

APPENDIX 4E Preliminary Final Report

Entity:	Galileo Japan Trust (ARSN 122 465 990)
Current period:	10 November 2006 – 30 June 2007
Previous corresponding period:	N/A (Galileo Japan Trust was registered on 10 November 2006)

Results for announcement to the Market

The Trust was registered with the Australian and Securities Commission on 10 November 2006. The information presented in this Appendix 4E represents the financial performance of Galileo Japan Trust (the 'Trust') for the period from 10 November 2006 to 30 June 2007 and its financial position as at that date.

	Period ended 30 June 2007 (\$ '000)
Revenues from ordinary activities	49,994
Profit from ordinary activities attributable to unitholders of the Trust	33,171
Net profit for the period attributable to unitholders of the Trust	33,171

Distributions to unitholders	\$ (cents per unit)
Final distribution for period ended 30 June 2007 *	3.95
Record date to determine entitlement to distribution	29 June 2007

* nil % franked

Details of the tax deferred component of this distribution will be included in the distribution statement provided for the 30 June 2007 financial year.

Distribution reinvestment plan (DRP)

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



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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Explanation and discussion of the above results

Refer to the associated ASX results presentation and related announcement.

Net Tangible Assets

	30 June 2007 \$
Net tangible asset backing per unit	\$0.93

Statement of retained earnings showing movements

Refer to Note 15 'Undistributed income' in the attached financial statements.

Details of controlled entities and associates

Refer to Note 8 'Investment in subsidiary' in the attached financial statements for the details on controlled entities and Note 2(b) 'Principals of consolidation' for information regarding the Trust's interests in the Tokumei Kumiai.

Accounting standards used by foreign entities

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

Financial report of the Trust for the period ended 30 June 2007

The financial report of the Trust for the period ended 30 June 2007 is attached to this announcement.

Other significant information

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

Compliance statement

This Appendix 4E is based on the audited financial statements of the Trust for the period ended 30 June 2007.

GALILEO JAPAN TRUST

ARSN 122 465 990

FINANCIAL REPORT

FOR THE PERIOD 10 NOVEMBER 2006 to 30 JUNE 2007

GALILEO JAPAN TRUST
Financial Report
For the period ended 30 June 2007

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GALILEO JAPAN TRUST

Financial Report

For the period ended 30 June 2007

Directors' Report to Unitholders

The directors of Galileo Japan Funds Management Limited, the responsible entity (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 period from 10 November 2006 to 30 June 2007. 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 Trust raised \$283.9 million through the issue of 283,891,000 units, and used the funds to acquire a 98.5% indirect interest in a diversified portfolio of real estate assets in Japan.

Directors

The following persons have held office as directors of the Responsible Entity during the period and up to the date of this report:

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

During the period there were 6 directors meetings held and all directors were present at these meetings.

Details of directors

Jack Ritch, Non-Executive Chairman

Jack was appointed non-executive Chairman of AMP Capital Investors Limited in April 2004. Prior to that, Jack was Managing Director and Chairman of the company from 1999 to April 2004. From 1987 to 1999, Jack held the position of Director, Property, during which time he was responsible for managing AMP's \$9 billion property portfolio. Prior to 1987, he held a variety of other positions within the AMP Group which he joined in 1958. Jack is a director of Australia Pacific Airports Corporation Limited (owner of Melbourne and Launceston airports) and Principal Healthcare Finance No. 3 Pty Limited (Trading as Principal Aged Care) and Principal Healthcare (Operations) Pty Limited. His other activities include Chairman of the Powerhouse Foundation, and Chairman of the Advisory Council for Real Estate Research at the University of NSW.

Philip Redmond, Non-Executive Director

Philip has over 20 years experience in the real estate industry in Australia, including 12 years at UBS where he held the position of Managing Director – Head of Real Estate Australasia. Philip has played a leading role in the development of the listed property trust sector within Australia and has a comprehensive understanding of financial markets. Philip is also a non-executive director of ING Management Limited, the responsible entity for ING Management Limited's Australian listed property trusts.

Frank Zipfinger, Non-Executive Director

Frank has over 25 years experience in the property industry. He is a Partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialises in property investment and development (however, he is acting in his personal capacity and not as a partner of Mallesons Stephen Jaques in holding office as a director of the Responsible Entity). He has been the Chairman of Mallesons Stephen Jaques since 1 February 2005. Prior to this appointment, Frank completed over five years in various roles as a Managing Partner with the firm. Frank is a Member of the Australian Institute of Company Directors and also a member of the AICD's Law Committee. He is a member of the Executive Committee of the St Joseph's College Indigenous Fund.

GALILEO JAPAN TRUST

Financial Report

For the period ended 30 June 2007

Directors' Report to Unitholders (continued)

Details of directors (continued)

Neil Werrett, Managing Director and Chief Executive Officer

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

Peter Murphy, Executive Director and Chief Operating Officer

Peter has over 20 years experience in the property industry in numerous capacities including valuations, as well as asset and funds management. Over the past 10 years, he has been directly involved in the management of various listed property entities. Peter was the CEO of Ronin Property Group which listed in 1996 as AMP Office Trust and had funds under management of approximately \$2 billion throughout Australia and New Zealand prior to a merger with Multiplex Group in November 2004. During his employment with Multiplex, Peter was the Group Manager, Marketing and Communications and more recently Divisional Director, Institutional Funds responsible for in excess of \$3 billion in funds under management.

