

Appendix 4D

Half year report for the period ended 30 June 2018

Name of entity	RNY Property Trust
ARSN	115 585 709
Reporting period	Six month period ended 30 June 2018
Previous corresponding period	Six month period ended 30 June 2017

Results for announcement to market

Financial Performance

	A \$'000
Revenue from ordinary activities	Up 99.8% to (41)
Profit/(loss) from ordinary activities after tax attributable to unitholders	Up 98.4% to (393)
Net profit/(loss) for the period attributable to unitholders	Up 98.4% to (393)

Distribution

Current Period	Amount per unit	Tax Deferred
Interim Distribution	Nil	N/A
Previous Corresponding Period:		
Interim Distribution	Nil	N/A

Record date for determining entitlement to the distribution for the period ended 30 June 2018	N/A
Date the June 2018 distribution is payable	N/A
Tax advantage component of the June 2018 distribution	N/A
The taxable component of the June 2018 distribution comprises:	
Australian sourced income	N/A
Foreign sourced income	N/A
Foreign tax credit per unit	N/A

The attached half year financial information should be read in conjunction with the annual Financial Report of RNY Property Trust for the year ended 31 December 2017.

RNY Property Trust
ARSN 115 585 709

Financial Report
For the Half Year Ended 30 June 2018

RNY PROPERTY TRUST

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The directors of Huntley Management Limited ("Huntley"), the Responsible Entity ("RE") of RNY Property Trust ("RNY" or the "Trust"), present their report together with the financial report of the Trust and its controlled entity, together known as the "Group", for the half year ended 30 June 2018.

Directors

The names of the persons who served on the Board of Directors of the Responsible Entities at any time during or since the end of the financial period are:

For Huntley Management Limited (appointed RE on 2 July 2018)

John Knox
Stephen Law
Brian Silvia
Peter Krejci

For RNY Australia Management Limited (replaced as RE on 2 July 2018)

Scott Rechler
Michael Maturo
Jason Barnett
Philip Meagher
Mervyn Peacock

Huntley is incorporated in Australia and has its principal place of business at Level 3, 37 Bligh Street, Sydney, NSW 2000. The previous RE, RNY Australia Management Ltd ("RAML") was incorporated in Australia with its principal place of business being Level 5, 115 Pitt Street, Sydney, NSW 2000.

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 3, 37 Bligh Street, Sydney, NSW 2000 (c/o Huntley). The Trust has a 100% interest in RNY Australia LPT Corp. (the "US REIT"), which in turn has a 75% interest in RNY Australia Operating Company LLC (the "US LLC"), a Delaware Limited Liability Company that as of 30 June 2018 owned five commercial office properties (31 December 2017: five properties) in the New York Tri-State area.

Results

The consolidated net loss of the Group is presented in the Statement of Comprehensive Income. The net loss attributable to the members of the Group for the half-year ended 30 June 2018 was \$392,793 (30 June 2017: Loss \$24,193,724).

Distributions

No distributions were paid to unitholders for the half-year ended 30 June 2018 and no provision for distribution has been recognised in the current period.

Investment properties

At 30 June 2018, Cushman and Wakefield valued the five investment properties held in the Trust. Refer to Note 4 in these accounts for further details. Utilizing these external valuations resulted in a 1.3% increase in the portfolio's value from 31 December 2017.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the current financial period, aside from matters already discussed in the directors' report.

Funding

In the previous financial year, on 27 July 2017, ACORE Capital ("ACORE"), the lender of the US LLC's non-recourse secured loan ("ACORE Loan"), issued a notice to the borrower and US LLC confirming that the loan was in default and demanding that the borrower parties and US LLC preserve all available cash in a segregated account to satisfy all outstanding obligations to the lender under the loan documents. The US LLC believed, after consulting with counsel, that the lender's demands were overreaching and excessive.

As at 30 June 2018, with regards to the ACORE Loan, the US LLC had approximately US\$585,328 (31 December 2017: US\$569,619) in a lender controlled cash account under the ACORE Loan. The lender controlled cash account is used to fund operating expenses, debt service and reserve accounts on a monthly basis. The reserve accounts are used to fund real estate taxes, insurance, capital improvements and tenanting costs. At 30 June 2018, the US LLC had approximately US\$719,852 (31 December 2017: US\$1,263,086) in lender controlled reserve accounts.

Matters subsequent to the end of the financial period

On 2 July 2018, Huntley received confirmation from ASIC that its request for a variation of its Australian Financial Services Licence had been approved, thereby enabling Huntley to become the responsible entity of RNY, replacing RAML, effective immediately. Also, as of such date, Huntley appointed Aurora Funds Management Limited as the Investment Manager of RNY. Following these developments, RAML's affiliates, who had previously provided various services to the properties (e.g. property management and leasing) immediately tendered their resignations from such roles, providing 30 days notice which ceased on 2 August 2018. As of 2 August 2018, the property manager of the properties is Winthrop (based in the US).

