

(d) Critical accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets and liabilities reported at the end of the period and the amounts of revenues and expenses recognised during the reporting period. Although the estimates are based on management's best knowledge, actual results may ultimately differ from these. Where any such judgements are made they are indicated within the relevant accounting policies and related note in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the fair value of assets and liabilities within the financial statements of the Trust are described in Note 2(b) and Note 5.

(e) Rounding of amounts

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

Note 3. Changes in accounting policy

As disclosed in Note 2(b) the Trust has early adopted AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*. This accounting standard defines an investment entity and sets out the accounting treatment and measurement requirements of investments in other entities. As a consequence of adopting this accounting standard, the accounting treatment of the Trust's investment in the TK Business is recorded at fair value as a single line item in the balance sheet with changes in value being recorded through the income statement.

Restated comparative information is provided in the table below to show the effect of early adopting this accounting standard.

Restated Comparative Income Statement

	31 December 2012 (as reported) $'000	Increase/ (decrease) $'000	31 December 2012 (restated) $'000
Revenue and other income			
Rental income	33,183	(33,183)	-
Gain on financial instruments	413	(413)	-
Interest and other income	6	(6)	-
Total revenue and other income	**33,602**	**(33,602)**	**-**
Expenses			
Fair value loss on financial assets held at fair value through profit or loss	-	(7,545)	(7,545)
Property expenses	(10,737)	10,737	-
Finance costs – foreign currency loan	(2,061)	-	(2,061)
Finance costs – other borrowings	(14,962)	14,962	-
Loss on investment property revaluations	(12,615)	12,615	-
Unrealised foreign exchange loss	-	(9,081)	(9,081)
Other expenses	(3,499)	2,854	(645)
Total expenses	**(43,874)**	**24,542**	**(19,332)**
Loss before tax for the half-year	**(10,272)**	**(9,060)**	**(19,332)**
Income tax expense	-	-	-
Loss after income tax expense for the half-year	**(10,272)**	**(9,060)**	**(19,332)**
Other comprehensive income:			
Foreign exchange translation adjustments	(9,081)	9,081	-
Total comprehensive loss for the half-year	**(19,353)**	**21**	**(19,332)**
Net loss attributable to:			
- Unitholders of the Trust	(10,251)	(9,081)	(19,332)
- Non-controlling interest	(21)	21	-
	(10,272)	**(9,060)**	**(19,332)**
Total comprehensive loss attributable to:			
- Unitholders of the Trust	(19,332)	19,332	-
- Non-controlling interest	(21)	21	-
	(19,353)	**19,353**	**-**

Note 3. Changes in accounting policy (continued)

As a result of the above changes, basic and diluted earnings per share have also been restated.

	31 December 2012 (as reported)	31 December 2012 (restated)
Basic and diluted loss (per unit)	($1.26)	($2.38)
Loss used in the calculation of Loss per unit ($'000)	($10,251)	($19,332)

Restated balance sheet – 30 June 2012

	30 June 2012 (as reported) $'000	Increase/ (decrease) $'000	30 June 2012 (restated) $'000
Assets			
Current Assets			
Cash and cash equivalents	43,416	(42,933)	483
Trade and other receivables	4,771	(4,464)	307
Total Current Assets	**48,187**	**(47,397)**	**790**
Non-Current Assets			
Investment Property	743,504	(743,504)	-
Financial asset held at fair value through profit or loss	-	130,083	130,083
Total Non-Current Assets	**743,504**	**(613,421)**	**130,083**
TOTAL ASSETS	**791,691**	**(660,818)**	**130,873**
Liabilities			
Current Liabilities			
Trade and other payables	17,410	(14,851)	2,559
Borrowings	13,821	(13,821)	-
Tenant security deposits	10,490	(10,490)	-
Derivatives	423	(423)	-
Total Current Liabilities	**42,144**	**(39,585)**	**2,559**
Non-Current Liabilities			
Borrowings	626,752	(586,680)	40,072
Tenant security deposits	31,955	(31,955)	-
Other	1,670	-	1,670
Total Non- Current Liabilities	**660,377**	**(618,635)**	**41,742**
TOTAL LIABILITIES	**702,521**	**(658,220)**	**44,301**
NET ASSETS	**89,170**	**(2,598)**	**86,572**
Unitholders Equity			
Contributed equity	386,856	-	386,856
Reserves	72,347	(72,347)	-
Accumulated losses	(372,631)	72,347	(300,284)
Total parent entity interest	**86,572**	**-**	**86,572**
Non-Controlling interest	2,598	(2,598)	-
Total Equity	**89,170**	**(2,598)**	**86,572**

