Appendix 4E

Preliminary final report

for the year ended 31 December 2019

Name of entity	RNY Property Trust
ARSN	115 585 709
Reporting period	Year ended 31 December 2019
Previous corresponding period	Year ended 31 December 2018

Results for announcement to market

Financial Performance

	A$
Revenue/(loss) from ordinary activities • Revenue for current year includes $8,617,504 share of profit from an equity accounted joint venture which was principally comprised of gains from property revaluations.	Up 1,473% to 9,304,569
Profit/(loss) from ordinary activities after tax attributable to unitholders	Up 651% to 8,237,659
Net profit/(loss) for the year attributable to unitholders	Up 651% to 8,237,659

Distributions

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

Record date for determining entitlement to the distribution for the year ended 31 December 2019	N/A
Date the December 2019 distribution is payable	N/A
Tax advantage component of the December 2019 distribution	N/A
The taxable component of the December 2019 distribution comprises: Australian sourced income Foreign sourced income	 Nil% Nil%
Foreign tax credit per unit	Nil

Disclosures in this report

This report is based on the financial statements which have not yet been audited and does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this report be read in conjunction with the RNY Property Trust Annual Report for the year ended 31 December 2018, the half-year financial statements for the period ended 30 June 2019, together with any public announcements made by the Trust during and subsequent to the year ended 31 December 2019 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

RNY PROPERTY TRUST
CONTENTS

Review of Operations

Results
The consolidated profit of the Group is presented in the Statement of Comprehensive Income. Net profit attributable to the members of the Group for the year ended 31 December 2019 was $8,237,659 (2018: Loss $1,494,730).

Distributions
No distributions were paid to unitholders for the year ended 31 December 2019 and no provision for distribution has been recognised in the financial statements.

Investment properties
On 20 August 2019, CBRE Group Inc. provided independent valuations of the five investment properties held in RNY Australia Operating Company LLC ('the US LLC') as at 30 June 2019. The directors have determined that these valuations plus the further capital improvements are an appropriate valuation as at 31 December 2019. Refer to Note 5 in these accounts for further details. These valuations resulted in a 16.0% increase in the portfolio's value from 31 December 2018.

Significant changes in the state of affairs
As previously advised, the cash realisation strategy of the Trust's former responsible entity, RNY Australia Management Limited ('RAML'), has been replaced with a 'hold' strategy. Aurora Funds Management Limited ('Aurora'), as investment manager, is currently working with various stakeholders to improve the properties.

In the prior year, the US LLC paid down a portion of the senior ACORE loans using cash reserves from its related entities, as well as loans from Aurora and its related entities, RNY Australia LPT Corp. ('the US REIT') and RNY Property Trust ('the Trust'). This has resulted in the US LLC ceasing to pay distributions to the US REIT, who has ceased paying distributions to the Trust. As the Trust has ceased receiving distributions from the US REIT, the Trust and the US REIT are reliant on continued access to adequate cash distributions or repayment of amounts receivable from the US LLC to settle the liabilities within the respective entities. Absent this, the Trust is reliant upon the financial support provided by Aurora until 31 December 2020.

On 8 February 2019, the ACORE loan Lender's requirements were satisfied resulting in the Amended and Restated Senior Loan Agreement extending the US LLC's loan facility for a further one (1) year term. As announced on 10 February 2020, the Amended and Restated Loan Agreement has been extended for 30 days to allow Aurora and ACORE additional time to finalise terms of a longer dated loan extension.

Further, CBRE, Inc was appointed as the property sub-manager, effective 8 March 2019, replacing Winthrop Management L.P.

Likely developments and expected results of operations
It is anticipated that the Group will seek additional debt financing from HHY Fund ARSN 112 579 129 ('the HHY Fund') in order to repay a portion of the short-term funding and to support the RNY Group's working capital requirements. Aurora acts as responsible entity of the HHY Fund. Please see Matters Subsequent to the End of the Financial Year.

In December 2019, following the lodgement of the half-year financial statements for the period ended 30 June 2019, Huntley commenced the process to change the auditors of RNY, with EY (formerly Ernst & Young) having been appointed since the Initial Listing on the ASX in 2005. Once the change of auditor process is completed, the audit of the financial statements can be completed.

On 1 April 2019, RNY was suspended from trading on the ASX, pending the release of its audited financial statements for the year ended 31 December 2018. Following the release of the 2018 Full Year Statutory Accounts on 5 November 2019 and the Half Yearly Report and Accounts on 11 December 2019, the suspension has still not been lifted. Huntley has been working with ASX to have the suspension lifted.