Details of Company Secretary

Elizabeth Jumikis, General Counsel

Elizabeth Jumikis is legal counsel and company secretary for Galileo Japan Funds Management Limited. Elizabeth has had a long association with Japan and speaks Japanese. Specialising in property transactions she has over 15 years experience working both for law firms and as in house counsel. Elizabeth is currently completing the Graduate Diploma in Applied Corporate Governance conducted by Chartered Secretaries Australia.

Directors' relevant Interests in the Trust

As at 30 June 2007, the interests of the directors, held directly or indirectly, in the Trust were:

	<u>Units Held</u>
Jack Ritch	50,000
Philip Redmond	50,000
Frank Zipfinger	50,000
Neil Werrett*	4,000,000
Peter Murphy	75,000

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

There were no options given to directors.

GALILEO JAPAN TRUST

Financial Report

For the period ended 30 June 2007

Directors' Report to Unitholders (continued)

Principal Activity of the Trust

The principal activity of the Trust is to 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

On 15 December 2006 the Trust successfully completed an initial public offering of 283,891,000 units at an issue price of \$1.00 each. No further units were issued in the period. The funds were used to invest indirectly in real estate assets located in Japan. The Trust was listed on the Australian Securities Exchange (ASX) on 18 December 2006 and currently trades under the ASX code GJT. The consolidated financial statements are those of the consolidated entity, comprising the Trust and its controlled entity Galileo Japan Trust II (the 'Consolidated Entity').

Results

The consolidated net profit attributable to unitholders of the Trust for the period ended 30 June 2007 was \$33.171 million.

Distributions

There were no distributions paid during the period. A distribution equal to 3.95 cents per unit will be paid on or about 31 August 2007 relating to the period ended 30 June 2007.

The Trust's Distribution Reinvestment Plan (DRP) is not currently in operation.

Consolidated Assets

As at 30 June 2007 the Consolidated Entity had total assets of \$643.983 million.

The Consolidated Entity had net assets at 30 June 2007 of \$268.787 million.

The value of the Consolidated Entity's assets is derived using the basis set out in Note 2 of the financial statements.

Fees Paid by the Trust to the Responsible Entity

Fees paid or are payable to the Responsible Entity for services provided during the period are determined in accordance with the Trust Constitution as disclosed in Note 3 of the financial statements. The base Responsible Entity fee has been waived for the period ended 30 June 2007 and will continue to be waived until the cash distribution yield on equity to investors reaches 8.0% on the Initial Public Offering Application Price of \$1.00 per Unit.

Events Occurring after Reporting Date

On 3 July 2007 the Consolidated Entity acquired three retail investments located in Osaka, Fukuoka and Shiga for approximately \$227 million. The acquisition was completed on 20 July 2007 and was funded through a combination of units issued through a non-renounceable entitlement offer and public offer, borrowings and tenant security deposits. A total of 121,667,571 new units were issued at an issue price of \$0.95 cents per unit.

On 27 July 2007 the Consolidated Entity completed the acquisition of the Asakusa Hotel located in Tokyo. The acquisition was funded using working capital and borrowings. This property formed part of the original portfolio and was disclosed in the Initial Public Offering Product Disclosure Statement as a conditional deferred acquisition.

Future Developments

The Consolidated Entity's investment strategy is to invest in a diverse portfolio of Japanese real estate assets to ensure overall investment objectives are met. Any other information on future developments and results other than already disclosed in this report would be unreasonably prejudicial to the interest of the Consolidated Entity.

GALILEO JAPAN TRUST

Financial Report

For the period ended 30 June 2007

Directors' Report to Unitholders (continued)

Significant changes in the state of affairs

In the opinion of the Directors of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the period ended 30 June 2007.

Indemnification and insurance of directors, officers and auditors

The Responsible Entity has insured the directors and officers against liabilities incurred in their role as directors and officers of the Responsible Entity. The directors and officers are indemnified out of the assets of the Trust as long as they act in accordance with the Trust Constitution and the Corporations Act 2001. The auditor of the Trust is in no way indemnified out of the assets of the Trust, nor has the Trust indemnified or agreed to indemnify an auditor of the Trust against a liability incurred as an auditor.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Responsible Entity support the principles of corporate governance. The Responsible Entity's corporate governance statement is contained in the Corporate Governance section of their Annual Report.

Environmental regulation

To the best of the Directors' knowledge the operations of the Consolidated Entity have been undertaken in compliance with the applicable environmental regulations in each jurisdiction in which the Consolidated Entity operates.

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 7. Details of non-audit services provided by the Trust's auditor are set out in Note 4.

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.

Australian Securities and Investments Commission (ASIC) relief

On 7 March 2007, ASIC granted relief to Galileo Japan Funds Management Limited (in its capacity as responsible entity for the Trust) under subsection 340(1) of the Corporations Act 2001 from the requirement to prepare and have audited and lodge with ASIC a half-year financial, directors' and auditor's report for the first relevant half-year.

