# RNY Property Trust

ARSN 115 585 709

# Financial Report
# For the Year Ended 31 December 2011

# RNY PROPERTY TRUST
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The directors of RNY Australia Management Limited ("RAML"), the Responsible Entity of RNY Property Trust ("RNY" or the "Trust"), present their report together with the financial report of the Trust and its controlled entities, together known as the "Group", for the year ended 31 December 2011.

**Directors**
The names of the persons who served on the Board of Directors of the Responsible Entity (the "Board") at any time during or since the end of the financial year are:

Scott Rechler
Michael Maturo
Jason Barnett
Philip Meagher
Mervyn Peacock
William Robinson

Details of director's qualifications, experience and special responsibilities together with details of meetings held and attendances are contained in the Corporate Governance section of the Annual Report.

RNY Australia Management Limited, the Responsible Entity is incorporated in Australia and has its principal place of business at 19 Martin Place, MLC Centre, Level 56, Sydney, NSW 2000.

**Company Secretary of the Responsible Entity**
Mr Francis Sheehan
Degree in Law, Bachelor of Science
17 years experience in legal and compliance matters

**Relevant Interests in the Trust**
At the date of this report, the interests of the directors, held directly or indirectly, in the Trust were:

| | Units |
|---|---|
| Scott Rechler | 51,252,240* |
| Michael Maturo | 51,252,240* |
| Jason Barnett | 51,252,240* |
| Philip Meagher | 60,000 |
| Mervyn Peacock | 70,000 |
| William Robinson | - |

The directors are not party to any contract to which the directors may be entitled to a benefit that confers a right to call for or deliver interests in the Trust.

* These units are held by an entity which is controlled by Scott Rechler, Michael Maturo and Jason Barnett.

**Principal activity**
The Trust is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 56, MLC Centre, 19 Martin Place, Sydney, NSW 2000. 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 31 December 2011 owned 24 office properties and one (1) warehouse property currently held for sale (2010: 24 office properties and 1 warehouse property held for sale) in the New York Tri-State area. The principal activity during the financial year has been in investing into the commercial office markets of the New York Tri-State area in the United States (US), which is in accordance with the stated investment strategy as set out in the Product Disclosure Statement dated 15 August 2005. There has been no change in the Trust's activities during or since the end of the financial year.

**Distributions**
No distributions were paid to unitholders for the year ended 31 December 2011 and no provision for distribution has been recognised in the financial statements.

The Trust suspended distributions after the payment of the final distribution for the year ended 31 December 2008.

**Funding**
The US LLC is in the final documentation stages of a discounted pay-off and refinancing of the US LLC's US$196.1 million CMBS loan (the "CMBS Loan") which matured in September 2010. The US$196.1 million loan is secured by 9 properties (the "Properties") valued at US$195.6 million as of 31 December 2011. The closing of such transaction is expected imminently, but there can be no assurances that such closing will occur.

Based on the loan documents as at the date of this report, the new financing will consist of a 5-year US$123 million senior bank loan with an interest rate of LIBOR plus 3.95% (the "Senior Bank Loan") and a 5-year US$36 million mezzanine loan expected to accrue interest at a rate of 13% per annum, with pay rates of 6% during year 1, 8% during year 2 and 13% thereafter (the "Mezzanine Loan"). The Mezzanine Loan lender will have the right to receive additional interest equal to 15% of the net residual cash flow from the Properties, after an amount that provides the borrower an annual internal rate of return ("IRR") of 15% on any new equity invested in the Properties, up to a cap of 16.5% IRR on the total Mezzanine Loan. The proceeds from the Senior Bank Loan and Mezzanine Loan will be used to pay-off the discounted CMBS Loan.

Based on the loan documents as at the date of this report, the Senior Bank Loan will require monthly payments of principal and interest based upon a 30-year amortization term. The Senior Bank Loan will mature in 5 years. The Mezzanine Loan will require payments of interest only and also matures in 5 years. The Senior Bank Loan will be recourse only to the same nine Properties which served as collateral for the CMBS Loan.

With regards to the US LLC's US$51.5 million CMBS mortgage debt that matured in October 2010, the US LLC has continued discussions with the CMBS Special Servicer related to an extension and/or restructuring of such loan and continues to pay interest on a current basis. The US$51.5 million loan is secured by 3 properties valued at US$55.6 million as of 31 December 2011. There can be no assurances that the US LLC will be able to refinance or extend this loan. Such mortgage debt is recourse only to the properties which serve as collateral for such loan.

**Review of Operations**

**Results**
The consolidated loss of the Group is presented in the Statement of Comprehensive Income. Net loss attributable to the members of the Group for the year ended 31 December 2011 was $10,014,836 (2010: Loss $25,385,455).

**Significant changes in the state of affairs**
In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

**Matters subsequent to the end of the financial year**
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, or the results of those operations, or the state of affairs of the Group, in future financial years.

**Likely developments and expected results of operations**
Further information on likely developments in the operations of the Trust and the expected result of these operations has not been included in this report because the responsible entity believes it is likely to result in unreasonable prejudice to the Trust.