Matters subsequent to the end of the financial year

On 25 February 2020, the HHY Fund announced a capital raising of $3.25 million. Aurora acts as responsible entity of the HHY Fund. The proceeds from the HHY Fund capital raising are to be used to provide debt financing to the Group. The key terms of the proposed debt financing are a term of five years, interest rate of 15.0%, interest payable at maturity and the debt will be subordinated to the senior lenders of the Group. The Group will use the HHY Fund debt financing to repay short-term funding, support working capital requirements and fund market-based tenant incentives in the US LLC.

Statement of Comprehensive Income
year ended 31 December 2019

	Note	Consolidated 2019 $	2018 $
CONTINUING OPERATIONS			
Share of net profit/(loss) of US LLC	4(b)	8,617,504	(352,428)
Total share of net profit/(loss) from US LLC		**8,617,504**	**(352,428)**
Interest income		537,065	152,035
Other income		150,000	791,952
Total profit and other income		**9,304,569**	**591,559**
Expenses			
Administration expenses		(432,382)	(849,365)
Finance costs		(110,013)	(20,196)
Management fees		(360,066)	(240,983)
Expected credit losses	3	(164,449)	(975,745)
Total expenses		**(1,066,910)**	**(2,086,289)**
Profit/(loss) from continuing operations before tax expense		**8,237,659**	**(1,494,730)**
US withholding tax		-	-
NET PROFT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAX		**8,237,659**	**(1,494,730)**
OTHER COMPREHENSIVE INCOME – RECYCLABLE			
Foreign currency translation difference		27,239	759,562
Other comprehensive profit for the year, net of tax		**27,239**	**759,562**
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**8,264,898**	**(735,168)**
Basic and diluted profit/(loss) per unit from continuing operations (cents)	9	3.13	(0.57)

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

Balance Sheet
as at 31 December 2019

	Note	Consolidated 2019 $	2018 $
Current assets			
Cash and cash equivalents		19,087	15,650
Trade and other receivables		22,363	12,826
Other financial assets – related parties	3	648,988	587,663
Other current assets		-	2,500
Total current assets		**690,438**	**618,639**
Non-current assets			
Other financial assets – related parties	3	3,166,360	2,854,988
Investment held in US LLC	4	11,109,842	2,445,607
Total non-current assets		**14,276,202**	**5,300,595**
TOTAL ASSETS		**14,966,640**	**5,919,234**
Current liabilities			
Trade and other payables	6	1,081,740	729,191
Interest bearing loans and borrowings	7	1,177,809	761,380
Total current liabilities		**2,259,549**	**1,490,571**
Non-current liabilities			
Interest bearing loans and borrowings	7	125,914	112,828
Preferred shares		177,819	177,375
Total non-current liabilities		**303,733**	**290,203**
TOTAL LIABILITIES		**2,563,282**	**1,780,774**
NET ASSETS		**12,403,358**	**4,138,460**
Unitholders' Equity			
Units on Issue		251,376,587	251,376,587
Reserves	8	2,174,359	2,147,120
Accumulated deficit		(241,147,588)	(249,385,247)
TOTAL EQUITY		**12,403,358**	**4,138,460**

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

Statement of Cash Flows
year ended 31 December 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers		(468,995)	(883,719)
Distributions received from US LLC		-	1,219,010
Receipt from related party		150,000	-
Interest received		-	373
Financing costs paid		(98,464)	-
Net cash (used in)/provided by from operating activities		**(417,459)**	**335,664**
Cash flows from investing activities			
Investment in joint venture entities		-	(2,884,045)
Net cash flow used in investing activities		**-**	**(2,884,045)**
Cash flows from financing activities			
Proceeds from borrowings		241,973	750,000
Proceeds from related party borrowings		178,853	102,559
Advances to related parties		-	(4,120,576)
Net cash flow provided by/(used in) financing activities		**420,826**	**(3,268,017)**
Net increase/(decrease) in cash and cash equivalents		**3,367**	**(5,816,398)**
Cash and cash equivalents at beginning of year		15,650	5,206,405
Net foreign exchange differences		70	625,643
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,087**	**15,650**

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

Statement of Changes in Equity
year ended 31 December 2019

	Note	Units on Issue	Accumulated Deficit	Reserves	Total Equity
		$	**$**	**$**	**$**
CONSOLIDATED					
At 31 December 2017		251,376,587	(247,890,517)	1,387,558	4,873,628
Foreign currency translations taken to equity - recyclable		-	-	759,562	759,562
Loss for the year		-	(1,494,730)	-	(1,494,730)
Total comprehensive gain/(loss) for the year, net of tax		**-**	**(1,494,730)**	**759,562**	**(735,168)**
Distributions		-	-	-	-
At 31 December 2018		**251,376,587**	**(249,385,247)**	**2,147,120**	**4,138,460**
Foreign currency translations taken to equity - recyclable		-	-	27,239	27,239
Profit for the year		-	8,237,659	-	8,237,659
Total comprehensive gain for the year, net of tax		**-**	**8,237,659**	**27,239**	**8,264,898**
Distributions		-	-	-	-
At 31 December 2019		**251,376,587**	**(241,147,588)**	**2,174,359**	**12,403,358**

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

1. Corporate Information

The RNY Property Trust ('RNY' or the 'Trust'), constituted on 2 August 2005, is a trust limited by units incorporated in Australia. These units are publicly traded on the Australian Stock Exchange.