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



Jack Ritch
Chairman
Sydney, 30 August 2007

PricewaterhouseCoopers
ABN 52 780 433 757

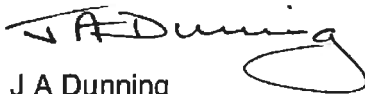
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Auditor's Independence Declaration

As lead auditor for the audit of Galileo Japan Trust for the period ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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



J A Dunning
Partner
PricewaterhouseCoopers

Sydney
30 August 2007

GALILEO JAPAN TRUST**Income Statements**

For the period ended 30 June 2007

		Consolidated 2007	Trust 2007
	Note	\$'000	\$'000
Income			
Rental income		18,834	-
Other property income		1,933	-
Net gain on financial instruments		26,293	26,293
Distribution income		-	8,965
Interest income		2,934	2,918
Total income		49,994	38,176
Expenses			
Property expenses		(5,764)	-
Finance costs		(4,062)	-
ASX and other fees		(398)	(217)
Other expenses	5	(1,739)	(205)
Total expenses		(11,963)	(422)
Net profit before tax		38,031	37,754
Income tax	6	(4,572)	-
Net profit after tax for the period		33,459	37,754
Net profit attributable to minority interest	16	(288)	-
Net profit attributable to unitholders of the Trust		33,171	37,754
Basic and diluted earnings per unit (cents)	18	11.68	

The Income Statements should be read in conjunction with the notes to the financial statements as set out on pages 12 to 32.

GALILEO JAPAN TRUST
Balance Sheets
As at 30 June 2007

		Consolidated 2007	Trust 2007
	Note	\$'000	\$'000
Assets			
Current Assets			
Cash and cash equivalents	26	28,736	1,987
Trade and other receivables	7	29,043	12,948
Derivative financial instruments	21	26,293	26,293
Total Current Assets		84,072	41,228
Non-Current Assets			
Investment property	9	557,507	-
Investment in subsidiary	8	-	275,591
Derivative financial instruments	21	2,404	-
Total Non-Current Assets		559,911	275,591
TOTAL ASSETS		643,983	316,819
Liabilities			
Current Liabilities			
Trade and other payables	10	16,502	4,563
Provision for distribution	11	11,214	11,214
Total Current Liabilities		27,716	15,777
Non-Current Liabilities			
Interest bearing liabilities	12	324,026	-
Tenant security deposits		19,732	-
Deferred tax liability	6	3,722	-
Total Non-Current Liabilities		347,480	-
TOTAL LIABILITIES		375,196	15,777
NET ASSETS		268,787	301,042
UNITHOLDERS' EQUITY			
Parent entity interest			
Contributed equity	13	274,502	274,502
Reserves	14	(31,881)	-
Undistributed income	15	21,957	26,540
Total parent entity interest		264,578	301,042
Minority interest	16	4,209	-
TOTAL EQUITY		268,787	301,042

The Balance Sheets should be read in conjunction with the notes to the financial statements as set out on pages 12 to 32.

GALILEO JAPAN TRUST
Statements of Changes in Equity
For the period ended 30 June 2007

		Consolidated	Trust
		2007	2007
	Note	\$'000	\$'000
Total equity at the beginning of the period		-	-
<i>Net income recognised in equity:</i>			
Net exchange differences on translation of foreign operations	14	(34,285)	-
Fair value movement on hedge instrument	14	2,404	-
Total net income recognised in equity		(31,881)	-
Net profit after tax for the period		33,459	37,754
Total recognised income and expense for the period		1,578	37,754
<i>Total recognised income and expense for the period attributable to:</i>			
Unitholders		1,290	37,754
Minority interest		288	-
		1,578	37,754
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Proceeds from units issued	13	283,891	283,891
Transaction costs	13	(9,389)	(9,389)
Profit attributable to unitholders		1,290	37,754
Distributions paid and payable	11	(11,214)	(11,214)
Total transactions with unitholders		264,578	301,042
<i>Transactions with minority interest:</i>			
Proceeds from units issued	16	3,921	-
Profit attributable to minority interest	16	288	-
Total transactions with minority interest		4,209	-
Total equity at the end of the period		268,787	301,042
<u>Attributable to:</u>			
Unitholders of the Trust		264,578	301,042
Minority interest		4,209	-
		268,787	301,042

The Statements of Changes in Equity should be read in conjunction with the notes to the financial statements as set out on pages 12 to 32.

GALILEO JAPAN TRUST**Cash Flow Statements**

For the period ended 30 June 2007

		Consolidated	Trust
		2007	2007
	Note	\$'000	\$'000
Cash flows from operating activities			
Rental and other property income		19,012	-
Rent received in advance		2,576	-
Property and other expenses		(1,906)	-
Interest received		418	402
Borrowing costs		(2,286)	-
Asset management fees		(136)	-
Other operating costs		(546)	(56)
Tenant security deposits received		21,351	-
Consumption tax		(8,556)	-
Net cash inflows from operating activities	25	29,927	346
Cash flows from investing activities			
Investment in subsidiary		-	(274,073)
Investment properties		(598,928)	-
Deposits for investment property acquisitions		(12,514)	-
Net cash outflows from investing activities		(611,442)	(274,073)
Cash flows from financing activities			
Amount advanced to Galileo Japan KK		(2,589)	-
Proceeds from borrowings		355,182	-
Finance costs		(5,113)	-
Proceeds from units issued		283,891	283,891
Transaction costs		(8,177)	(8,177)
Net cash inflows from financing activities		623,194	275,714
Net increase in cash assets held		41,679	1,987
Effect of foreign exchange movements on cash		(12,943)	-
Cash assets at the beginning of the period		-	-
Cash assets at the end of the period	26	28,736	1,987

The Cash Flow Statements should be read in conjunction with the notes to the financial statements as set out on pages 12 to 32.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

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 Trust's registered address is Level 9, 1 Alfred Street, Sydney NSW.

The financial statements were authorised for issue by the directors on 30 August 2007. The Responsible Entity has the power to amend and reissue this financial report.