**Units on issue**
The Trust had 263,413,889 fully paid units on issue at 31 December 2011 (31 December 2010: 263,413,889 fully paid units).

**Trust Assets**
At 31 December 2011, the Trust held total assets of $477.167 million (2010: $483.399 million). The basis for valuation of these assets is disclosed in Note 2 of the financial statements.

**Fees paid to the Responsible Entity**
Asset Management Fees amounting to $305,026 (2010: $451,373) were paid to the Responsible Entity for the year. The Responsible Entity was also reimbursed for expenses amounting to $129,430 (2010: $114,770) for the year ended 31 December 2011.

**Interests of Responsible Entity**
The Responsible Entity held no units in the Trust at the year end.

**Indemnification and Insurance of Officers and Auditors**
During the years ended 31 December 2011 and 2010 the Trust was charged for insurance premiums incurred by the Responsible Entity in relation to an insurance policy which provides cover to directors and officers of the Responsible Entity. So long as the officers of RAML act in accordance with the Trust Constitution and the Law, the officers remain 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. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

**Rounding of Amounts**
Amounts in the financial report and the Directors' Report have been rounded to the nearest thousand dollars per ASIC 98/0100**.** The Trust is an entity to which the class order applies.

**Corporate Governance**
The directors of the Responsible Entity support the principles of corporate governance. The Responsible Entity's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

**Board Committees**
At the date of this report, the Responsible Entity had an Audit and Risk Management Committee and a Compliance Committee. The responsibilities of these committees are described in the Corporate Governance Statement included in the Annual Report.

**Auditor Independence and Non-audit Services**
A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 immediately follows this report.
Details of non-audit services provided by the Trust's auditor, Ernst & Young (E&Y) are set out in Note 28 to the financial statements. The directors are satisfied that the provision of non-audit services provided by E&Y as the external auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided did not compromise the auditor independence requirements of the Corporations Act.

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

/s/ Philip Meagher
Philip Meagher, Director
Dated this 29th day of March 2012 in Sydney

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## Auditor's Independence Declaration to the directors of RNY Australia Management Limited, the Responsible Entity of RNY Property Trust

In relation to our audit of the financial report of RNY Property Trust for the financial year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Conroy
Partner
29 March 2012

## Statement of Comprehensive Income
## year ended 31 December 2011

| | Note | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue and other income** | | | |
| Rental income from investment properties | 3 | 65,562 | 75,963 |
| Other income | | 2,390 | 2,281 |
| Interest income | | 4 | 3 |
| **Total revenue and other income** | | 67,956 | 78,247 |
| **Expenses** | | | |
| Property expenses | 4 | 34,887 | 39,559 |
| Borrowing costs | 5 | 26,752 | 25,099 |
| Loss from investment property revaluations | | 13,904 | 40,099 |
| Loss from revaluation of property held for sale | | 91 | - |
| Other investment property expenses | | 2,691 | 3,867 |
| Administration expenses | | 286 | 313 |
| Management fees | | 1,536 | 1,804 |
| Other expenses | | 369 | 368 |
| **Total expenses** | | 80,516 | 111,109 |
| **Loss from operations before income tax benefit** | | (12,560) | (32,862) |
| Income tax benefit | 6 | - | - |
| **NET LOSS FROM OPERATIONS AFTER TAX** | | (12,560) | (32,862) |
| **OTHER COMPREHENSIVE LOSS** | | | |
| Foreign currency translation loss (net of tax) | | (311) | (17,873) |
| **Other comprehensive loss for the year, net of tax** | | (311) | (17,873) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (12,871) | (50,735) |
| **Loss from operations after tax is attributable to:** | | | |
| Unitholders of RNY | | (10,015) | (25,385) |
| Non-controlling interest | | (2,545) | (7,477) |
| | | (12,560) | (32,862) |
| **Total comprehensive loss for the year is attributable to:** | | | |
| Unitholders of RNY | | (9,963) | (38,970) |
| Non-controlling interest | | (2,908) | (11,765) |
| | | (12,871) | (50,735) |
| Basic and diluted loss per unit from operations attributable to RNY Unitholders (cents) | 19(a) | (3.80) | (9.64) |

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

## Balance Sheet
## as at 31 December 2011

| | Note | Consolidated 31 Dec 11 $'000 | Consolidated 31 Dec 10 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 18(b) | 13,430 | 11,528 |
| Trade and other receivables | 7 | 878 | 1,568 |
| Other current assets | | 29 | 38 |
| | | 14,337 | 13,134 |
| Investment property held for sale | 8 | 1,384 | 1,476 |
| Total current assets | | 15,721 | 14,610 |
| **Non-current assets** | | | |
| Investment properties | 9 | 450,768 | 459,453 |
| Other non-current assets | 10 | 10,678 | 9,336 |
| Total non-current assets | | 461,446 | 468,789 |
| **Total assets** | | 477,167 | 483,399 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 19,684 | 11,784 |
| Secured borrowings – current | 12(a) | 243,796 | 243,630 |
| Total current liabilities | | 263,480 | 255,414 |
| **Non current liabilities** | | | |
| Secured borrowings – non current | 12(b) | 112,798 | 113,479 |
| Preferred shares | 13 | 123 | 123 |
| Total non-current liabilities | | 112,921 | 113,602 |
| **Total liabilities** | | 376,401 | 369,016 |
| **Net assets** | | 100,766 | 114,383 |
| **Unitholders' Equity** | | | |
| Units on Issue | 14 | 251,377 | 251,377 |
| Reserves | 15 | (39,898) | (39,950) |
| Accumulated deficit | | (136,848) | (126,833) |
| | | 74,631 | 84,594 |
| Non-controlling interest | | 26,135 | 29,789 |
| **TOTAL EQUITY** | | 100,766 | 114,383 |