The Responsible Entity of the Trust is Huntley Management Limited ABN 52 089 240 513 AFSL 229754 ('Huntley'). Huntley's registered office is at Suite 301, Level 3, 37 Bligh Street, Sydney, NSW 2000.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements comprise the financial statements of the Trust and its subsidiary, RNY Australia LPT Corporation (the 'US REIT'), together known as the 'Group'.

The financial report is prepared in accordance with the historical cost convention except for investment properties that are held at fair value and debt financial assets and liabilities that are measured at amortised cost.

The financial report is presented in Australian dollars.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its controlled entities as at 31 December 2019. Information from the financial statements of the consolidated entity is included from the date the parent entity obtained control.

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.

(c) Significant Accounting Judgments, Estimates and Assumptions

(i) Significant Accounting Judgments

Management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

<u>*Accounting for Investment in US LLC*</u>

Under the control model established in Accounting Standard *AASB 10: Consolidated Financial Statements*, management has determined that the Group does not have control of its joint venture partner, RNY Australia Operating Company LLC ('the US LLC'), to be able to consolidate this entity. Accordingly, US LLC is accounted for using the equity method of accounting.

<u>*Classification of Leases as Operating Leases - Lessor*</u>

Space in each of the investment properties owned by US LLC is leased to third parties. US LLC retains all the significant risks and rewards of ownership of these properties and has accordingly classified the leases as operating leases.

2. Summary of Significant Accounting Policies (continued)

(c) Significant Accounting Judgments, Estimates and Assumptions (continued)
(ii) Significant Estimates and Assumptions

Leases – Estimating the Incremental Borrowing Rate
The US LLC has leased the ground on which one of its investment properties is built. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Going Concern
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. As at 31 December 2019, the Group's current liabilities exceeded current assets by $1,569,110, and the Trust does not have sufficient liquid assets nor does it generate sufficient free cash flows to meet its current and ongoing requirements. Given this, RNY and its consolidated subsidiary, US REIT, are reliant on continued access to adequate cash distributions or repayment of amounts receivable from the underlying investment in the US LLC, the joint venture investment, to settle the liabilities within the respective entities. Absent this, RNY is reliant upon the financial support provided by Aurora Funds Management Limited ACN 092 626 885 AFSL 222110 for an amount of $500,000 in addition to commitments by Aurora to defer payment of asset management fees and lenders not to call on any debt due and payable. This amount is considered to be sufficient to meet the current and ongoing obligations of the Trust for a period of 12 months from the date of these financial statements based on cash flow projections prepared by the Responsible Entity.

The US LLC has a debt facility that is due to mature in March 2020 (extended for 30 days from February 2020). All secured borrowings are non-recourse loans with exposure being limited to the properties pledged for each loan facility. The Responsible Entity is of the view that the US LLC will be able to refinance the expiring facility, however, there can be no guarantee that this will happen. Management will seek to extend, and improve conditions of, the loan with the lender or refinance the loan.

If the US LLC is not able to refinance the loan, then doubt may be cast over the US LLC's ability to pay cash distributions or repay liabilities due to the US REIT and RNY in order for RNY to realise its assets and discharge its liabilities in the ordinary course of business at the amounts stated in the financial report. Notwithstanding this, the directors are of the view that as at 31 December 2019, the US LLC will have sufficient liquidity to maintain distributions or repay liabilities to the US REIT and RNY in order to pay their debts as and when they fall due.

2. Summary of Significant Accounting Policies (continued)

(c) Significant Accounting Judgments, Estimates and Assumptions (continued)
(ii) Significant Estimates and Assumptions

Provision for Expected Credit Losses
In estimating the expected credit loss (‘ECL’) provision, the underlying risks of the financial asset are considered. The expected credit losses for financial assets at amortised cost are calculated by considering the credit rating of the borrower to determine the probability of default, loss given default and the exposure at default:

- Probability of default is the likelihood of a default happening and is based on external market evidence of default rates.
- Loss given default is the percentage that could be lost in the event of default. Where the loan is unsecured a higher proportion of the outstanding balance may be assumed.
- Exposure at default is the outstanding balance of the loan. Loan balances have initially been recorded at net present value, which includes an assumption of the appropriate discount rate.

The probability of default, loss given default and the exposure at default are significant estimates. The Group’s assessment of the probability of default, loss given default and the exposure at default may not be representative of actual default in the future.