Note 2. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the period ended 30 June 2007 are set out below. These policies have been consistently applied to the period presented unless otherwise stated. The Trust was established on 10 November 2006 and therefore no comparative information has been provided. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets and liabilities reported at the end of the financial period and the amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge, actual results may ultimately differ from these. Where any such judgements are made they are indicated within the accounting policies. Note 2(c) and Note 2(e) are the main policies where estimations of fair value are described and Note 2(p) describes the assumptions in relation to deferred tax liabilities.

(a) Basis of preparation

The financial report, which is a general purpose financial report, has been prepared in accordance with the requirements of the Trust Constitution, Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and 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) Principles of consolidation

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

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

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 2. Summary of significant accounting policies (continued)

The 3% of TK profit payable to the TK Operator is shown as minority interest in the income statement.

The consolidated financial statements of the Trust incorporate the results of the interests in the TK from the date the TK agreements were signed.

(c) Investment property

Investment properties are initially recorded at cost, being the acquisition price plus the costs of acquisition. All property acquisition costs are capitalised into the value of the investment properties at the time of purchase to reflect the total acquisition costs in the balance sheet. Additions and other expenditure on investment properties which are capital in nature are capitalised to the investment property as incurred. At balance date the investment properties are carried at fair value. At each reporting date the book value of the property portfolio is assessed by the directors and where the book value differs materially from the assessed fair value, an adjustment is made to the book value of the property portfolio. Fair value is determined based on either an independent market valuation or an assessment by the directors.

Independent valuations of the investment properties are obtained whenever the Responsible Entity believes there is a significant change in fair value within the year and at a minimum at least every three years. Where a property has not been independently revalued during the reporting period the directors make an assessment of fair value.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where both parties have acted knowingly and without compulsion. Fair value of the investment properties is determined after taking into account the discounted cash flow of the property, the highest and best use of the property and sales of similar investment properties. The directors' assessment of fair value will primarily consider the contractual rentals, expected future market rentals, letting-up periods, capital expenditure requirements and appropriate discount rates. These fair value estimations are regularly assessed against available market information and actual transactions undertaken by the Trust.

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

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Consolidated Entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, being the Trust's functional and presentation currency.

Translation of foreign currency transactions

Foreign currency transactions are initially translated into AUD at the rate of exchange at the date of the transactions or at the hedge rates where applicable. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to AUD at rates of exchange current at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign operations

The beneficial interest in the assets and liabilities of foreign controlled entities are translated into AUD at rates of exchange current at balance date, while their income and expenditures are translated at the average of rates ruling during the financial year. Foreign exchange differences arising on translation are recorded in the foreign currency translation reserve.

Note 2. Summary of significant accounting policies (continued)

(e) Derivative and other financial instruments

The Consolidated Entity's activities expose it to changes in interest rates and foreign exchange rates. There are policies and limits in respect of the use of derivative and other financial instruments to manage its risk associated with cash flows subject to interest and currency risks (refer note 21). The Consolidated Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including forward exchange contracts.

Derivatives are originally recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

There is a comprehensive risk management program implemented by the Trust to manage exchange risk. Derivatives are not entered into for speculative purposes and the risk management policies are approved and monitored by the Board of Directors.

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

The foreign exchange hedging arrangements entered into by the Trust are not be deemed to be effective hedges for accounting purposes and gains or losses are recognised in the income statement.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into cash and are subject to an insignificant risk of change in value.

(g) Trade and other receivables

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

(h) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for the goods and services provided, whether or not billed to the consolidated group. Payables to related parties are carried at the principal amount.

(i) Interest bearing liabilities

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

Note 2. Summary of significant accounting policies (continued)

(j) Contributed equity

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

(k) Impairment of assets

The directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(l) Provisions

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

A provision for distribution is recognised as a liability when it is declared, determined or made publicly available on or before the reporting date. Provisions are measured at the present value and managements best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(m) Revenue

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

Interest revenue is recognised on an accruals basis using the effective interest rate method. Distribution revenue is recognised when there is a right to receive the distribution payment.

(n) Expenditure

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

(o) Finance costs

Finance costs incurred in establishing borrowing facilities are capitalised and amortised over the term of the facility. Finance costs incurred in drawing funds under a loan are transaction costs which are offset against the proceeds of the loan and other interest expenses are expensed as incurred. Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of the asset, until such time that the asset is ready for its intended use.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 2. Summary of significant accounting policies (continued)

(p) Taxation

i) Australian income tax

Under current Australian income tax legislation, the Trust is not liable to income tax provided unitholders are presently entitled to all of the Trust's taxable income at 30 June each year and any taxable gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Tax allowances for building, plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

ii) Japanese withholding tax

Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to 20% withholding tax on the distribution of profits under TK arrangements. The 20% withholding tax is the final Japanese tax on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have permanent establishment in Japan).

The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20% withholding tax described above however, is only imposed on an actual distribution of profit to investors.

iii) Deferred Japanese tax

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

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

(q) Goods and services tax and consumption tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) or Japanese consumption tax (consumption tax), except where the amount of GST or consumption tax incurred is not recoverable from the Australian Tax Office (ATO) or Japanese tax authority ("tax authorities"). In these latter circumstances the GST or consumption tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST or consumption tax included. The net amount of GST or consumption tax recoverable from, or payable to, the tax authorities is included as a current asset or liability in the Balance Sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST or consumption tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authorities are classified as operating cash flows.