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

# Cash Flow Statement
## year ended 31 December 2011

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 67,825 | 77,430 |
| Payments to suppliers | | (38,729) | (44,681) |
| Interest received | | 4 | 3 |
| Interest and borrowing costs paid | | (19,154) | (22,347) |
| **Net cash inflow from operating activities** | | 9,946 | 10,405 |
| **Cash flows from investing activities** | | | |
| Payments for property plant & equipment | | (4,766) | (5,895) |
| Payments for deferred leasing costs | | (1,389) | (2,091) |
| **Net cash outflow from investing activities** | | (6,155) | (7,986) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (761) | (660) |
| Distributions paid to minority shareholders | | (746) | (820) |
| **Net cash outflow from financing activities** | | (1,507) | (1,480) |
| **Net increase in cash and cash equivalents** | | 2,284 | 939 |
| Cash and cash equivalents at beginning of year | | 11,528 | 13,692 |
| Net foreign exchange differences | | (382) | (3,103) |
| **Cash and cash equivalents at end of year** | 18(b) | 13,430 | 11,528 |

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

| | Note | Units on Issue | Accumulated Deficit | Reserves | Owners of RNY | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|
| | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **CONSOLIDATED** | | | | | | | |
| **At 31 December 2009** | | 251,377 | (101,448) | (26,365) | 123,564 | 42,374 | 165,938 |
| Foreign currency translations taken to equity | 15 | - | - | (13,585) | (13,585) | (4,288) | (17,873) |
| Loss for the year | | - | (25,385) | - | (25,385) | (7,477) | (32,862) |
| **Total comprehensive loss for the year, net of tax** | | - | (25,385) | (13,585) | (38,970) | (11,765) | (50,735) |
| Distributions | | - | - | - | - | (820) | (820) |
| **At 31 December 2010** | | 251,377 | (126,833) | (39,950) | 84,594 | 29,789 | 114,383 |
| Foreign currency translations taken to equity | 15 | - | - | 52 | 52 | (363) | (311) |
| Loss for the year | | - | (10,015) | - | (10,015) | (2,545) | (12,560) |
| **Total comprehensive loss for the year, net of tax** | | - | (10,015) | 52 | (9,963) | (2,908) | (12,871) |
| Distributions | | - | - | - | - | (746) | (746) |
| **At 31 December 2011** | | 251,377 | (136,848) | (39,898) | 74,631 | 26,135 | 100,766 |

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

## 1. Corporate Information

The financial report of the Trust for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 29 March 2012.

The Trust was constituted on 2 August 2005. The Responsible Entity of the Trust is RNY Australia Management Limited ("RAML"). The Responsible Entity's registered office is at Level 56, MLC Centre, 19 Martin Place, Sydney, NSW 2000.

RNY Property Trust ("RNY" or the "Trust") is a trust limited by units incorporated in Australia. These units are publicly traded on the Australian Stock Exchange.

## 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 financial report is prepared in accordance with the historical cost convention except for investment properties that are held at fair value.

The financial report has been prepared on a going concern basis notwithstanding the net current deficiency of the Trust (refer Note 12(f).

The consolidated financial statements comprise the financial statements of the Trust and its subsidiary, RNY Australia LPT Corporation (US REIT), along with the US REITs investment in RNY Australia Operating Company LLC (the "US LLC") together known as the "Group".

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars per ASIC 98/0100.

### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

From 1 January 2011 the Trust has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2011. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Trust.

- AASB 124 (Revised) *Related party disclosures*

The following amending standards have also been adopted from 1 January 2011:

- AASB 2009-12 *Amendments to various Australian Accounting Standards and Interpretations.*
- AASB 2010-3 *Amendments to various Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2010-5 *Various amendments to Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB*.

## 2. Summary of Significant Accounting Policies (continued)

### (b) Statement of Compliance (continued)

Australian Accounting Standards ("AAS") and Interpretations that have recently been issued or amended but are not yet effective which may have an impact, but have not been adopted by the Group for the annual reporting period ended 31 December 2011 are as follows:

| Reference | Title | Summary | Application Date of Standard* | Impact on Group Financial Report | Application Date for Group* |
|---|---|---|---|---|---|
| AASB 9 | Financial Instruments | Simplify classification of financial instruments | 1 Jan 2013 | Refer note below** | 1 Jan 2013 |
| AASB 10 | Consolidated Financial Statements | Establishment of principles for the presentation and preparation of consolidated financial statements | 1 Jan 2013 | Refer note below** | 1 Jan 2013 |
| AASB 11 | Joint Arrangements | Establishment of principles for financial reporting by entities that have an interest in arrangements that are controlled jointly | 1 Jan 2013 | Refer note below** | 1 Jan 2013 |
| AASB 1054 | Additional Australian Disclosures | Australian specific disclosure requirements in addition to IFRS | 1 July 2011 | Refer note below** | 1 Jan 2012 |
| AASB 13 | Fair Value Measurement | Framework for measurement & disclosure of fair value | 1 Jan 2013 | Refer note below** | 1 Jan 2013 |
| AASB 2010-8 | Amendments to AAS – Deferred Tax | Framework for determination of deferred tax on investment properties | 1 Jan 2012 | Refer note below** | 1 Jan 2012 |
| AASB 2011-4 | Amendments to AAS to remove certain AASB 124 disclosure requirements | Amendments to remove individual key management personnel disclosure requirements from AASB 124 | 1 July 2013 | Refer note below** | 1 Jan 2014 |
| AASB 2011-5 | Amendments to AAS to extend relief from Consolidation, Equity Accounting & JV Accounting | Amendments to AASB 127, AASB 128 and AASB 131 to give relief from Consolidation, Equity Accounting and JV Accounting in certain circumstances | 1 July 2011 | Refer note below** | 1 Jan 2012 |
| AASB 2011-8 | Amendments to AAS arising from AASB 13 | Impact of AASB 13 changes on other accounting standards | 1 Jan 2013 | Refer note below** | 1 Jan 2013 |
| AASB 2011-9 | Amendments to AAS – Presentation of OCI items | Impact of Other Comprehensive Income presentation on various accounting standards | 1 July 2012 | Refer note below** | 1 Jan 2013 |

*Designates the beginning of the applicable annual reporting period

**At 31 December 2011 management is in the process of assessing the impact of the above Accounting Standards on the financial report. We will continue to assess the impact of future applicable standards and interpretations as they come into effect.

## 2. Summary of Significant Accounting Policies (continued)

### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at 31 December 2011. 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.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the consolidated Balance Sheet, separately from the equity of the RNY unitholders.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

### (d) Significant accounting judgements, estimates and assumptions

*(i) Significant accounting judgements*

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

*<u>Operating lease commitments</u>*

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

*(ii) Significant estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined 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 following assumptions:

Investment properties held by the US LLC – refer Note 2(k)
Properties held for sale – refer Note 2(k)

### (e) 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.

### (f) 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**.**

## 2. Summary of Significant Accounting Policies (continued)

### (g) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount, less a provision for any uncollectible debts.
The collectibility of debts is assessed on an ongoing basis and specific provision is made for any doubtful accounts when collection of the full amount is no longer probable. Bad debts are written off when identified.

### (h) 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 carried at the original invoice amount.

### (i) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, with the exception of certain loan establishment costs which are amortised over the life of the loan.
Borrowing costs include:

- Interest on bank overdrafts and short-term and long-term borrowings.
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

### (j) 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, the US REIT and the US LLC have been eliminated in preparing the consolidated financial statements.

### (k) Investment Properties

The Group'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 consolidated financial statements of the Group. Notwithstanding, the directors of 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 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. For assets which have not been externally valued at reporting date, a similar valuation methodology has been used by the directors of RAML. Changes in fair value of an investment property are recorded in the statement of comprehensive income.

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.

Investment properties held for sale are carried at fair value and classified as current assets in the balance sheet.

## 2. Summary of Significant Accounting Policies (continued)

### (l) 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 (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the reporting date. At 31 December 2011, a spot rate of A$1.00 = US$1.02 was used (31 December 2010: A$1.00 = US$1.02).

Exchange differences arising from amounts payable and receivable are treated as operating revenue or expense in the period in which they arise, except for a monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract and is translated at the exchange rate fixed in the contract.

*Translation of financial reports of foreign operations*

The functional currency of RNY's controlled entities 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.

### (m) Interest bearing loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

### (n) 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.

### (o) Revenue

Revenue from rents, interest and distributions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Rental income earned under leases with fixed increases is recognised in income on a straight line basis over the lease term.

## 2. Summary of Significant Accounting Policies (continued)

### (p) 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.

### (q) Taxes

*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 would be available to Australian unitholders

Under AIFRS, 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.

*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 Cash Flow Statement 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.

## 2. Summary of Significant Accounting Policies (continued)

### (r) Leasing fees

Costs that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are capitalised to the carrying value of the property and amortised on a straight line basis over the lease term.

### (s) Leasing Incentives

Lease incentives in the form of up-front payments, contributions to certain lessee costs, relocation costs and fit-outs that are offered in relation to the on-going operation of the property are recognised as part of the carrying value of the investment properties. The aggregate cost of incentives is amortised on a straight line basis over the lease term.

### (t) Impairment of Assets

The directors of the Responsible Entity, the US REIT and the 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.

### (u) Comparatives

Where necessary, comparative information has been reclassified to conform with changes in presentation in these financial statements.