Fair Value Measurements
The carrying amounts of certain assets and liabilities are often based on estimates and assumptions of future events. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period apart from the fair value of investment properties held by US LLC – refer Note 2(k) and Note 5.

(d) Provision for Distribution
A provision for distribution is recognised in the Balance Sheet if the distribution has been declared or publicly recommended on or before balance date.

(e) Cash and Cash Equivalents
Cash at bank and short-term deposits are stated at nominal values. For the purpose of the Statement of Cash Flows, cash includes deposits at call, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(f) Trade and Other Receivables
Trade receivables are recorded at fair value less a provision for impairment. The carrying value of the trade receivable approximates their fair values, as a result of their short-term nature. Impairment is calculated by measuring the expected credit loss. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The calculation is based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

(g) Creditors and Accruals
Liabilities are recognised for amounts to be paid in the future for services received, whether or not billed. Creditors are normally settled within 30 days. Liabilities for creditors are classified and measured at amortised cost.

(h) Borrowing Costs
All borrowing costs are expensed in the period in which they occur as the Group and the joint venture do not hold qualifying assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of Significant Accounting Policies (continued)

(i) Investments in Controlled Entities

The Trust's direct investment in its subsidiary, the US REIT, is carried at cost in the parent entity, less any adjustment for impairment. Balances and transactions between the Trust and US REIT have been eliminated in preparing the consolidated financial statements.

(j) Investments in Joint Ventures

The Trust holds an indirect investment in its joint venture, the US LLC, through its subsidiary, the US REIT. The US LLC is a joint venture in which the Trust has joint control and is accounted for using the equity method of accounting in the consolidated financial statements.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since acquisition date.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the joint venture. Any change in the Other Comprehensive Income of the investee is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises a share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss from continuing operations after tax of the joint venture is shown on the face of the Statement of Comprehensive Income as "Share of net gain/(loss) of US LLC". The joint venture's share of other comprehensive income or loss is detailed in Note 4(b) to these accounts.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is evidence, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in calculating the "Share of net gain/(loss) of US LLC" in the Statement of Comprehensive Income.

2. Summary of Significant Accounting Policies (continued)

(k) Investment Properties held by Joint Venture

The joint venture's investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the carrying value of the associate. Notwithstanding, the directors of the US REIT and the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure that the carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, the relevant assets are adjusted to their fair value. The joint ventures properties held for sale are carried either at contracted sales price where a contract for sale has been entered into or at fair value as detailed above where no contract for sale exists.

The prime valuation methodology used by the property valuers in determining fair value, is to discount the expected net cash flows to their present value using a market determined risk-adjusted discount rate applicable to the respective asset. Changes in fair value of an investment property are recorded in the Statement of Comprehensive Income as part of the share of net income or loss from the US LLC. At 30 June 2019, independent valuations were obtained for the joint venture's five investment properties. The Responsible Entity has determined that this valuation plus capital improvements is appropriate as at 31 December 2019.

Expenditure capitalised to properties include the costs of acquisition, capital and refurbishment additions. Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset. The buildings and components thereof (including plant and equipment) are not depreciated.

(l) Recognition of Operating Leases in the Joint Venture
AASB 16 *Leases* replaced AASB 117 *Leases* for all financial years commencing after 1 January 2019, removing the distinction between operating and financing leases. Primarily impacting the accounting by lessees, the new standard requires the recognition of almost all leases on the Balance Sheet. The Group has adopted this standard from 1 January 2019 and applied the simplified approach, which does not require restatement of comparative information. The key changes of this standard that have impacted the accounting policies are summarised below:
(i) Recognition of Operating Leases on the Balance Sheet
From 1 January 2019, the US LLC has recognised right-of-use assets offset by corresponding lease liabilities recognised in respect of its rented premises from the date at which the premise became available for use by the US LLC. The assets and liabilities arising from the operating leases are initially measured on a present value basis.

The lease liabilities as at the commencement date include the net present value of the following lease payments:

- Any fixed payments less any lease incentives received/receivable;
- Variable lease payments based on an index or rate, initially measured using that index or rate at commencement;
- Amount expected to be payable by the US LLC under a residual value guarantee;
- Payments of penalties for termination of the lease, if the lease term reflects the US LLC exercising the renewal option;
- Exercise price of a purchase option if the US LLC is reasonably certain to exercise that option; and
- Restoration costs.