On 16 July 2018, Aurora Funds Management Limited (ACN 092 626 885, AFSL 222110), in its capacity as Investment Manager of RNY, negotiated a letter of intent with RNY's US financier, ACORE, to modify the existing loan and cure existing loan default.

On 30 August 2018, Aurora Funds Management Limited (Aurora), successfully executed a loan modification deed with RNY's US lender, ACORE Capital (Lender), providing RNY with the opportunity to cure the existing loan default over the portfolio of five (5) office properties in the New York Tri-State area.

The key terms of the loan modification include:

- RNY Australia Operating Company (US LLC), which is 75% owned by RNY, has paid down the existing loan by USD\$7.4 million using USD\$4.7 million of existing cash reserves within the Group and its related entities subsequent to period end, with the balance provided by way of short-term loan from Aurora;
- A further USD\$1.25 million is required to be paid down on 15 November 2018;
- A further USD\$1.5 million is required to replenish Lender reserve accounts, short term funding and costs associated with the default and modification by 28 September 2018;

Upon receipt of these loan pay-downs and replenishment of the Lender reserve accounts:

- The Lender has agreed to waive USD\$4.4 million in accrued default interest contingent on there being no further default;
- The interest rate margin will remain unchanged;
- The Lender will also provide a facility of USD\$16.6 million to fund the capital expenditure and leasing costs associated with RNY's proposed turnaround strategy;
- The Lender will make available US\$0.4 million per annum for the Trust's operating expenditure.

As a requirement of the loan modification, the Lender required Aurora to acquire the 25% minority interest held by RXR in the US LLC, which was completed on 15 August 2018.

Likely developments and expected results of operations

A capital raise is contemplated to fund the remaining obligations under the loan, to repay short term funding provided by Aurora and to support working capital requirements going forward.

Environmental Regulation

The Trust's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation. There have been no known significant breaches of any other environmental requirements applicable to the Trust

Units on issue

There were 263,413,889 units of the Trust on issue at 30 June 2018 (31 December 2017: 263,413,889 units).

Interests of Responsible Entity

The Responsible Entity held no units in the Trust at 30 June 2018 (31 December 2017: Nil).

Indemnification and Insurance of Officers and Auditors

During the six months to 30 June 2018 the Trust was charged for insurance premiums incurred by the previous Responsible Entity (RAML) in relation to an insurance policy that provided cover to directors and officers of RAML. So long as the officers of RAML acted in accordance with the Trust Constitution and the Law, the officers remained indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The disclosure of the nature of the liability and the amount of the premium paid is prohibited under the insurance contract. Huntley has appropriate insurance in place, following its appointment as RE on 2 July 2018.

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the current financial period.

Rounding of Amounts

Amounts in the financial report and the Directors' Report are stated in Australian dollars (or US dollars where indicated) and have been rounded to the nearest thousand dollars per ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Trust is an entity to which the instrument applies.

Audit Independence

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 5.

This Report is made in accordance with a resolution of the Board of Directors.



Stephen Law
Director

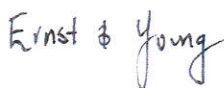
20 September 2018

Auditor's Independence Declaration to the Directors of Huntley Management Limited as Responsible Entity for RNY Property Trust

As lead auditor for the review of RNY Property Trust for the half year ended 30 June 2018, I declare 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 RNY Property Trust and the entities it controlled during the financial period.



Ernst & Young



Anthony Ewan
Partner
20 September 2018

**Statement of Comprehensive Income
for the half year ended 30 June 2018**

		Consolidated	
	Note	30 Jun 2018	30 Jun 2017
		\$'000	\$'000
CONTINUING OPERATIONS			
Share of net loss of US LLC	3(b)	(41)	(23,290)
Total share of net loss from US LLC		(41)	(23,290)
Interest income		-	-
Total loss and other income		(41)	(23,290)
Expenses			
Administration expenses		(80)	(71)
Finance costs		-	(217)
Management fees		(163)	(479)
Other expenses		(109)	(137)
Total expenses		(352)	(904)
Loss from continuing operations before tax expense		(393)	(24,194)
US withholding tax		-	-
NET LOSS FROM CONTINUING OPERATIONS AFTER TAX		(393)	(24,194)
OTHER COMPREHENSIVE INCOME/(LOSS) – RECYCLABLE			
Foreign currency translation difference (net of tax)		300	(7,810)
Gain on financial instrument hedge (net of tax)		-	244
Other comprehensive profit/(loss) for the period, net of tax		300	(7,566)
TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD		(93)	(31,760)
Basic and diluted loss per unit from continuing operations (cents)		(0.15)	(9.18)