(r) Earnings per unit

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

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 2. Summary of significant accounting policies (continued)

(s) Tenant deposits

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

(t) Segment reporting

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

(u) Distributions

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

(v) Comparative figures

The Trust was registered with Australian Securities and Investments Commission on 10 November 2006 and was listed on the Australian Securities Exchange on 18 December 2006, accordingly, the financial statements represent the first reporting period for the Trust and no comparative figures are shown.

(w) Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and 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.

(x) New accounting standards

The following Australian Accounting Standards which have recently been issued or amended but are not yet effective have not been adopted for the period ended 30 June 2007. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038].

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Consolidated Entity has not adopted these standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's and the parent entity's financial instruments.

AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Consolidate Entity has not recognised an impairment loss in relation to investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the financial report. Application of the interpretation will therefore have no impact on the Consolidated Entity's or the parent entity's financial statements.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

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. The Responsible Entity currently charges a fee of 0.1%. However, the Responsible Entity may choose to charge up to 0.4%, if there is a change in operating circumstances. If this occurs, the Responsible Entity will notify Unitholders. The base Responsible Entity fee is calculated and paid half yearly to the Responsible Entity out of the assets of the Trust. This fee will be waived until the annualised cash distribution yield on equity to investors reaches 8.0% on the IPO Application Price of \$1.00 per unit.

The base Responsible Entity fee paid or payable to the Responsible Entity, or its controlled entity, for the period ended 30 June 2007 is \$nil.

(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 Trust was not entitled to a performance fee for the period ended 30 June 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 period ended 30 June 2007 was \$5.9 million and has been capitalised as an acquisition cost.

Note 4. Auditor's remuneration

	Consolidated 2007 \$	Trust 2007 \$
<i>Amounts received or receivable by the Trust's auditors for</i>		
- Audit of the financial report of the Trust	96,000	96,000
- Audit services – Japan	182,000	-
- Tax services – Australia	12,455	12,455
- Tax services – Japan	117,381	-
- Non audit services – Australia *	700,500	700,500
- Non audit services – Japan *	350,000	-
	1,458,336	808,955

* These fees were paid for capital related services in respect of the initial public offering.

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

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 5. Other expenses

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Travel and related expenditure	50	50
Legal and other professional fees	29	29
TK operating costs	1,531	-
Information technology expenses	50	50
General and administration expenses	79	76
	1,739	205

Note 6. Income tax

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Income tax expense:		
Deferred tax	3,722	-
Withholding tax	850	-
	4,572	-
Reconciliation of tax expense:		
Net profit before tax for the period	38,031	37,754
Tax at the Australian rate of 30%	11,409	11,326
Tax effect of amounts that are not assessable	(11,409)	(11,326)
Japanese withholding tax on distributions from controlled entity	850	-
Deferred Japanese tax on investment properties	3,722	-
Total income tax expense	4,572	-

Note 7. Trade and other receivables

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Trade receivables	6,981	11,478
Consumption tax/GST	7,907	1,335
Prepayments	69	-
Deposits for investment property acquisitions	11,565	-
Other receivables	2,521	135
	29,043	12,948

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 8. Investment in subsidiary

	Trust 2007 \$'000
Investment in subsidiary at the beginning of the period	-
Additions during the period *	275,591
Investment in subsidiary at the end of the period	275,591

* The cost of investment in subsidiary includes \$14.7 million in acquisition costs associated with that investment.

	Class of Units	Date of Control	Country of Incorporation	% Ownership
<i>Subsidiaries</i>				
Galileo Japan Trust II	Ordinary	10 November 2006	Australia	100%
<i>TK Investment</i>				
Central Master Godo Kaisha	Contribution	15 December 2006	Japan	98.5%

Galileo Japan Trust II is the party to the TK Agreement with Central Master Godo Kaisha* discussed in Note 2(b) above.

* Central Master Godo Kaisha holds a 99.9% investment in the business of two separate TK operators, Central Sub Godo Kaisha and Central Sub 2 Godo Kaisha, under two separate TK Agreements.

Note 9. 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 2007 \$'000
Investment property at fair value	557,507
Fair value at the beginning of the period	-
Additions to investment property including acquisition costs	557,507
Fair value at the end of the period	557,507

See Note 2(c) for information on the valuation basis adopted by the Consolidated Entity. As at 30 June 2007 the fair value has been determined by the Directors of the Responsible Entity.

See Note 12 for information on assets pledged as security.

See Note 20 for information on leasing arrangements.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 10. Trade and other payables

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Trade payables and accrued expenses	13,049	4,563
Withholding tax payable	785	-
Rent received in advance	2,381	-
Other payables	287	-
	16,502	4,563

Note 11. Provision for distribution

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Balance at beginning of the period	-	-
Provision for distribution	11,214	11,214
Balance at the end of the period	11,214	11,214

The balance at the end of the period represents the proposed distribution of the Trust for the period ended 30 June 2007. This amount will be distributed on or about 31 August 2007.

Distribution (per unit) for period ended 30 June 2007	3.95 cents
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The record date for the distribution of 3.95 cents was 29 June 2007.

Note 12. Interest bearing liabilities

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Secured bank loan – Loan A	297,929	-
Secured bank loan – Loan B	30,317	-
Less: unamortised borrowing costs	(4,220)	-
Total interest bearing liabilities	324,026	-

The bank loans are secured by a pledge over the investment properties.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 12. Interest bearing liabilities (continued)

Bank loans are from Shinsei Bank denominated in Yen and are interest only loans with principal repayable on maturity. The maturity date of Loan A is 15 December 2011. Loan B is repayable on 15 December 2009. After interest rate swaps 81% of the loans are fixed at a rate of 1.93%, with the remaining portion floating at a rate of 1.27% at period end.