Note 3. Changes in accounting policy (continued)

Restated balance sheet – 30 June 2013

	30 June 2013 (as reported) $'000	Increase/ (decrease) $'000	30 June 2013 (restated) $'000
Assets			
Current Assets			
Cash and cash equivalents	36,394	(35,884)	510
Trade and other receivables	6,385	(6,282)	103
Total Current Assets	**42,779**	**(42,166)**	**613**
Non-Current Assets			
Investment Property	626,146	(626,146)	-
Financial asset held at fair value through profit or loss	-	109,605	109,605
Total Non-Current Assets	**626,146**	**(516,541)**	**109,605**
TOTAL ASSETS	**668,925**	**(558,707)**	**110,218**
Liabilities			
Current Liabilities			
Trade and other payables	11,461	(10,936)	525
Borrowings	399,082	(399,082)	-
Tenant security deposits	5,276	(5,276)	-
Derivatives	-	-	-
Total Current Liabilities	**415,819**	**(415,294)**	**525**
Non-Current Liabilities			
Borrowings	148,961	(109,860)	39,101
Tenant security deposits	30,847	(30,847)	-
Other	2,270	-	2,270
Total Non-Current Liabilities	**182,078**	**(140,707)**	**41,371**
TOTAL LIABILITIES	**597,897**	**(556,001)**	**41,896**
NET ASSETS	**71,028**	**(2,706)**	**68,322**
Unitholders Equity			
Contributed equity	386,856	-	386,856
Reserves	60,449	(60,449)	-
Accumulated losses	(378,983)	60,449	(318,534)
Total parent entity interest	**68,322**	**-**	**68,322**
Non-Controlling interest	2,706	(2,706)	-
Total Equity	**71,028**	**(2,706)**	**68,322**

Note 3. Changes in accounting policy (continued)

Restated statement of cash flow

	31 December 2012 (as reported) $'000	Increase/ (decrease) $'000	31 December 2012 (restated) $'000
Cash flows from operating activities			
Rental and other property income received	33,202	(33,202)	-
Property and other expenses paid	(10,910)	10,910	-
Interest and other income received	6	(6)	-
Borrowing costs and interest paid	(5,135)	5,135	-
Other operating costs paid to suppliers	(6,394)	5,646	(748)
Tenant security deposits	(202)	202	-
Consumption tax/GST received/(paid)	(918)	960	42
Net cash inflow from operating activities	9,649	(10,355)	(706)
Cash flows from investing activities			
Additions to investment properties	(744)	744	-
Deposits received for sales	483	(483)	-
Distributions received	-	691	691
Net cash outflow from investing activities	(261)	952	691
Cash flows from financing activities			
Repayment of borrowings	(6,792)	6,792	-
Net cash outflow from financing activities	(6,792)	6,792	-
Net increase/(decrease) in cash and cash equivalents	2,596	(2,611)	(15)
Effect of foreign exchange movements on cash	(4,400)	4,399	(1)
Cash and cash equivalents at the beginning of the period	**43,416**	**(42,933)**	**483**
Cash and cash equivalents at the end of the period	**41,612**	**(41,145)**	**467**

Note 4. Provision for Distribution

As announced on 31 January 2014 the Trust intends to pay an interim distribution equivalent to 3.5 cents per unit on or about 28 February 2014. The provision for distribution for the half-year ended 31 December 2013 is $3,725,563 (31 December 2012: nil).