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| **3. Rental income from investment properties** | | |
| Rental income and outgoings recoveries | 64,423 | 74,897 |
| Straight lining of rental income | 1,139 | 1,066 |
| | **65,562** | **75,963** |
| **4. Property expenses** | | |
| Property operating expenses | 21,295 | 24,632 |
| Real estate taxes | 13,452 | 14,770 |
| Ground rent | 140 | 157 |
| | **34,887** | **39,559** |
| **5. Borrowing costs** | | |
| Interest expense | 26,497 | 23,868 |
| Other finance costs | 255 | 1,231 |
| | **26,752** | **25,099** |
| **6. Income tax benefit** | | |
| **(a) Income tax benefit** | | |
| Deferred US withholding tax benefit | - | - |
| **(b) Reconciliation of withholding tax expense** | | |
| The prima facie tax on loss before tax expense is reconciled to the tax benefit provided in the financial statements as follows: | | |
| Net loss before tax benefit | (12,560) | (32,862) |
| Prima facie US withholding tax benefit at the US rate of 15% (2010: 15%) | (1,884) | (4,929) |
| Tax effect of amounts that are not assessable for withholding tax purposes | 1,884 | 4,929 |
| Tax effect of amounts subject to US withholding tax relating to fair value adjustments to properties | - | - |
| US withholding tax benefit | - | - |

Refer Note 17 for details of Deferred Tax Losses

## 7. Trade and other receivables

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Tenant receivables | 2,394 | 1,915 |
| Less: provision for impairment loss | (1,410) | (1,025) |
| | 984 | 890 |
| Accrued tenant escalations | (120) | 665 |
| Other receivables | 14 | 13 |
| | **878** | **1,568** |

Tenant receivables balances are held in the US LLC. They are non-interest bearing and generally payable on 30 day terms. The US LLC assesses the collectability of its accounts receivable related to base rents, tenant escalations and reimbursements and other revenue and provides for an impairment charge for uncollectible amounts based on historical bad debts, customer credit worthiness and current economic trends. An impairment loss of $A918,776 (2010: $A627,479) has been recognised by the US LLC for the current year. These amounts have been included in rental income from investment properties. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| At 1 January | 1,025 | 2,060 |
| Charge for the year | 919 | 627 |
| Amounts written off | (535) | (1,420) |
| Foreign exchange translation | 1 | (242) |
| | **1,410** | **1,025** |

At 31 December the ageing analysis of tenant receivables was as follows:

| | **0-30 days** | **31-60 days PDNI*** | **61-90 days PDNI*** | **+91 days PDNI*** | **+91 Days CI**** | **Total** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| 2011 year | 369 | 329 | 148 | 138 | 1,410 | 2,394 |
| 2010 year | 329 | 228 | 165 | 168 | 1,025 | 1,915 |

*Past due not impaired
(these amounts have been assessed as collectible by management)

**Considered impaired

Other receivables within trade and other receivables have subsequently been received when due.

## 8. Investment property held for sale – current asset

| Property Address | Date of Acquisition | Book Value At 31 Dec 11 US $'000 | Book Value At 31 Dec 10 US $'000 | Book Value At 31 Dec 11 AUD $'000 | Book Value At 31 Dec 10 AUD $'000 |
|---|---|---|---|---|---|
| 1155 Railroad Ave, Fairfield County | 26 Jun 07 | 1,406 | 1,500 | 1,384 | 1,476 |

During 2011, the US LLC entered into a contract for the sale of this property. The property's fair value has been adjusted to reflect the sales price net of estimated selling costs.

## 9. Investment Properties

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Investment properties at fair value | 450,768 | 459,453 |

The Trust has an interest in property investments, through the indirect holding of a 75% interest in the US LLC.

| | | |
|---|---|---|
| Included in the carrying value of investment properties are the following | | |
| Straight – line asset* | 11,124 | 10,122 |
| Lease commissions | 9,203 | 9,858 |
| Deferred revenues** | (3,842) | (3,660) |
| Total | 16,485 | 16,320 |

*Asset arising from recognising lease income, with fixed increases, on a straight line basis
**Liability related to receipt of cash in advance of lease obligations

(a) Reconciliation of carrying amounts
A reconciliation of the carrying amount of property investments at the beginning and end of the financial year is set out below:

| | | |
|---|---|---|
| Carrying amount at the start of the year | 459,453 | 555,156 |
| Fair value decrement | (13,904) | (40,099) |
| Capital additions | 4,766 | 5,895 |
| Other investment value | 154 | 744 |
| Foreign exchange gain/(loss) | 299 | (62,243) |
| Carrying amount at the end of the year | **450,768** | **459,453** |

At 31 December 2011, the investment portfolio occupancy rate was 80.5% (2010: 80.8%) with a weighted average lease expiry of 3.9 years (2010: 4.5 years). Certain of the Group's properties are pledged as security for the Group's borrowings. See note 12 for further details.