The associated right-of-use assets for the properties were measured at the amounts equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised on the Balance Sheet as at 31 December 2019.
2. Summary of Significant Accounting Policies (continued)

(l) Recognition of Operating Leases in the Joint Venture (continued)
(ii) Recognition of Operating Leases on the Statement of Comprehensive Income

As the right-of-use assets exist in respect of the land on which the US LLC's building is located, the right-of-use assets are not depreciated. The right-of-use asset held by the US LLC may be subsequently adjusted for any re-measurement or lease modifications identified, or to reflect revised in-substance fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease or, where that is not available, by using the lessee's incremental borrowing rate payable to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Under the new standard, the lease payments are allocated between the principal and finance cost. The operating expense in respect of lease payments in the Statement of Comprehensive Income account has been replaced by the finance cost, calculated by applying the incremental borrowing rate on the remaining balance of the lease liability, and the depreciation cost of the right-of-use asset. This has typically resulted in higher expenses in earlier years and lower expenses in later years with flow on impacts to key metrics like EBITDA. Operating cash flows in the Statement of Cash Flows are higher under this standard as only the finance component is treated as an operating expense while the principal payment has been treated as a financing cash outflow.

(m) Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss. At 31 December 2019, the Group has classified its financial assets at amortised cost. The Group initially measures a financial asset at its fair value plus transaction costs for those financial assets that are subsequently measured at amortised cost.

Financial Assets at Amortised Cost (Debt Instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of Financial Assets
The Group recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of Significant Accounting Policies (continued)

(m) Financial Instruments – Initial Recognition and Subsequent Measurement (continued)
Impairment of Financial Assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

(n) Financial Liabilities
Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent Measurement
The measurement of financial liabilities depends on their classification as either loans and borrowing or as financial liabilities at fair value through profit or loss. The Group has not designated any financial liability as at fair value through profit or loss.

De-recognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income. For non-substantial modifications, the net present value of the modified debt is calculated using the original effective interest rate, and any difference is recognised immediately in the Statement of Comprehensive Income.

Loans and Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The category generally applies to interest- bearing loans and borrowings.

2. Summary of Significant Accounting Policies (continued)

(o) Impairment of Assets
The directors of the Responsible Entity, US REIT and US LLC 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 written down to its recoverable amount.

(p) Foreign currencies
Translation of Foreign Currency Transactions
The functional and presentation currency of the parent entity is Australian dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the reporting date. At 31 December 2019, a spot rate of A$1.00 = US$0.70 was used (31 December 2018: A$1.00 = US$0.70).

Exchange differences arising from amounts payable and receivable are treated as operating revenue or expense in the period in which they arise.

Translation of Financial Reports of Foreign Operations
The functional currency of RNY's controlled entity and equity accounted investment is United States dollars.

As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of RNY at the rate of exchange ruling at the balance sheet date and the Statement of Comprehensive Income is translated at the average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve.

(q) Revenue
Rental Income in the Joint Venture
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Other Revenue in Controlled Entity (Forgiveness of Asset Management Fees)
Other revenue relates to recovery of expenses recognised in the prior period and recognised in the period they are recovered.

(r) Earnings Per Unit ('EPU')
Basic EPU is calculated as net profit attributable to members divided by the weighted average number of ordinary units. Diluted EPU is calculated as the net profit attributable to members divided by the weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units. RNY has no dilutive potential ordinary units therefore its basic and diluted EPU are the same.

2. Summary of Significant Accounting Policies (continued)

(s) Taxes

Goods and Services Tax

Revenues, expenses and assets (with the exception of receivables) are recognised net of the amount of Goods and Services Tax ('GST') to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition, or as an expense. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the taxation authority is included in the Balance Sheet as a receivable or a payable.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Income Tax

Under current Australian tax legislation, the Trust is not liable to pay Australian income tax provided its taxable income and taxable realised gains are fully distributed to unitholders.

Under the US Internal Revenue Code, US REIT has elected to be taxed as a Real Estate Investment Trust ('REIT'), and on this basis, US REIT should not be subject to US federal income taxes to the extent that it distributes annually all of its taxable income and capital gains to its shareholders. In order to maintain its qualification as a REIT, US REIT must distribute at least 90% of its taxable income (net of capital gains) to its shareholders annually.

Under current Australian tax legislation, unitholders of RNY may be entitled to receive a foreign tax credit for United States withholding tax deducted from dividends and interest paid to RNY by US REIT.

The Trust may realise a capital gain or loss on sale or transfer of its US investments that may attract a US tax liability. If a capital gain is distributed, a US withholding tax liability may arise and give rise to a foreign tax credit which may be available to Australian unitholders.

A deferred tax liability or asset must be recognised based on movements in the carrying value and tax cost base of investment property assets, with any movements reflected in the Statement of Comprehensive Income as a tax expense or benefit. The US tax rate of 15% is applicable for the valuation uplift on such investment property assets which are held for use.

(t) Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of ordinary units are recognised directly in equity as a reduction of the unit proceeds received.