Note 5. Financial Instruments

The Trust's interest in the portfolio of real estate assets in Japan is via a Tokumei Kumiai (TK) investment structure. Under Japanese commercial law, a TK is not a legal entity but a contractual relationship or a series of contractual relationships between one or more TK investors and the TK operator. In a TK arrangement, the TK investor makes TK investments into the business of an operator as defined by the TK agreement governing the arrangement. The TK operator exclusively conducts the business in its own name and under its sole control in accordance with the TK agreement. The TK investor (in this case the Trust) has no rights to make any business decisions with respect to the TK business and has no voting rights in relation to the TK operator. Under the TK agreement, the TK investor is entitled to a proportional share of the profits and losses of the TK business which, in the case of the Trust, is 97%.

As described in Note 2(b), the Responsible Entity has early adopted AASB 2013-5 Investment Entities and accordingly, the Trust's investment in the TK Business is recognised as a financial asset held at fair value through profit or loss.

Determination of fair value

Fair value hierarchy
Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

- **Level 1** – valued by reference to quoted prices in active markets for identical assets or liabilities;
- **Level 2** – valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- **Level 3** – valued using valuation techniques or models that are based on unobservable inputs.

The fair value of the financial instrument held at balance date is derived using valuation techniques or models that are based on unobservable inputs and are therefore classified as Level 3 on the fair value hierarchy. The Trust holds no Level 1 or Level 2 financial assets or liabilities.

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

	31 December 2013 $'000	30 June 2013 $'000
Financial asset held at fair value through profit or loss:		
Unlisted investments (Level 3)	230,953	109,605

Fair value techniques using unobservable inputs
The fair value of the Investment in the TK Business at balance date is determined by reference to the assets and liabilities of the underlying investment at balance date. The key components of the assets and liabilities of the TK Business include property investments and borrowings.

At each reporting date the fair value of the property portfolio is assessed by the Directors. Fair value is determined based on either an independent market valuation or an assessment by the Directors. Independent valuations of the investment properties are obtained at least every three years or whenever the Responsible Entity believes there may have been a significant change in fair value within the period or to confirm current market valuation benchmarks, such as capitalisation rates and market rents. Where a property has not been independently revalued during the reporting period the Directors make an assessment of fair value.

Note 5. Financial Instruments (continued)

The primary driver of fair value is property investments where fair value is determined by the capitalisation of income method and the discounted cashflow method. These methods require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, rental void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date. The key unobservable input includes the capitalisation rate.

The TK Business has two borrowing facilities. The fair value of the facilities is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates.

The fair value of the unlisted investment is determined in Japanese yen and translated at the relevant period end foreign exchange rate.

The following table shows a reconciliation of the opening balance to the closing balance for unlisted investments in Level 3 of the fair value hierarchy:

	31 December 2013 $'000	30 June 2013 $'000
Unlisted investment - balance at the beginning of the period	109,605	130,083
Fair value gain/(loss) recognised in income statement*	5,201	(2,522)
Investments in TK Business	123,359	-
Distributions from TK Business	(343)	(1,394)
Foreign exchange movements	(6,869)	(16,562)
Unlisted investment - balance at the end of the period	**230,953**	**109,605**

* the fair value gain/(loss) recognised in the income statement includes an unrealised loss of $1.3 million (30 June 2013: unrealised loss $10.2 million).