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

Balance Sheet
as at 30 June 2018

		Consolidated	
	Note	30 Jun 2018	31 Dec 2017
		\$'000	\$'000
Current assets			
Cash and cash equivalents		5,730	5,206
Trade and other receivables		158	11
Other current assets		29	88
Total current assets		5,917	5,305
Non-current assets			
Investments held in US LLC	3(a)	-	1,052
Total non-current assets		-	1,052
Total assets		5,917	6,357
Current liabilities			
Trade and other payables		971	1,327
Total current liabilities		971	1,327
Non-current liabilities			
Preferred shares	6	169	160
Total non-current liabilities		169	160
Total liabilities		1,140	1,487
Net assets		4,777	4,870
Unitholders' Equity			
Units on Issue	7	251,377	251,377
Reserves	8	1,684	1,384
Accumulated deficit		(248,284)	(247,891)
TOTAL EQUITY		4,777	4,870

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

**Cash Flow Statement
for the half year ended 30 June 2018**

	Consolidated 30 Jun 2018 \$'000	Consolidated 30 Jun 2017 \$'000
Cash flows from operating activities		
Income received from US LLC	1,181	903
Payments to suppliers	(679)	(808)
Interest received	-	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	502	95
	<hr/>	<hr/>
Cash flows from investing activities		
Net cash flow from investing activities	<hr/> -	<hr/> -
	<hr/>	<hr/>
Cash flows from financing activities		
Net cash flow from financing activities	<hr/> -	<hr/> -
	<hr/>	<hr/>
Net increase in cash and cash equivalents	502	95
Cash and cash equivalents at beginning of period	5,206	59
Net foreign exchange differences	22	(1)
Cash and cash equivalents at end of period	<hr/> 5,730 <hr/>	<hr/> 153 <hr/>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
for the half year ended 30 June 2018**

	Note	Units on Issue	Accumulated Deficit	Reserves	Total Equity
CONSOLIDATED		\$'000	\$'000	\$'000	\$'000
At 1 January 2018		251,377	(247,891)	1,384	4,870
Foreign currency translations taken to equity					
- recyclable		-	-	300	300
Loss for the half year		-	(393)	-	(393)
Total comprehensive loss for the half year, net of tax		-	(393)	300	(93)
Distributions		-	-	-	-
At 30 June 2018		251,377	(248,284)	1,684	4,777

	Note	Units on Issue	Accumulated Deficit	Reserves	Total Equity
CONSOLIDATED		\$'000	\$'000	\$'000	\$'000
At 1 January 2017		251,377	(214,916)	6,833	43,294
Foreign currency translations taken to equity					
- recyclable		-	-	(7,810)	(7,810)
Fair value movement of derivatives					
- recyclable		-	-	244	244
Loss for the half year		-	(24,194)	-	(24,194)
Total comprehensive loss for the half year, net of tax		-	(24,194)	(7,566)	(31,760)
Distributions		-	-	-	-
At 30 June 2017		251,377	(239,110)	(733)	11,534

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

Notes to the Financial Statements for the half year ended 30 June 2018

1. Corporate Information

The financial report of RNY Property Trust (“RNY” or the “Trust”) for the half-year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on the date of signing the directors’ report.

The Trust was constituted on 2 August 2005. The Responsible Entity of the Trust is Huntley Management Limited (“Huntley”). Huntley was appointed Responsible Entity on 2 July 2018. The Responsible Entity’s registered office is at Level 3, 37 Bligh Street, Sydney 2000.

The previous Responsible Entity of the Trust, replaced on 2 July 2018, was RNY Australia Management Limited (“RAML”).

RNY is a trust limited by units incorporated in Australia. These units are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Trust are described in Note 13.

2. Basis of Preparation of the Half Year Financial Report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of RNY for the year ended 31 December 2017.

It is also recommended that the half-year financial report be considered together with any public announcements made by RNY, its controlled entities and its associates during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations arising under the Australian Stock Exchange Listing Rules.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its wholly owned subsidiary, RNY Australia LPT Corporation (the “US REIT”), together known as the “Group” as at 30 June 2018.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Apart from any changes in accounting standards shown in Note 2(c) below, the accounting policies and methods of computation are the same as those adopted in the most recent financial report.

2. Basis of Preparation of the Half Year Financial Report (continued)

(b) Basis of Accounting

This general purpose condensed financial report for the half-year ended 30 June 2018 has been prepared in accordance with the Trust Constitution, AASB 134 “Interim Financial Reporting” and other mandatory financial reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost convention except for investment properties and derivative financial instruments within the joint venture that are held at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report has been prepared on a going concern basis because the Trust expects to be able to pay its debts as and when they fall due in the ordinary course of business for the next twelve months. Aurora Property Buy Write Income Trust (“Aurora”), RNY’s majority shareholder, has provided a letter of support confirming that it will provide an agreed level of financial support to enable RNY to pay its debts as and when they fall due for at least 12 months from the date of the auditors’ report.