3. Other Financial Assets - Related Parties

	Note	Consolidated 2019 $	2018 $
Financial Assets at Amortised Cost:			
Current			
Trade debtor – related party		-	3,127
Amounts owing from related parties	19	851,589	761,589
		851,589	764,716
Allowance for expected credit loss		(202,601)	(177,053)
Total Current		**648,988**	**587,663**

During the prior year, the Trust lent funds to the US LLC totalling AUD$750,000. Interest is charged at 12% of the daily loan balance. The loan is unsecured and was repayable on 15 November 2019. During the year ended 31 December 2019, the repayment date was extended to 1 July 2020. As at 31 December 2019, total loan funds of AUD$750,000 and total interest of AUD$101,589 is receivable from the US LLC by the Trust (31 December 2018: loan funds of AUD$750,000 and total interest of AUD$11,589).

	Note	2019 $	2018 $
Non-Current			
Trade debtor – related party		143,394	143,035
Amount owing from related party – amortised cost	19	3,960,559	3,510,645
		4,103,953	3,653,680
Allowance for expected credit loss		(937,593)	(798,692)
Total Non-Current		**3,166,360**	**2,854,988**

During the prior year ended, the US REIT provided funds to US LLC totalling AUD$6,094,678 at nil interest rate. The loan is unsecured and is repayable on 30 August 2023. The loan was adjusted to fair value on initial recognition using the effective interest rate of 12% p.a. with the difference reclassified to the carrying value of the investment in the US LLC. Interest of $447,065 using the effective interest rate was recognised on the loan for the year ended 31 December 2019 (31 December 2018: $140,072). As at 31 December 2019, total interest of $587,137 using the effective interest rate had been recognised on the loan.

Set out below is the movement in the allowance for expected credit losses of Other Financial Assets – Related Parties. The expected credit loss has been determined using a 12 month ECL as there has been no significant increase in credit risk since initial recognition.

	2019 $	2018 $
As at 1 January	975,745	-
Provision for expected credit losses	164,449	975,745
As at 31 December	**1,140,194**	**975,745**

	Note	Consolidated 2019 $	2018 $
4. Investments in Joint Venture			
Investment in joint venture		**11,109,842**	**2,445,607**

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 31 December 2019 owned 5 office properties (31 December 2018: 5 office properties) in the New York Tri-State area. The owner of the remaining 25% interest is an affiliate of Aurora Funds Management Limited ('Aurora'). Aurora (ACN 092 626 885, AFSL 222110) is the responsible entity of the Aurora Property Buy-Write Income Trust ('the Aurora AUP Trust') which is the Trust's largest unitholder with 67% of the Trust's units (with a further 14% owned by other Aurora Funds).

Through the above structure, RNY (through the US REIT) and Aurora exercise joint control over the property investments held in the US LLC.

The Group has adopted the equity method of accounting for its investment in the US LLC.

(a) Summarised Statement of Investment Held in the US LLC
The following table illustrates summarised financial information relating to the investment in the US LLC:

	Note	Consolidated 2019 $	2018 $
Movements in carrying amounts			
Carrying amount at the beginning of the year		2,445,607	1,053,668
Distributions received		-	(1,219,010)
Share of profit/(loss) of joint venture		8,617,504	(352,428)
Investment in joint venture entities		-	2,884,045
Effect of changes in exchange rates		46,731	79,332
Carrying amount at the end of the year		**11,109,842**	**2,445,607**

4. Investments in Joint Venture (continued)

(a) Summarised Statement of Investment Held in the US LLC (continued)

	Note	Consolidated 2019 $	2018 $
Balance Sheet of US LLC		*@ 100%*	*@ 100%*
Current assets			
Cash and cash equivalents (i)		4,832,830	4,532,244
Trade and other receivables		406,006	241,186
Other current assets		821,414	1,237,375
		6,060,250	6,010,805
Non-current assets			
Investment properties		116,489,761	97,627,148
Other non-current assets		2,897,798	-
		119,387,559	97,627,148
Total Assets		**125,447,809**	**103,637,953**
Current liabilities (ii)		102,174,373	90,880,162
Non-current liabilities		8,862,993	9,905,989
Total Liabilities		**111,037,366**	**100,786,151**
Equity of US LLC		**14,410,443**	**2,851,802**
		75%	**75%**
Proportion of the Group's ownership			
Group's ownership share @ 75%		10,807,832	2,138,851
Additional investment by RNY(iii)		302,010	306,756
Carrying amount of the investment		**11,109,842**	**2,445,607**

(i) Certain cash included above is subject to control by certain lenders. Refer to Note 4(d) for further details.

(ii) Included in this balance is a loan due to ACORE of $89,713,733 (31 December 2018: $85,410,629). 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 was extended to February 2020 and has been extended for a further 30 days to March 2020 under the Loan Extension, contains four (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. In addition, the ACORE Loan is subject to customary financial covenants.

All secured borrowings are non-recourse loans with exposure being limited to the properties pledged for each loan facility.