The table below summarises the impact of an increase/decrease in the significant unobservable input (portfolio weighted average capitalisation rate of 6.02%) on the Trust's profit for the period:

Description	Change in unobservable input	31 December 2013 $'000
Fair value of unlisted investments (Level 3)		**230,953**
	Increase of 0.3% in capitalisation rate	(28,737)
	Decrease of 0.3% in capitalisation rate	31,762

Note 6. Borrowings

	31 December 2013 $'000	30 June 2013 $'000
Foreign currency loan facility	-	39,101

As announced to the market in October 2013 the Trust successfully completed a recapitalisation which included the repayment of the foreign currency loan facility. The foreign currency loan was deemed to be repaid in full following a principal payment of ¥1.27 billion ($13.9 million) as part of the October 2013 recapitalisation. The principal payment of ¥1.27 billion equated to a 68% discount to the par value of the loan at the time the payment was made. This has resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the half-year ended 31 December 2013.

Note 7. Contributed equity

	31 December 2013 $'000	30 June 2013 $'000
Contributed equity at the beginning of the period	386,856	386,856
Equity issued during the period	147,500	-
	534,356	386,856
Costs incurred in relation to the equity issued during the period	(5,933)	-
Contributed equity at the end of the period	528,423	386,856

	31 December 2013 (Units)	30 June 2013 (Units)
Number of units on issue at the beginning of the period	8,111,332	8,111,332
Number of units issued during the period	98,333,333	-
Number of units on issue at the end of the period	106,444,665	8,111,332

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

Note 8. Earnings per unit

	31 December 2013	31 December 2012
Basic and diluted earnings/(loss) (per unit)	$0.44	($2.38)
Profit/(loss) used in the calculation of Loss per unit ($'000)	$22,841	($19,332)

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 loss per unit (EPU) is 52,468,216 (2012: 8,111,332).

Note 9. Segment information

The Trust has an indirect investment in the TK Business in Japan which owns a diverse portfolio of real estate assets in Japan, has borrowings related to the portfolio of real estate assets and other assets and liabilities. When assessing the underlying performance of the Trust, management analyse the underlying components of the Trust's investment in the TK Business which is summarised below.

Note 9. Segment information (continued)

The figures in this segment note represent 100% of the operating results and net assets of the TK Business. The contractual arrangement between the Trust and the TK Business entitles the Trust to 97% of the profits and losses of the business of the TK and 98.5% of the TK net assets.

	31 December 2013 $'000	30 June 2013 $'000
Property investments	612,666	626,146
Borrowings	(381,747)	(508,941)
Other net assets/(liabilities)*	3,425	(4,894)
TK Business net assets	**234,344**	**112,311**
Non-controlling interest share of net assets	(3,391)	(2,706)
Investment in TK Business	**230,953**	**109,605**
Australian assets	**1,964**	**613**
Total assets	**232,917**	**110,218**

* Other net assets of the TK Business at 31 December 2013 include ¥986.1 million ($10.5 million) in cash and cash equivalents. A portion of this cash was distributed to the Trust after period end to enable the Trust to pay the interim distribution discussed in Note 4.

Property investments
The following property investment sectors have been recognised as reporting segments which are regularly reviewed by management when assessing the Trust's investment in the TK Business.

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.

	Retail-Leisure $ '000	Office $ '000	Residential $ '000	Mixed Use $ '000	Industrial $ '000	Total $ '000
Half-year – 31 December 2013						
Investment property revenue	12,603	8,631	3,964	2,173	986	28,357
Investment property expenses	(5,307)	(2,474)	(1,181)	(1,014)	(135)	(10,111)
Net operating income	**7,296**	**6,157**	**2,783**	**1,159**	**851**	**18,246**
Half-year – 31 December 2012						
Investment property revenue	14,586	10,338	4,235	2,931	1,093	33,183
Investment property expenses	(5,067)	(2,887)	(1,347)	(1,280)	(156)	(10,737)
Net operating income	**9,519**	**7,451**	**2,888**	**1,651**	**937**	**22,446**
Property Investments						
31 December 2013	235,764	238,850	80,149	33,528	24,375	**612,666**
30 June 2013	241,707	243,889	81,187	34,374	24,989	**626,146**

Note 9. Segment information (continued)

The executive team uses net operating income as a 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 profit/(loss) before income tax for the period as specified below. The reconciling items relate to income and expenses in connection with the corporate segment of the business and not a specific industry segment as per the items noted above.