## 9. Investment Properties

The attached table shows details of property investments held through controlled entities as at 31 December 2011. Amounts are in US Dollars and Australian Dollars where indicated.

| Property Address | Date of Acquisition | Region | Book Value At 31 Dec 10 @100% US $'000 | Book Value At 31 Dec 11 @100% US $'000 | Latest Independent Appraisal[(i)] @100% US $'000 | Date of Latest Independent Appraisal | | Book Value At 31 Dec 10 @100% AUD $'000 | Book Value At 31 Dec 11 @100% AUD $'000 | Latest Independent Appraisal[(i)] @100% AUD $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 35 Pinelawn Rd, Long Island | 21 Sep 05 | Long Island | 16,000 | 15,300 | 15,300 | 31 Dec 11 | | 15,743 | 15,065 | 15,065 |
| 150 Motor Parkway, Long Island | 21 Sep 05 | Long Island | 29,900 | 27,800 | 33,400 | 31 Dec 09 | | 29,421 | 27,373 | 32,887 |
| 660 White Plains Rd, Westchester County | 21 Sep 05 | Westchester | 29,800 | 31,000 | 31,000 | 31 Dec 11 | | 29,322 | 30,524 | 30,524 |
| 100 Executive Dr, Nth New Jersey | 21 Sep 05 | New Jersey | 10,500 | 9,400 | 11,200 | 30 Jun 10 | | 10,332 | 9,256 | 11,028 |
| 100 Grasslands Rd, Westchester County | 21 Sep 05 | Westchester | 8,600 | 8,600 | 8,500 | 30 Jun 10 | | 8,462 | 8,468 | 8,369 |
| 80 Grasslands Rd, Westchester County | 21 Sep 05 | Westchester | 13,600 | 13,800 | 14,000 | 31 Dec 09 | | 13,382 | 13,588 | 13,785 |
| 200 Executive Dr, Nth New Jersey | 21 Sep 05 | New Jersey | 10,700 | 9,700 | 9,700 | 31 Dec 11 | | 10,529 | 9,551 | 9,551 |
| 492 River Rd, Nth New Jersey | 21 Sep 05 | New Jersey | 37,700 | 37,800 | 37,800 | 30 Jun 11 | | 37,095 | 37,219 | 37,219 |
| 225 High Ridge Rd, Fairfield County | 21 Sep 05 | Connecticut | 53,600 | 42,200 | 42,200 | 31 Dec 11 | | 52,740 | 41,552 | 41,552 |
| 300 Motor Parkway, Long Island | 21 Sep 05 | Long Island | 6,400 | 6,400 | 6,400 | 31 Dec 10 | | 6,297 | 6,302 | 6,302 |
| 505 White Plains Rd, Westchester County | 21 Sep 05 | Westchester | 2,900 | 2,900 | 2,900 | 31 Dec 10 | | 2,853 | 2,855 | 2,855 |
| 55 Charles Lindbergh Blvd, Long Island | 21 Sep 05 | Long Island | 35,042 | 35,000 | 35,000 | 31 Dec 11 | | 34,480 | 34,462 | 34,462 |
| 200 Broadhollow Rd, Long Island | 21 Sep 05 | Long Island | 10,300 | 9,900 | 10,300 | 31 Dec 10 | | 10,135 | 9,748 | 10,142 |
| 10 Rooney Circle, Nth New Jersey | 21 Sep 05 | New Jersey | 7,300 | 5,800 | 6,800 | 30 Jun 11 | | 7,183 | 5,711 | 6,696 |
| 560 White Plains Rd, Westchester County | 21 Sep 05 | Westchester | 16,200 | 16,400 | 16,400 | 30 Jun 11 | | 15,940 | 16,148 | 16,148 |
| 555 White Plains Rd, Westchester County | 21 Sep 05 | Westchester | 14,300 | 14,300 | 14,300 | 31 Dec 10 | | 14,071 | 14,080 | 14,080 |
| 6800 Jericho Turnpike, Long Island | 6 Jan 06 | Long Island | 28,100 | 27,200 | 28,100 | 31 Dec 10 | | 27,649 | 26,782 | 27,668 |
| 6900 Jericho Turnpike, Long Island | 6 Jan 06 | Long Island | 12,100 | 13,600 | 13,900 | 30 Jun 11 | | 11,906 | 13,391 | 13,686 |

## 9. Investment Properties (continued)

| Property Address | Date of Acquisition | Region | Book Value At 31 Dec 10 @100% US $'000 | Book Value At 31 Dec 11 @100% US $'000 | Latest Independent Appraisal[(i)] @ 100% US $'000 | Date of Latest Independent Appraisal | | Book Value At 31 Dec 10 @100% AUD $'000 | Book Value At 31 Dec 11 @100% AUD $'000 | Latest Independent Appraisal[(i)] @100% AUD $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 710 Bridgeport Ave, Fairfield County | 6 Jan 06 | Connecticut | 33,400 | 37,400 | 37,400 | 30 Jun 11 | | 32,865 | 36,826 | 36,826 |
| 580 White Plains Rd, Westchester County | 6 Oct 06 | Westchester | 18,500 | 23,500 | 18,500 | 31 Dec 10 | | 18,203 | 23,139 | 18,216 |
| 300 Executive Dr, Nth New Jersey | 6 Oct 06 | New Jersey | 14,200 | 14,200 | 14,200 | 31 Dec 10 | | 13,972 | 13,982 | 13,982 |
| 1660 Walt Whitman Rd, Long Island | 6 Oct 06 | Long Island | 13,600 | 13,300 | 12,900 | 30 Jun 11 | | 13,382 | 13,096 | 12,702 |
| 520 Broadhollow Rd, Long Island | 6 Oct 06 | Long Island | 11,600 | 11,600 | 11,300 | 30 Jun 10 | | 11,414 | 11,422 | 11,126 |
| 50 Marcus Drive, Long Island | 6 Oct 06 | Long Island | 32,600 | 30,700 | 33,000 | 30 Jun 10 | | 32,077 | 30,228 | 32,493 |
| | | | 466,942 | 457,800 | 464,500 | | | 459,453 | 450,768 | 457,364 |