At 30 June 2007 the following financing facilities were available:

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Secured bank loans	336,346	-
Facilities used at 30 June 2007	(328,246)	-
Unused facilities at 30 June 2007	<u>8,100</u>	-

Note 13. Contributed equity

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Units on issue		
Balance at the beginning of the period	-	-
Units issued during the period	<u>283,891</u>	<u>283,891</u>
	283,891	283,891
Transaction costs	(9,389)	(9,389)
Balance at the end of the period	<u>274,502</u>	<u>274,502</u>

	Consolidated	Trust
	2007	2007
	(Units)	(Units)
Number of units on issue		
Balance at the beginning of the period	-	-
Units issued during the period	<u>283,891,000</u>	<u>283,891,000</u>
Balance at the end of the period	<u>283,891,000</u>	<u>283,891,000</u>

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.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 14. Reserves

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Foreign currency translation reserve		
Balance at the beginning of the period	-	-
Foreign exchange translation movement for the period	(34,285)	-
Balance at the end of the period	(34,285)	-
Hedging reserve – cash flow hedge		
Balance at the beginning of the period	-	-
Interest rate swap	2,404	-
Balance at the end of the period	2,404	-
Total reserves	(31,881)	-

Nature and purpose of foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

Nature and purpose of hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument for a cash flow hedge that is recognised directly in equity. Amounts are recognised in the income statement when the associated hedge transaction affects profit and loss.

Note 15. Undistributed income

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Balance at beginning of the period	-	-
Net profit attributable to unitholders of the Trust	33,171	37,754
Distributions paid and payable	(11,214)	(11,214)
Balance at the end of the period	21,957	26,540

Note 16. Minority interest

	Consolidated
	2007
	\$'000
Balance at beginning of the period	-
Value of units issued	3,921
Net profit attributable to minority interest	288
Balance at the end of the period	4,209

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 17. Net tangible assets

	Consolidated 2007 \$'000
Total tangible assets	643,983
Total liabilities	(375,196)
Net tangible assets attributable to minority interest	(4,209)
Net tangible assets attributable to the unitholders of the Trust	264,578
Total number of units on issue	283,891,000
Net tangible asset backing per unit	\$0.93

Note 18. Earnings per unit

	Consolidated 2007 \$
Basic and diluted earnings (cents per unit)	11.68
Earnings used in the calculation of earnings per unit (\$'000)	33,171

The weighted average number of units used in determining basic and diluted earnings per unit (EPU) is 283,891,000. There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU.

Note 19. Statement of distribution

	Consolidated 2007 \$'000	Trust 2007 \$'000
Net Profit attributable to unitholders of the Trust		
Adjusted for:	33,171	37,754
Net gain on financial instruments	(26,293)	(26,293)
Deferred tax	3,722	-
Amortisation of finance costs	638	-
Gain on foreign currency contracts (mature in August 2007) relating to the 30 June 2007 period	727	727
Total	11,965	12,188
Distributions provided for or paid during the period	(11,214)	(11,214)
	751	974
Basic earnings per unit (cents)	11.68	
Distributable earnings per unit (cents)*	4.21	
Distributions per unit (cents)	3.95	

*Adjusted to exclude the unrealised gains on financial derivatives, deferred tax charge and amortisation of finance costs. Note 19 is a non-statutory disclosure.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 20. Rental income under operating leases

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

The Consolidated Entity receives rental income under operating leases. Future minimum rents are scheduled to be received under non-cancellable tenant leases at 30 June 2007 as follows:

	Consolidated 2007 \$'000
Within one year	3,977
Later than 1 year but not later than 5 years	15,906
Later than 5 years	37,817
	<u>57,700</u>

Note 21. Financial instruments

The Consolidated Entity's activities expose it to a variety of financial risks: credit risk, currency risk, and cash flow interest rate risk. The consolidated Entity's risk management framework seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

The Consolidated Entity's forward foreign currency exchange contracts and cross currency swaps are measured at fair value and gains and losses are reflected in the income statement as they arise. Interest rate swaps are measured at fair value the portion of changes in the fair value that are designated and qualify as cash flow hedges is recognised in the equity hedging reserve, while any gain or loss relating to the ineffective portion is recognised in the income statement. The fair value of the Consolidated Entity's forward foreign currency contracts, cross currency swaps and interest rate swaps are as follows:

	Consolidated 2007 \$'000	Trust 2007 \$'000
Current		
Forward foreign currency contracts	16,291	16,291
Cross currency swaps	10,002	10,002
	<u>26,293</u>	<u>26,293</u>
Non-Current		
Interest rate swaps	<u>2,404</u>	<u>-</u>

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 21. Financial instruments (continued)

(i) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Consolidated Entity's maximum exposure to credit risk at 30 June 2007 in relation to each class of recognised financial instruments is the carrying amount of those instruments in the balance sheet. The Consolidated Entity has a credit policy for all tenants and rents are payable monthly in advance. In the event of default by an occupational tenant, the Consolidated Entity will suffer a rental shortfall and could incur additional related costs. Management reviews external reports on the credit quality of the Consolidated Entity's tenants and monitors rental arrears on a monthly basis. The Consolidated Entity has no significant concentration of credit risk as the exposure is spread over a large number of tenants. With respect to credit risk arising from other financial assets of the Consolidated Entity, which comprise cash and cash equivalents, the Consolidated Entity's exposure to credit arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The credit risk on cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions.