With regard to the ACORE Loan, the US LLC, as the guarantor of certain equity funding obligations under the loan, was in violation of the net worth requirement (as of 31 December 2016) and the liquidity requirement (as of 1 January 2017). The US LLC failed to cure the violations within sixty days which is an event of default pursuant to the loan documents. During the continuance of an event of default, in addition to other rights and remedies available to ACORE pursuant to the loan documents, ACORE may charge interest at the default rate and/or declare the loan to be immediately due and payable. On 27 July 2017, ACORE issued notice to the borrower and US LLC confirming that the loan was in default and demanding that the borrowers and US LLC preserve all available cash in a segregated account to satisfy outstanding obligations to the lender under the loan documents. The US LLC believes, after consulting with counsel, that ACORE’s demands were overreaching and excessive. During August 2017, the US LLC engaged in settlement discussions with ACORE regarding such matters.

On 30 August 2018, Aurora Funds Management Limited (Aurora), successfully executed a loan modification deed with RNY’s US lender, ACORE Capital (Lender), providing RNY with the opportunity to cure the existing loan default over the portfolio of five (5) office properties in the New York Tri-State area.

2. Basis of Preparation of the Half Year Financial Report (continued)

(b) Basis of Accounting (continued)

The key terms of the loan modification include:

- RNY Australia Operating Company (US LLC), which is 75% owned by RNY, has paid down the existing loan by USD\$7.4 million using USD\$4.7 million of existing cash reserves within the Group and its related entities subsequent to period end, with the balance provided by way of short-term loan from Aurora;
- A further USD\$1.25 million is required to be paid down on 15 November 2018;
- A further USD\$1.5 million is required to replenish Lender reserve accounts, short term funding and costs associated with the default and modification by 28 September 2018;

Upon receipt of these loan pay-downs and replenishment of the Lender reserve accounts:

- The Lender has agreed to waive USD\$4.4 million in accrued default interest contingent on there being no further default;
- The interest rate margin will remain unchanged;
- The Lender will also provide a facility of USD\$16.6 million to fund the capital expenditure and leasing costs associated with RNY's proposed turnaround strategy;
- The Lender will make available US\$0.4 million per annum for the Trust's operating expenditure.

As a requirement of the loan modification, the Lender required Aurora to acquire the 25% minority interest held by RXR in the US LLC, which was completed on 15 August 2018.

The ACORE loan is a non-recourse loan with exposure being limited to the properties pledged for the loan facility.

A capital raise is contemplated to fund the remaining obligations under the loan, to repay short term funding provided by Aurora and to support working capital requirements going forward. Until such time as the capital raising is completed, Aurora has provided a letter of support confirming that it will provide an agreed level of financial support to enable RNY to pay its debts as and when they fall due for at least 12 months from the date of the auditors' report.

Based on the above, the directors are of the view that, although there exists a material uncertainty in relation to the Trust's ability to continue as a going concern, Aurora's financial support will be sufficient to enable RNY to pay its debts as and when they fall due within the next 12 months.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars per ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

2. Basis of Preparation of the Half Year Financial Report (continued)

(c) New Standards

The Trust has adopted the following Standards as of 1 January 2018. Adoption of these Standards did not have any material effect on the financial position or performance of the Trust:

AASB 9 Financial Instruments - Addresses the classification, measurement and de-recognition of financial assets and financial liabilities and also sets out new rules for hedge accounting. The Group does not expect a material impact to the Group's accounting for financial instruments.

AASB 15 – Revenue from contracts with customers - Establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts.

The Trust has not elected to early adopt any additional standards or amendments.

(d) Foreign currencies

The functional currency of the US REIT and US LLC is United States dollars. As at the reporting date the US currency amounts are translated into Australian dollars as follows:

- the assets and liabilities of these entities are translated at the rate of exchange ruling at the balance sheet date of A\$1.00 = US\$0.74 (31 December 2017: A\$1.00 = US\$0.78); and
- the Statement of Comprehensive Income of these entities are translated at the average rate for the period of A\$1.00 = US\$0.77 (30 June 2017: A\$1.00 = US\$0.75).

Any exchange differences are taken directly to foreign currency translation reserve.