(i) CB Richard Ellis, Inc. – Valuation and Advisory Services ("CBRE") performed appraisals for five of the Group's properties at 31 December 2011 as noted above. Internal appraisals were then performed at balance date on the remainder of the properties based on capitalisation rates advised by CBRE. In addition CBRE performed appraisals for the remainder of the Group's properties at the appraisal dates shown above.

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 |
|---|---|---|
| Westchester | 8.02% | 8.54% |
| Long Island | 7.91% | 9.00% |
| New Jersey | 8.84% | 9.52% |
| Connecticut | 8.73% | 8.84% |

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| **10. Other non-current assets** | | |
| Prepaid property expenses | 7,060 | 7,342 |
| Prepaid leasing costs | 523 | 560 |
| Prepaid mortgage costs | 1,455 | 1,434 |
| Other receivable | 1,640 | - |
| | **10,678** | **9,336** |

## 11. Trade and other payables

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Property trade creditors | 2,071 | 447 |
| Accrued property expenses | 14,336 | 8,110 |
| Security deposits | 2,692 | 2,630 |
| Other creditors and accruals | 498 | 457 |
| Owing to related parties | 87 | 140 |
| | **19,684** | **11,784** |

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

## 12. Secured Borrowings

**(a) Current secured borrowings:**

| Facility | US $'000 2011 | US $'000 2010 | AUD $'000 2011 | AUD $'000 2010 | Int Rate | Maturity Date |
|---|---|---|---|---|---|---|
| *Fixed rate commercial mortgages* | | | | | | |
| Tranche I mortgage | 196,068 | 196,068 | 193,056 | 192,923 | 5.20% | Sep 2010 |
| Tranche III mortgage | 51,532 | 51,532 | 50,740 | 50,707 | 5.20% | Oct 2010 |
| **Total** | **247,600** | **247,600** | **243,796** | **243,630** | | |

**(b) Non-current secured borrowings:**

| Facility | US $'000 2011 | US $'000 2010 | AUD $'000 2011 | AUD $'000 2010 | Int Rate | Maturity Date |
|---|---|---|---|---|---|---|
| *Fixed rate commercial mortgages* | | | | | | |
| Tranche II mortgage | 72,000 | 72,000 | 70,894 | 70,845 | 5.32% | Jan 2016 |
| Dec 2009 mortgage | 42,557 | 43,330 | 41,904 | 42,634 | 6.125% | Jan 2017 |
| **Total** | **114,557** | **115,330** | **112,798** | **113,479** | | |

## 12. Secured Borrowings (continued)

**(c) Assets pledged as security:**

The carrying amounts of assets pledged as security for current and non-current secured borrowings are:

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| **Non-current assets** | | |
| *Tranche I mortgage* | | |
| Investment properties | 192,596 | 207,026 |
| *Tranche II mortgage* | | |
| Investment properties | 120,322 | 121,364 |
| *Tranche III mortgage* | | |
| Investment properties | 54,746 | 56,873 |
| *Dec 2009 mortgage* | | |
| Investment properties | 83,104 | 74,190 |
| Total non-current assets pledged as security | **450,768** | **459,453** |

**(d) Terms and conditions relating to secured borrowings**

All secured borrowings were negotiated as non-recourse loans with exposure being limited to the properties pledged for each loan facility. There are no set-off arrangements involving the other assets of the Group. The above borrowings are not subject to any gearing covenants.

**(e) Fair values**

*Current borrowings*

The fair values of the current borrowings are calculated below.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Carrying Amount $'000** | **Fair Value $'000** | **Carrying amount $'000** | **Fair Value $'000** |
| Tranche I mortgage* | 193,056 | 193,056 | 192,923 | 192,923 |
| Tranche III mortgage* | 50,740 | 50,740 | 50,707 | 50,707 |
| | **243,796** | **243,796** | **243,630** | **243,630** |

The Tranche I and Tranche III mortgages matured in September and October 2010 respectively. The terms of the loan agreements allow for penalty interest at a rate of 3.0% above the fixed rate to be charged on the two mortgages from the loan maturity dates, however interest continues to be paid on these loans at the 5.2% fixed rate. Unpaid penalty interest has been accrued in the accounts.

The carrying value of these loans reasonably approximates their fair value at the end of the current year.

## 12. Secured Borrowings (continued)

### (e) Fair values (continued)

*Non-current borrowings*

The fair values of the non-current borrowings are calculated below by discounting the expected future cash flows at the prevailing market interest rate of 5.0% (2010: 5.0%).