(ii) Currency risk

The Consolidated Entity is exposed to foreign currency risk on revenue, expenses and borrowings that are denominated in Japanese Yen as well foreign currency risk on its equity capital.

The Consolidated Entity has entered into forward foreign currency exchange contracts to buy Australian dollars as below. The contracts mature in six monthly intervals at the time the distributions are forecast to be paid.

Maturity Date	Amount (\$)	Weighted Average Rate (JPY yen per \$)
Aug 2007	8,089,377	88.0680
Feb 2008	8,905,324	85.7319
Aug 2008	8,905,324	83.5380
Feb 2009	9,189,165	81.5125
Aug 2009	9,189,165	79.5862
Feb 2010	9,473,005	77.7801
Aug 2010	9,473,005	76.0487
Feb 2011	9,757,195	74.4162
Aug 2011	9,757,195	72.8582
Feb 2012	10,049,911	71.4358
Aug 2012	9,044,920	70.0453
Feb 2013	9,316,268	68.7835
Aug 2013	9,316,268	67.5280
Feb 2014	7,463,365	66.3453
Aug 2014	7,463,365	65.2165
Feb 2015	7,687,266	64.1433
Aug 2015	7,687,266	63.0078
Feb 2016	5,655,632	61.9961
Aug 2016	5,655,632	61.0118

The above arrangements are economic hedges and do not qualify for hedge accounting. The movement in fair value of these contracts has been taken to the income statement.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 21. Financial instruments (continued)

Cross currency swaps

The Consolidated Entity has entered into cross currency swaps to hedge a portion of its Australian dollar equity invested into Japanese Yen. The details of the cross currency swaps are as follows.

Maturity Date	Amount (\$)	Amount (JPY)	AUD Interest rate	JPY Interest rate
Dec 2010	28,200,000	2,578,044,000	6.287%	1.275%
Dec 2011	37,600,000	3,437,392,000	6.250%	1.395%
Dec 2012	28,200,000	2,578,044,000	6.205%	1.500%

These capital hedging arrangements are economic hedges and do not qualify for hedge accounting. The movement in fair value has been taken to the income statement.

(ii) Interest rate risk

The Consolidated Entity is exposed to changes in interest rates. Accordingly, the Consolidated Entity has entered into fixed rate funding to mitigate exposure to increases in interest rates. The Consolidated Entity's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2007 are:

	Weighted Average Interest Rate	Consolidated			Total \$'000
		< 1 Year \$'000	1 – 5 Years \$'000	Non-interest Bearing \$'000	
Financial assets:					
Cash – AUD	4.50%	1,987	-	-	1,987
Cash – Japan	0.28%	26,749	-	-	26,749
Trade and other receivables		-	-	29,043	29,043
Interest rate swap		-	-	2,404	2,404
Cross currency swap		-	-	10,002	10,002
Forward foreign currency contracts		-	-	16,291	16,291
Total		28,736		57,740	86,476
Financial liabilities:					
Borrowings	See Note 12	-	324,026	-	324,026
Trade and other Payables		-	-	16,502	16,502
Total		-	324,026	16,502	340,528

The Consolidated Entity manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps the Consolidated Entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts calculated by reference to agreed notional principal amounts. The Trust has put in place an interest rate swap with a notional value of ¥27.1 billion (A\$258.7m at 30 June 2007) that expires on 15 December 2011. The effect of the interest rate swap means that the Trust pays interest on the notional amount at a fixed rate of 1.93% and receives interest at the floating rate for the corresponding period that is based on the Japan three month LIBOR rate. The changes in the fair value of these derivatives are designated and qualify as cash flow hedges are recognised in the equity hedging reserve.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 21. Financial instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter in realising assets or otherwise raising funds to meet its financial commitments. Investments in property are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price, even if sales should occur shortly after the valuation date. Investments in property are relatively illiquid, however, the Consolidated Entity has tried to mitigate the associated risk by investing in desirable properties in prime locations.

(v) Fair value of financial assets and liabilities

Fair values

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

Valuation approach

The fair value of financial assets and financial liabilities and are determined by the Consolidated Entity on the following bases:

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

Forward exchange contracts are either marked to market using listed prices or by discounting the contractual forward price and deducting the current spot rate. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at balance date.

Note 22. 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 the Consolidated Entity's accounting policies described in Note 2.

Geographical segments

	Consolidated			
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
	Total income	Profit	Total Assets	Total Liabilities
Japan	20,783	4,382	597,020	358,634
Australia	29,211	28,789	46,963	16,562
	49,994	33,171	643,983	375,196

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 22. Segment information (continued)

Business segments

	Consolidated			
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
	Total Income	Profit	Total Assets	Total Liabilities
Office	10,079	2,210	310,135	217,278
Residential	4,194	892	114,724	18,832
Retail/leisure	2,416	495	75,186	68,194
Mixed use	2,892	482	63,598	49,468
Industrial	1,202	303	33,377	4,862
Corporate	29,211	28,789	46,963	16,562
	49,994	33,171	643,983	375,196

Note 23. Related party disclosures

Responsible Entity

As the Responsible Entity, Galileo Japan Funds Management Limited receives fees which have been disclosed in Note 3. As discussed in Note 3, no such fees were paid or payable for the period ended 30 June 2007.

The above fees and transactions were all based on market rates and on normal arms length terms and conditions.

Directors of the Responsible Entity

The names of the directors of the Responsible Entity during the period are as follows along with the number of units held, either directly or indirectly. These units were acquired upon commencement of the Trust and there has been no other movement in the units held during the period.