(iii) Relates to reclassification of fair value adjustment to loan on initial recognition on the loan between US LLC and its related parties.

4. Investments in Joint Venture (continued)

(b) Summarised statement of comprehensive income of US LLC

	Consolidated	
	2019	**2018**
	$	**$**
	@ 100%	*@ 100%*
Revenue & other income		
Rental income from investment properties	19,944,035	19,461,005
Gain on investment property revaluations	16,098,193	-
Gain on debt modification	-	6,005,971
Other income	1,325,868	1,199,664
Total revenue	37,368,096	27,097,363
Expenses		
Property expenses	(14,757,691)	(14,782,775)
Borrowing costs	(8,376,989)	(9,602,809)
Loss from investment property revaluations	-	(157,380)
Other expenses	(2,743,411)	(2,593,580)
Total expenses	(25,878,091)	(27,136,544)
Net profit/(loss) of US LLC before income tax	**11,490,005**	**(469,904)**
Income tax expense	-	-
Net profit/(loss) from continuing operations after income tax	**11,490,005**	**(469,904)**
Other comprehensive income – recyclable		
Gain on financial instrument hedge (net of tax)	**-**	**-**
Total comprehensive profit/(loss) for the year	**11,490,005**	**(469,904)**
Proportion of the Group's ownership:	**75%**	**75%**
Group's share of profit/(loss) of US LLC for the year	8,617,504	(352,428)
Group's share of other comprehensive gain for the year	-	-
Group's share of profit/(loss) for the year	**8,617,504**	**(352,428)**

(c) Commitments and contingencies of joint venture

(i) Capital Commitments

As at 31 December 2019, the US LLC had eight commitments to complete landlord works under a tenant lease. The value of the works to be undertaken were US$1,917,718 (AUD$2,739,596) (31 December 2018: US$391,188, (AUD$555,095)). No other future capital commitments existed at balance date (31 December 2018: $Nil).

(ii) Contingent liabilities

The US LLC had no contingent liabilities existing at balance date (31 December 2018: $Nil).

4. Investments in Joint Venture (continued)

(d) Current funding of Joint Venture

At 31 December 2019, with regards to the ACORE Loan, the US LLC held the following amounts in cash.

US LLC Cash held	US $ @ 100% 2019	US $ @ 100% 2018	AUD $ @ 100% 2019	AUD $ @ 100% 2018
Lender controlled cash account (i)	508,383	693,871	723,203	984,602
Lender controlled reserve accounts (ii)	1,814,355	1,316,874	2,581,022	1,868,643
Tenant security deposits	955,402	1,022,025	1,359,113	1,450,253
Unrestricted cash	119,146	161,202	169,492	228,746
Total	**3,397,286**	**3,193,972**	**4,832,830**	**4,532,244**

(i) The lender controlled cash account is used to fund operating expenses, debt service and reserve accounts on a monthly basis.

(ii) The lender controlled reserve accounts are used to fund real estate taxes, insurance, capital improvements and tenanting costs.

5. Share of US LLC's Properties

	Consolidated 2019 $	2018 $
	@ 100%	*@ 100%*
Investment properties – at fair value	116,489,761	97,627,148
Total Investment Properties	**116,489,761**	**97,627,148**
	75%	**75%**
Proportion of the Group's ownership		
Group's ownership share @ 75%	87,367,320	73,220,361
Investment properties held in equity accounted investments	**87,367,320**	**73,220,361**

All of the joint venture's properties are pledged as security for the joint venture's borrowings.

5. Share of US LLC's Properties (continued)

Property Address	Date of Acquisition	Region	Fair Value At 31 Dec 19 @75% US $ (i)	Fair Value At 31 Dec 18 @75% US $ (ii)		Fair Value At 31 Dec 19 @75% AUD $ (i)	Fair Value At 31 Dec 18 @75% AUD $ (ii)
Investment Properties							
55 Charles Lindbergh Blvd, Long Island	21 Sep 05	Long Island	19,200,000	17,325,000		27,313,076	24,584,162
560 White Plains Rd, Westchester County	21 Sep 05	Westchester	5,100,000	3,675,000		7,255,036	5,214,822
6800 Jericho Turnpike, Long Island	6 Jan 06	Long Island	15,975,000	14,625,000		22,725,333	20,752,864
6900 Jericho Turnpike, Long Island	6 Jan 06	Long Island	9,300,000	6,900,000		13,229,771	9,791,095
580 White Plains Rd, Westchester County	6 Oct 06	Westchester	10,275,000	9,075,000		14,616,763	12,877,418
Improvements to investment properties			1,565,732	-		2,227,341	-
Total Investment Properties			**61,415,732**	**51,600,000**		**87,367,320**	**73,220,361**
Total share of US LLC's Properties			**61,415,732**	**51,600,000**		**87,367,320**	**73,220,361**

(i) CBRE Group Inc. performed appraisals for the five joint venture's properties at 20 August 2019. The Responsible Entity has determined that these valuations plus capital improvements are appropriate valuations as at 31 December 2019.