**Notes to the Financial Statements
for the half year ended 30 June 2018**

3. Investments in joint ventures

	Consolidated
	30 Jun 2018 31 Dec 2017
	\$'000 \$'000
Investment in joint venture	- 1,052

Other details are as follows:

Entity	Date Acquired	Payment Consideration	Country of incorporation	Ownership interest
RNY Australia Operating Company LLC ("US LLC")	21 Sep 05	Cash	United States	75%

RNY has a 100% interest in RNY Australia LPT Corp. (US REIT), which in turn has a 75% interest in RNY Australia Operating Company LLC ("US LLC"), a Delaware Limited Liability Company that as of 30 June 2018 owned five commercial office properties (31 Dec 2017: five properties) in the New York Tri-State area. As at 30 June 2018, the owner of the remaining 25% interest was an affiliate of RXR Realty LLC ("RXR"), a private enterprise founded by Messrs. Rechler, Maturo and Barnett (three of the former directors of the Trust). Subsequent to balance date, this 25% interest was sold to a wholly owned subsidiary of Aurora Funds Management Ltd ("Aurora"). See note 13 subsequent events.

Under the structure created above, RNY (through the US REIT) and RXR (later replaced by Aurora) exercise joint control over the property investments held in the US LLC. RXR (later replaced by Aurora) have retained considerable powers in relation to the control of the US LLC, both during the US LLC's operation and in the event of winding up.

In previous periods, the Group had adopted the equity method of accounting for its investment in the US LLC. However, in the current half year, equity accounting has been discontinued to the extent that the Group's share of joint venture losses exceeds the carrying value of Group's investment in the US LLC.

**Notes to the Financial Statements
for the half year ended 30 June 2018**

3. Investments in joint ventures (continued)

(a) Summarised statement of investment held in US LLC

The following table illustrates summarised financial information relating to the investment in RNY Australia Operating Company LLC:

		Consolidated	
	Note	Jun 2018	Dec 2017
		\$'000	\$'000
<i>Movements in carrying amounts</i>			
Carrying amount at the beginning of the period		1,052	51,099
Distributions received		(1,181)	(15,722)
Share of loss of joint venture		(2,360)	(31,392)
Share of other comprehensive income of joint venture		-	244
Investment in joint venture entities		277	2,866
Effect of changes in exchange rates		(107)	(6,043)
		(2,319)	1,052
Add: adjust to bring carrying value of joint venture to nil		2,319	-
Carrying amount at the end of the period		-	1,052
<i>Balance Sheet of US LLC</i>			
		<i>@ 100%</i>	<i>@ 100%</i>
<i>Current assets</i>			
Cash and cash equivalents ⁽ⁱⁱ⁾		4,952	6,723
Trade and other receivables		429	299
Other current assets		1,292	1,529
		6,673	8,551
<i>Non-current assets</i>			
Investment properties	4	93,087	87,051
		93,087	87,051
Total Assets		99,760	95,602
Current liabilities	5	102,852	94,200
Total Liabilities		102,852	94,200
Equity in US LLC		(3,092)	1,402
<i>Group's ownership share @ 75%</i>			
Group's ownership share @ 75%		(2,319)	1,052
Add: adjust to bring carrying value of US LLC investment at the current period end to nil ⁽ⁱ⁾		2,319	-
Carrying amount of the investment		-	1,052

- (i) In the current half year, equity accounting has been discontinued to the extent that the Group's share of joint venture losses exceeds the carrying value of Group's investment in the US LLC. Consequently, the carrying value of the Group's investment in its associate has been reduced to nil.
- (ii) At 30 June 2018, with regards to the ACORE Loan, the US LLC has approximately US\$0.6 million in a lender controlled cash account. The lender controlled cash account is used to fund operating expenses, debt service and reserve accounts on a monthly basis. Additionally, the US LLC has approximately US\$0.9 million of cash related to tenant security deposits and \$US1.4 million of unrestricted cash on the US LLC balance sheet at balance date.

Notes to the Financial Statements
for the half year ended 30 June 2018

3. Investments in joint ventures (continued)

(b) Summarised statement of comprehensive income of US LLC

	Consolidated	
	Jun 2018	Jun 2017
	\$'000	\$'000
	<i>@ 100%</i>	<i>@ 100%</i>
Revenue & other income		
Rental income from investment properties	9,568	25,257
Gain on investment property revaluations	675	-
Gain on remeasurement of mezzanine loan	-	3,880
Other income	32	1,468
Total revenue	<u>10,275</u>	<u>30,605</u>
Expenses		
Property expenses	(7,156)	(15,356)
Borrowing costs	(5,521)	(13,036)
Loss from investment property revaluations	-	(28,985)
Loss on sale of property	-	(3,397)
Other expenses	(745)	(884)
Total expenses	<u>(13,422)</u>	<u>(61,658)</u>
Net loss of US LLC before income tax	(3,147)	(31,053)
Income tax expense	-	-
Net loss from continuing operations after income tax	<u>(3,147)</u>	<u>(31,053)</u>
Proportion of the Group's ownership:	75%	75%
Group's share of loss of US LLC for the half year	(2,360)	(23,290)
Add: adjust for Group's share of losses not recognised for the current half year ⁽ⁱ⁾	<u>2,319</u>	<u>-</u>
Group's share of loss for the half year	<u>(41)</u>	<u>(23,290)</u>

- (i) In the current half year, equity accounting has been discontinued to the extent that the Group's share of joint venture losses exceeds the carrying value of Group's investment in the US LLC.