	<u>Units Held</u>	<u>Distribution Due</u>
Jack Ritch	50,000	\$1,975
Philip Redmond	50,000	\$1,975
Frank Zipfinger	50,000	\$1,975
Neil Werrett*	4,000,000	\$158,000
Peter Murphy	75,000	\$2,963

* These units are owned by Galileo Japan Funds Management Limited (the Responsible Entity)

There are no options to buy units in the Trust held by any of the Directors of the Responsible Entity.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 23. Related party disclosures (continued)

Related Party Transactions

The items below represent amounts paid or payable to related parties for the period to 30 June 2007.

Amounts paid and payable to related parties	Consolidated 2007 \$'000	Parent 2007 \$'000
Asset management fee – Galileo Japan K.K.	1,034	-
Debt establishment fee – Galileo Japan K.K. *	1,826	-
Due diligence fee – Galileo Japan K.K. *	2,864	-
Asset sponsor fee – Galileo Management Services Trust *	5,902	5,902
Loan to Galileo Japan K.K.**	2,388	-

* These amounts represent transaction costs were incurred in relation to the initial public offering and have been capitalised in the financial statements.

**The loan to Galileo Japan K.K. is included in other receivables and attracts interest at a rate of 1.4% per annum and is repayable on demand. On 2 July 2007 \$1.91 million of the outstanding balance was repaid.

Galileo Japan K.K. provides asset management services, due diligence services and other financial and operating support services to the TK Operator. Galileo Management Services Trust provides investment management services, due diligence services and other financial and operating support services to the Responsible Entity.

The amounts below represent outstanding balances with related parties at 30 June 2007.

Amounts Outstanding at Reporting Date	Consolidated 2007 \$'000	Parent 2007 \$'000
Asset management fee – Galileo Japan K.K.	1,034	1,034
Debt establishment fee – Galileo Japan K.K.	1,826	-
Due diligence fee – Galileo Japan K.K.	2,864	-
Asset sponsor fee – Galileo Management Services Trust	519	519
Loan to Galileo Japan K.K.	2,388	-

Note 24. Key management personnel

(i) Details of Key Management Personnel

The Trust does not employ personnel in its own right. However the Responsible Entity is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and are listed as follows:

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

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 24. Key management personnel (continued)

(ii) Remuneration of Key Management Personnel

As disclosed in Note 3, the Responsible Entity is entitled to receive fees in its capacity as the Responsible Entity of the Trust, however for the period ended 30 June 2007 these fees have been waived.

No compensation is paid by the Trust to directors or directly to any of the key management personnel of the Responsible Entity.

There were no loans granted to directors during the period.

Note 25. Reconciliation of cash flows from operating activities

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Reconciliation of net profit to net cash flow from operating activities		
Net profit after tax attributable to unitholders of the Trust	33,459	37,754
<i>Adjustment for non cash items</i>		
Net gain on financial instruments	(26,229)	(26,293)
Amortisation of finance costs	638	-
Net cash provided by operating activities before changes in assets and liabilities		
<i>Changes in assets and liabilities during the financial period</i>		
Increase in trade and other receivables	(14,545)	(11,484)
Increase in trade and other payables	36,604	369
Net cash flows from operating activities	29,927	346

Note 26. Cash and cash equivalents

	Consolidated	Trust
	2007	2007
	\$'000	\$'000
Trust operating accounts	1,987	1,987
JPY operating account	26,749	-
	28,736	1,987

Note 27. Events occurring after reporting date

On 3 July 2007 the Consolidated Entity acquired three retail investments located in Osaka, Fukuoka and Shiga for approximately \$227 million. The acquisition was completed on 20 July 2007 and was funded through a combination of units issued through a non-renounceable entitlement offer and public offer, borrowings and tenant security deposits. A total of 121,667,571 new units were issued at an issue price of \$0.95 cents per unit.

GALILEO JAPAN TRUST
Notes to the Financial Statements
For the period ended 30 June 2007

Note 27. Events occurring after reporting date (continued)

On 27 July 2007 the Consolidated Entity completed the acquisition of the Asakusa Hotel located in Tokyo. The acquisition was funded using working capital and borrowings. This property formed part of the original portfolio and was disclosed in the Initial Public Offering Product Disclosure Statement as a conditional deferred acquisition.

The financial effect of the above transactions has not been brought to account at 30 June 2007.

Note 28. Commitments and contingent liabilities

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

Note 29. Trust details

The principal place of business:
Galileo Japan Funds Management Limited (as Responsible Entity of the Trust)
Level 9, 1 Alfred Street
SYDNEY NSW

Tel: + 612 9240 0333

Fax: + 612 9240 0300

Note 30. Economic dependency

The Trust is not significantly dependent on any specific entity for its revenue or financial requirements.

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 8 to 32 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and Consolidated Entity's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year on that date; and
 - (b) there are reasonable grounds to believe that the company 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 period ended 30 June 2007 required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Jack Ritch
Chairman

Dated at Sydney this 30 August 2007

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

Report on the financial report

We have audited the accompanying financial report of Galileo Japan Trust (the Trust), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the Trust and the Galileo Japan Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

For further explanation of an audit, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

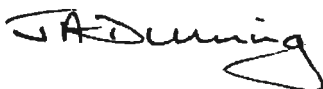
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Galileo Japan Trust is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.


PricewaterhouseCoopers



J A Dunning
Partner

Sydney
30 August 2007