(ii) Cushman and Wakefield performed appraisals for the five joint venture's properties at 30 June 2018. The Responsible Entity has determined that these valuations were appropriate as at 31 December 2018.

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

Region	Market Capitalisation Rate		Discount Rate	
	31 Dec 19	**31 Dec 18**	**31 Dec 19**	**31 Dec 18**
Westchester	8.00%	10.00%	11.17%	12.00%
Long Island	7.37%	7.89%	8.18%	8.67%

Sensitivity analysis

The joint venture's properties are susceptible to changes in the discount rates used in the property valuation process.

A small increase in these discount rates could lead to a material decrease in property value and a consequential decrease in the net profit and equity of the Group. A small decrease in these rates could lead to a material increase in property values and a consequential increase in the net profit and equity of the Group.

	Consolidated 2019 $	2018 $
6. Trade and Other Payables		
Other creditors & accruals	481,404	542,795
Owing to related party – Huntley Custodians Ltd	-	4,679
Owing to related party – Huntley Management Ltd	320	-
Owing to related party – Aurora Funds Management Ltd	600,016	181,717
	1,081,740	**729,191**

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

7. Interest Bearing Loans and Borrowings

	2019 $	2018 $
Current		
Borrowings	1,002,083	761,380
Amount owing to related party	175,726	-
Total Current	**1,177,809**	**761,380**
Non-Current		
Amount owing to related party	125,914	112,828
Total Non-Current	**125,914**	**112,828**

On 15 November 2018, the Trust borrowed funds from an external party totalling AUD$750,000. During the year ended 31 December 2019, additional funds of $241,973 were borrowed from the external third party. Interest is charged at 12% of the daily loan balance. The loan is secured and was repayable on 15 November 2019. During the year ended 31 December 2019, the repayment date was extended to 1 July 2020. As at 31 December 2019, total loan funds of AUD$991,973 and total interest payable of AUD$10,110 is accrued (31 December 2018: loan funds of AUD$750,000, interest payable AUD$11,380).

During the year ended 31 December 2019, RNY received funds totalling AUD$175,726 from Aurora Funds Management Limited to fund working capital. No interest is payable on these funds.

On 2 July 2018, RNY received US$75,000 (AUD$106,425) from the Aurora Property Buy-Write Income Trust. The principal and accrued interest is repayable on 2 July 2023. Interest is accrued on the daily balance of the loan at a rate of 12% p.a.

8. Reserves

	2019 $	2018 $
Foreign currency translation reserve	2,174,359	2,147,120
	2,174,359	**2,147,120**
Movement in foreign currency translation reserve (i)		
Balance at the beginning of the year	2,147,120	1,387,558
Gain on translation of controlled foreign entities	27,239	759,562
Balance at end of the year	**2,174,359**	**2,147,120**

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

9. Earnings Per Unit

	Consolidated 2019 Cents	2018 Cents
Basic and diluted earnings per unit	3.13	(0.57)

Earnings per unit are calculated by dividing the net loss attributable to unitholders for the year by the weighted average number of ordinary units on issue during the year. The weighted average number of units used in the calculation of earnings per unit is 263,413,889 (31 December 2018: 263,413,889).

10. Net Asset Backing Per Unit

	Consolidated 2019 $	2018 $
Net asset backing per unit	$0.05	$0.02

Net asset backing per unit is calculated by dividing the equity attributed to unitholders of RNY by the number of ordinary units on issue being 263,413,889 units

11. Subsequent Events

On 25 February 2020, the HHY Fund announced a capital raising of $3.25 million. Aurora acts as responsible entity of the HHY Fund. The proceeds from the HHY Fund capital raising are to be used to provide debt financing to the Group. The key terms of the proposed debt financing are a term of five years, interest rate of 15.0%, interest payable at maturity and the debt will be subordinated to the senior lenders of the Group. The Group will use the HHY Fund debt financing to repay short-term funding, support working capital requirements and fund market-based tenant incentives in the US LLC.

12. Compliance Statement

(i) This Preliminary Financial Report has been prepared in accordance with the Australian Stock Exchange listing rules.

(ii) This report and the financial statements upon which the report is based use the same accounting policies.

(iii) This report is based on financial statements that have not been audited and there is no audit report attached. The audit report is likely to contain an emphasis of matter referring to the Summary of Significant Accounting Policies, Significant Estimates and Assumptions included in Note 2(c)(ii), of this financial report namely that the parent entity RNY Property Trust is reliant on financial support from Aurora to provide sufficient liquidity to pay its debts as and when they fall due.