**Notes to the Financial Statements
for the half year ended 30 June 2018**

4. US LLC's Investment Properties

(a) Summary

	Consolidated 30 Jun 2018 A\$'000	Consolidated 31 Dec 2017 A\$'000
Investment properties – at valuation	<u>93,087</u>	<u>87,051</u>

Details of movements in the value of investment properties held in the US LLC are set out in this note below. The Trust has a 75% interest in these properties through its investment in the US LLC.

(a) Reconciliation of Carrying Amounts

A reconciliation of the carrying amount of property investments at the beginning and end of the financial period is set out below:

Carrying amount at the start of the period	87,051	383,887
Fair value increment/(decrement)	675	(32,877)
Capital additions	264	2,181
Other investment value	279	2,345
Book value of property disposals	-	(242,464)
Foreign exchange gain/(loss)	4,818	(26,021)
Carrying amount at the end of the period	<u>93,087</u>	<u>87,051</u>

**Notes to the Financial Statements
for the half year ended 30 June 2018**

4. US LLC's Investment Properties (continued)

(b) Table of properties

The attached table shows details of investment properties held through controlled entities as at 30 June 2018. The amounts below represent the carrying value of the properties in the US LLC at balance dates. The consolidated entity has a 75% beneficial interest in these properties. Amounts are in US Dollars and Australian Dollars where indicated.

Property Address	Date of Acquisition	Region	Historical Cost @100% US\$'000	Book Value At 31 Dec 17 @100% US \$'000	Book Value At 30 Jun 18 @100% US \$'000	Book Value At 31 Dec 17 @100% AUD \$'000	Book Value At 30 Jun 18 @100% AUD \$'000
<i>Investment Properties</i>							
55 Charles Lindbergh Blvd, Long Island	21 Sep 05	Long Island	29,600	22,400	23,100	28,718	31,254
560 White Plains Rd, Westchester County	21 Sep 05	Westchester	19,400	7,600	4,900	9,744	6,630
6800 Jericho Turnpike, Long Island	6 Jan 06	Long Island	30,900	18,700	19,500	23,974	26,384
6900 Jericho Turnpike, Long Island	6 Jan 06	Long Island	14,400	8,900	9,200	11,410	12,448
580 White Plains Rd, Westchester County	6 Jan 06	Westchester	26,400	10,300	12,100	13,205	16,371
Total US LLC Investment Properties			120,700	67,900	68,800	87,051	93,087

(i) Cushman and Wakefield performed appraisals for the five joint venture properties at 30 June 2018. The carrying values above reflect these valuations.

Representative market capitalisation rates and discount rates for each of the geographical regions in which the Group owns properties are as follows:

Region	Market Capitalisation Rate		Discount Rate	
	31 Dec 17	30 Jun 18	31 Dec 17	30 Jun 18
Westchester	9.00%	10.00%	9.25%	12.00%
Long Island	9.00%	7.89%	9.65%	8.67%

**Notes to the Financial Statements
for the half year ended 30 June 2018**

5. Share of US LLC's assets and liabilities

Current liabilities comprise:

Facility	US \$'000 @ 100% 30 Jun 18	US \$'000 @ 100% 31 Dec 17	AUD \$'000 @ 100% 30 Jun 18	AUD \$'000 @ 100% 31 Dec 17	Int Rate	Maturity Date
Trade & other creditors	2,625	2,404	3,552	3,083	n/a	Current
Accrued mortgage interest	5,028	3,211	6,802	4,116	see note (a)	Current
<i>Floating rate commercial</i>						
<i>Mortgage</i>						
ACORE Loan*	68,365	67,861	92,498	87,001	see note (a)	Feb 2019
Total	76,018	73,476	102,852	94,200		

* This mortgage is secured over certain properties of the US LLC.

Note (a)

The ACORE loan was negotiated as a non-recourse loan with exposure being limited to the properties pledged for the loan facility. There are no set-off arrangements involving the other assets of the Group. The following borrowings are not subject to any gearing covenants.

The ACORE Loan, which matures in February 2019 (and 2020 under the Loan Modification), contains two (and four (4) under the Loan Modification) 1-year extension options, bears interest at a variable rate of LIBOR plus weighted average rate of 4.7% per annum, with a minimum LIBOR rate of 25 basis points, and requires monthly payments of interest only during the initial 3-year term. At closing, the US LLC entered into an interest rate cap agreement to protect itself from potentially rising interest rates, which caps LIBOR at 2.5% per annum over the first two years of the term. In January 2018, as required per the loan documents, US LLC entered into an extension of the interest rate cap agreement. As a result, the ACORE Loan bears interest at a minimum weighted average rate of 4.95% and a maximum weighted average rate of 7.2% per annum over the loan term. In addition, the ACORE Loan is subject to customary financial covenants.