	31 December 2013 $'000	31 December 2012 $'000
Segment result	**18,246**	**22,446**
Other profit or loss items in the TK Business and non-controlling interest share of TK Business profit or loss	(13,045)	(29,991)
Fair value gain/(loss) on financial assets held at fair value through profit or loss	**5,201**	**(7,545)**
Interest and other income	11	-
Debt forgiveness	26,061	-
Finance costs	(1,045)	(2,061)
Other operating expenses	(645)	(645)
Unrealised foreign exchange loss	(6,742)	(9,081)
Net profit/(loss) before income tax for the half-year	**22,841**	**(19,332)**

Borrowings
The borrowings of the TK Business are summarised below.

	Maturity date	31 December 2013 $'000	30 June 2013 $'000
Current			
Senior bank loan (i)		-	399,082
		-	**399,082**
Non-Current			
Senior bank loan (i)	October 2018	319,319	-
Eurobonds	October 2020	63,904	-
Mezzanine Eurobonds (ii)		-	88,224
Convertible Eurobonds (iii)		-	22,256
Less: unamortised borrowing costs		(1,476)	(621)
		381,747	**109,859**
Total TK Business borrowings		**381,747**	**508,941**

As announced to the market in October 2013 the Trust successfully completed a recapitalisation which provided capital to the TK Business which allowed the TK Business to issue new Eurobonds, refinance the senior bank loan and the repay certain borrowings. Details are included below.

Note 9. Segment information (continued)

(i) Senior bank loan

This loan facility is denominated in Japanese yen and was refinanced in October 2013 after making a principal repayment of ¥6.45 billion, including accrued interest thereon.

Prior to being refinanced in October 2013 the loan facility had a maturity date of 31 March 2014, an interest rate margin of 1.75% above 3-month Japanese LIBOR, mandatory principal repayments equivalent to 3.0% per annum on the outstanding principal balance and a debt service coverage ratio (DSCR) covenant of 1.5x (as defined).

The loan balance at 31 December 2013 is ¥30.0 billion (June 2013: ¥36.6 billion), is secured by a mortgage over 21 investment properties and contains cross default provisions with the Eurobonds. The maturity date has been extended to 11 October 2018 and has an interest rate margin of 1.25% over 3-month Japanese LIBOR. There is a DSCR covenant test of 1.7x (as defined) and there is no loan to value (LTV) covenant test. There are no undrawn amounts for this facility.

As part of the October 2013 refinance, a five year interest rate swap was entered into equating to 80% of the principal balance outstanding to swap floating interest rate payments to fixed interest rate payments. The notional value of the interest rate swap is ¥24.0 billion and the fixed rate payable under the swap agreement is 0.4%. Through the use of this interest rate swap the effective interest rate per annum on this loan for the period from 11 October 2013 to 31 December 2013 was 1.6%.

(ii) Eurobonds

As part of the October 2013 recapitalisation new Eurobonds with a par value of ¥6.12 billion and an issue price of ¥6.0 billion were issued by the TK Business on the following terms:

- Fixed 8% interest coupon per annum on the par value for the term of the Eurobonds;
- 7 year term;
- No LTV or DSCR covenant;
- Mandatory prepayment upon the sale of an asset at release price without penalty; and
- Voluntary prepayment lock out in years 1 to 3. Voluntary prepayments between years 3 and 4 can be made at 104% of the principal amount being repaid. No penalty for voluntary prepayments after year 4.

(iii) Mezzanine Eurobonds

The outstanding balance of the mezzanine Eurobonds were repaid in full by the TK Business as part of the October 2013 recapitalisation.