With regard to the ACORE Loan, the US LLC, as the guarantor of certain equity funding obligations under the loan, is in violation of the net worth requirement (as of 31 December 2016) and the liquidity requirement (as of 1 January 2017). The US LLC failed to cure the violations within sixty days which is an event of default pursuant to the loan documents. During the continuance of an event of default, in addition to other rights and remedies available to ACORE pursuant to the loan documents, ACORE may charge interest at the default rate and/or declare the loan to be immediately due and payable. On 27 July 2017, ACORE issued notice to the borrower and US LLC confirming that the loan is in default and demanding that the borrowers and US LLC preserve all available cash in a segregated account to satisfy outstanding obligations to the lender under the loan documents. The US LLC believes, after consulting with counsel, that ACORE's demands are overreaching and excessive. During August 2017, the US LLC engaged in settlement discussions with ACORE regarding such matters. The US LLC and ACORE mutually agreed to discontinue settlement discussions to wait for the outcome of Aurora's attempt to become or install a third-party as Responsible Entity of the Trust. At 30 June 2018, the US LLC recorded approximately US\$4.65 million in interest at the default rate.

Subsequent to period end, the US LLC executed a loan modification deed with Acore (refer to Note 13).

**Notes to the Financial Statements
for the half year ended 30 June 2018**

6. Preferred shares

	Consolidated 30 Jun 2018 A\$'000	Consolidated 31 Dec 2017 A\$'000
Preferred shares	<u>169</u>	<u>160</u>

To comply with US regulations relating to US REITs, on 31 January 2006 an additional 125 persons were allotted shares in the US REIT at US\$1,000 per share. The preferred shares are not convertible into shares of any other class or series. An annual coupon rate of 12.5% applies to these shares. In accordance with Australian accounting standards, the preferred stock has been classified as long-term debt and the amounts paid or payable to the preferred shareholders are included in interest expense.

7. Units on Issue

Ordinary Units	Consolidated 30 Jun 2018 Units	Consolidated 31 Dec 2017 Units
(a) Movements in Ordinary units on issue		
Units on issue at beginning of the period – fully paid	263,413,889	263,413,889
Units on issue at the end of the period – fully paid	<u>263,413,889</u>	<u>263,413,889</u>
	Consolidated 30 Jun 2018 A\$'000	Consolidated 31 Dec 2017 A\$'000
(b) Movement in issued equity		
Issued equity at the beginning of the period	251,377	251,377
Issued equity at the end of the period	<u>251,377</u>	<u>251,377</u>

Each unit ranks equally with all other ordinary units for the purpose of distributions and on termination of the Trust. Ordinary units entitle the holder to one vote, either in person or by proxy, at a meeting of the Trust.

**Notes to the Financial Statements
for the half year ended 30 June 2018**

8. Reserves

	Consolidated 30 Jun 2018 \$'000	Consolidated 31 Dec 2017 \$'000
Foreign currency translation reserve	1,684	1,384
Cash flow hedge reserve	-	-
	1,684	1,384
<i>Movement in foreign currency translation reserve (i)</i>		
Balance at the beginning of the period	1,384	7,077
Profit/(loss) on translation of controlled foreign entities	300	(5,693)
Balance at end of the period	1,684	1,384

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

Movement in cash flow hedge reserve

Balance at the beginning of the period	-	(244)
Gain on revaluation of derivative	-	244
Balance at end of the period	-	-

9. Earnings per unit

	Consolidated 30 Jun 2018 Cents	Consolidated 30 Jun 2017 Cents
Basic and diluted loss per unit	(0.15)	(9.18)

Earnings per unit are calculated by dividing the net loss attributable to unitholders for the period by the weighted average number of ordinary units on issue during the period. The weighted average number of units used in the calculation of earnings per unit is 263,413,889.

Adjusted basic loss per unit*	(0.12)	(2.04)
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*This calculation is based on the following adjusted net loss:

	\$'000	\$'000
Total comprehensive loss attributable to RNY unitholders	(93)	(31,760)
(less)/add: gain/(loss) from investment property revaluations	-	21,739
less: gain on remeasurement of mezzanine loan	-	(2,910)
less: gain on financial instrument hedge	-	(244)
add: foreign currency translation (gain)/loss	(300)	7,810
Adjusted net loss used in calculation above	(393)	(5,365)

**Notes to the Financial Statements
for the half year ended 30 June 2018**

10. Commitments and Contingencies

The US LLC and the Group had no material commitments or contingencies existing at balance date other than as detailed in Note 5(a) of these accounts.