(iv) Convertible Eurobonds

The outstanding balance of the convertible Eurobonds were repaid in full by the TK Business as part of the October 2013 recapitalisation.

Note 10. Cash and cash equivalents

	31 December 2013 $'000	30 June 2013 $'000
Trust operating accounts	1,151	510
	1,151	**510**

Note 11. Related party disclosures

Responsible Entity Fees

	31 December 2013 $'000	31 December 2012 $'000
Responsible entity fee	148	-
Cost recovery charge	167	300
Total amount paid/payable to the Responsible Entity	**315**	**300**

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

From September 2009 and up until the October 2013 refinance, the Responsible Entity agreed to waive its share (0.1% per annum) of the base fee and put in place an operating cost recovery arrangement. The Trust was liable to reimburse the Responsible Entity for operating costs of up to $50,000 per month relating to costs for the ongoing management of the Trust. The payment of these costs was deferred until all outstanding obligations to the Mezzanine and Convertible Eurobond holders and the foreign currency facility lender were repaid.

As discussed in Note 6, the mezzanine and convertible Eurobond noteholders and the lender under the foreign currency loan facility were repaid as part of the Trust recapitalisation that occurred in October 2013. Subsequently, the accumulated outstanding cost recovery charge at the date of the October 2013 recapitalisation of $2.4 million was paid by the Trust to the Responsible Entity.

Directors interest in the Trust

The number of units held, either directly or indirectly, by the directors of the Responsible Entity at balance date is outlined below. There are no options to buy units in the Trust held by any of the Directors of the Responsible Entity.

	Units held December 2013	Units held June 2013
Jack Ritch	9,540	2,829
Philip Redmond	10,000	5,300
Frank Zipfinger	11,000	4,400
Neil Werrett*	3,848,364	515,031
Peter Murphy	16,803	16,803

* These units are owned by Galileo Japan Funds Management Limited and Galileo Investments Japan Pty Ltd. As part of the October 2013 recapitalisation, 3,333,333 units were acquired by Galileo Japan Funds Management Limited at the placement issue price of $1.50 per unit.

Note 11. Related party disclosures (continued)

Related Party Transactions

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

	31 December 2013 $'000	30 June 2013 $'000
Foreign currency loan	-	19,551
Disposition fee – Galileo Japan K.K.	-	556
Asset management fee – Galileo Japan K.K.	1,009	2,107

Foreign currency loan
The foreign currency loan was repaid in full following a principal payment of ¥1.27 billion ($14.1 million) as part of the October 2013 recapitalisation. The principal payment of ¥1.27 billion equated to a 68% discount to the par value of the loan at the time the payment was made, which resulted in debt forgiveness of $26.1 million being recognised in the Income Statement for the half-year ended 31 December 2013.

The lender was Galileo Finance Pty Limited, which is 50% owned by an entity controlled by Mr Neil Werrett who is the Chief Executive Officer and Executive Director of the Responsible Entity.

Other transactions
Galileo Japan K.K. is entitled to a disposition fee equivalent to 1% of the sale price of properties sold. The fee payable at 30 June 2013 relating to unpaid disposition fees for assets sold by the TK Business was paid during the half-year ended 31 December 2013.

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.

Note 12. Commitments and contingent liabilities

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

Note 13. Events subsequent to balance date

The Directors are not aware of any matter or circumstance occurring since 31 December 2013 not otherwise dealt with in the financial report that has significantly or may significantly alter the operations of the Trust, the results of its operations or the state of affairs of the Trust in subsequent financial periods.

GALILEO JAPAN TRUST

Directors' Declaration

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

   (a) the financial statements and notes set out on pages 7 to 26 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 Trust's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the Directors.

Jack Ritch
Chairman

Dated at Sydney this 27 February 2014

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 2013, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galileo Japan Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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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 2013 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
27 February 2014