11. Distribution Statement

	Consolidated	
	30 Jun 2018	30 Jun 2017
	A\$'000	A\$'000
Total comprehensive loss for the period attributable to unitholders of RNY	(93)	(31,760)
Adjusted for RNY share of:		
(Gain)/loss from investment property revaluations	-	21,739
Gain on remeasurement of mezzanine loan	-	(2,910)
Straight lining of rental income	-	(891)
Mortgage cost amortisation	-	537
Leasing cost amortisation	-	440
Gain on financial instrument hedge	-	(244)
Foreign currency translation (gain)/loss	(300)	7,810
(LOSS)/INCOME AVAILABLE FOR DISTRIBUTION	(393)	(5,279)
Amounts used (retained)	393	5,279
DISTRIBUTION PAYABLE	-	-
Distribution per unit (cents)	-	-

No distribution was paid to unitholders for the half year ended 30 June 2018 and no provision for distribution has been recognised in the current period.

12. Segment reporting

The Group has identified its operating segment based on internal reports that are reviewed and used by the Board of Directors of the Responsible Entity (the chief operating decision makers) in assessing the performance and in determining the allocation of resources.

The Group's management has determined that RNY has one operating segment, represented by the investment in the US LLC.

RNY's income is derived from indirect investments in commercial office properties located outside Australia, held via the US LLC and from short-term deposits and money market securities which are held for and are incidental to those property investments. Except for cash deposits held in Australia, all such investments are located in the United States.

The performance measures used by management differ from those disclosed in the Statement of Comprehensive Income as certain adjustments are made to arrive at an adjusted net profit or loss which better facilitates the decision making of the chief operating decision makers. The adjustments made to the segment result are detailed in Note 9 of these accounts. A reconciliation of adjusted net loss to the comprehensive (loss)/income shown in the statement of comprehensive income is also provided in the note.

Segment revenues are derived from a broad tenant base across the 5 operating properties owned by the US LLC.

13. Subsequent Events

Effective 2 July 2018 Huntley received confirmation from ASIC that it had been appointed as the responsible entity of RNY, replacing RAML. Also, as of such date, Huntley appointed Aurora Funds Management Limited as the Investment Manager of RNY. As of 2 August 2018 the property manager of the properties is Winthrop (based in the US).

On 30 August 2018, Aurora Funds Management Limited (Aurora), successfully executed a loan modification deed with RNY's US lender, ACORE Capital (Lender), providing RNY with the opportunity to cure the existing loan default over the portfolio of five (5) office properties in the New York Tri-State area.

The key terms of the loan modification include:

- RNY Australia Operating Company (US LLC), which is 75% owned by RNY, has paid down the existing loan by USD\$7.4 million using USD\$4.7 million of existing cash reserves within the Group and its related entities subsequent to period end, with the balance provided by way of short-term loan from Aurora;
- A further USD\$1.25 million is required to be paid down on 15 November 2018;
- A further USD\$1.5 million is required to replenish Lender reserve accounts, short term funding and costs associated with the default and modification by 28 September 2018;

Upon receipt of these loan pay-downs and replenishment of the Lender reserve accounts:

- The Lender has agreed to waive USD\$4.4 million in accrued default interest contingent on there being no further default;
- The interest rate margin will remain unchanged;
- The Lender will also provide a facility of USD\$16.6 million to fund the capital expenditure and leasing costs associated with RNY's proposed turnaround strategy;
- The Lender will make available US\$0.4 million per annum for the Trust's operating expenditure.

As a requirement of the loan modification, the Lender required Aurora to acquire the 25% minority interest held by RXR in the US LLC, which was completed on 15 August 2018.

Directors Declaration

In accordance with a resolution of the directors of Huntley Management Limited, the Responsible Entity of RNY Property Trust, I state that:

In the opinion of the directors:

- (a) the interim financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and the performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board
Huntley Management Limited
ABN 52 089 240 513



Stephen Law
Director

Sydney, 20 September 2018

Independent Auditor's Review Report to the Members of RNY Property Trust

Report on the Half year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of RNY Property Trust (the Trust) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration by Huntley Management Limited, as Responsible Entity of the Trust.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) of the financial report which describes the Basis of Accounting. The parent entity, RNY Property Trust, is reliant on financial support from its majority shareholder to provide sufficient liquidity to pay its debts as and when they fall due. The US LLC is in default on loans where property and other assets have been pledged as security. The curing of the loan default is dependent on a capital raising to fund the remaining obligations under the modified loan agreement. For the period ended 30 June 2018, the Group has recorded a net loss from continuing operations after tax of \$0.4m and the carrying value of the investment in the US LLC is nil.

These events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half year Financial Report

The directors of 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 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.

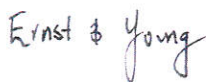
Auditor's Responsibility

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, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and its consolidated financial 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 the Group, 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*.



Ernst & Young



Anthony Ewan
Partner
Canberra
20 September 2018