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Carrying Amount $'000** | **Fair Value $'000** | **Carrying amount $'000** | **Fair Value $'000** |
| Tranche II mortgage | 70,894 | 71,738 | 70,845 | 71,876 |
| Dec 2009 mortgage | 41,904 | 44,074 | 42,634 | 45,199 |
| | **112,798** | **115,812** | **113,479** | **117,075** |

### (f) Funding

The US LLC is in the final documentation stages of a discounted pay-off and refinancing of the US LLC's US$196.1 million CMBS loan (the "CMBS Loan") which matured in September 2010. The US$196.1 million loan is secured by 9 properties (the "Properties") valued at US$195.6 million as of 31 December 2011. The closing of such transaction is expected imminently, but there can be no assurances that such closing will occur.

Based on the loan documents as at the date of this report, the new financing will consist of a 5-year US$123 million senior bank loan with an interest rate of LIBOR plus 3.95% (the "Senior Bank Loan") and a 5-year US$36 million mezzanine loan expected to accrue interest at a rate of 13% per annum, with pay rates of 6% during year 1, 8% during year 2 and 13% thereafter (the "Mezzanine Loan"). The Mezzanine Loan lender will have the right to receive additional interest equal to 15% of the net residual cash flow from the Properties, after an amount that provides the borrower an annual internal rate of return ("IRR") of 15% on any new equity invested in the Properties, up to a cap of 16.5% IRR on the total Mezzanine Loan. The proceeds from the Senior Bank Loan and Mezzanine Loan will be used to pay-off the discounted CMBS Loan.

Based on the loan documents as at the date of this report, the Senior Bank Loan will require monthly payments of principal and interest based upon a 30-year amortization term. The Senior Bank Loan will mature in 5 years. The Mezzanine Loan will require payments of interest only and also matures in 5 years. The Senior Bank Loan will be recourse only to the same nine Properties which served as collateral for the CMBS Loan.

With regards to the US LLC's US$51.5 million CMBS mortgage debt that matured in October 2010, the US LLC has continued discussions with the CMBS Special Servicer related to an extension and/or restructuring of such loan and continues to pay interest on a current basis. The US$51.5 million loan is secured by 3 properties valued at US$55.6 million as of 31 December 2011. There are no assurances that the US LLC will be able to refinance or extend this loan. Such mortgage debt is recourse only to the properties which serve as collateral for such loan.

## 13. Preferred Shares

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Preferred shares | **123** | **123** |

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 $US1,000 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.

## 14. Units on Issue

| | Consolidated 2011 Units | Consolidated 2010 Units |
|---|---|---|
| (a) Movements in ordinary units on issue | | |
| Units on issue at beginning of the year | 263,413,889 | 263,413,889 |
| Units issued during the year | - | - |
| Units on issue at the end of the year | 263,413,889 | 263,413,889 |

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| (b) Movement in issued equity | | |
| Issued equity at the beginning of the year | 251,377 | 251,377 |
| Movements in equity during the year | - | - |
| Issued equity at the end of the year | **251,377** | **251,377** |

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.

## 15. Reserves

| | | |
|---|---|---|
| Foreign currency translation reserve | **(39,898)** | **(39,950)** |
| *Movement in foreign currency translation reserve (i)* | | |
| Balance at the beginning of the year | (39,950) | (26,365) |
| Gain/(loss) on translation of controlled foreign entities | 52 | (13,585) |
| Balance at end of the year | **(39,898)** | **(39,950)** |

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

## 16. Distribution Statement

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Total comprehensive loss for the period attributable to unitholders of RNY | (9,963) | (38,970) |
| Adjusted for RNY share of: | | |
| Loss from investment property revaluations | 10,428 | 30,074 |
| Loss from revaluation of property held for sale | 68 | - |
| Straight lining of rental income | (854) | (799) |
| Mortgage cost amortisation | 199 | 998 |
| Leasing cost amortisation | 1,658 | 2,493 |
| Foreign currency translation (gain)/loss | (52) | 13,585 |
| **INCOME AVAILABLE FOR DISTRIBUTION** | 1,484 | 7,381 |
| Other amounts retained | (1,484) | (7,381) |
| **DISTRIBUTION PAID AND PAYABLE** | - | - |
| Distribution per unit (cents) | - | - |

The Trust's last distribution was paid on 27 February 2009, being the final distribution for the 2008 year. The Trust suspended distributions after this payment.

## 17. Deferred tax asset

At 31 December 2011, the Group has temporary differences for which no deferred tax asset is recognised on the balance sheet of $AU8.102 million (2010: $AU8.521 million).
A deferred tax asset has not been recognised in the accounts as it is not considered probable that future gains will be available against which the temporary differences can be utilised.

## 18. Reconciliation of net loss to net cash inflow

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| **(a) Reconciliation of net loss to net cash inflow from operating activities** | | |
| Net loss for the year | (12,560) | (32,862) |
| Decrease in receivables and other assets | 408 | 2,425 |
| Increase in payables and other liabilities | 8,082 | 718 |
| Movement in investment property valuations | 13,904 | 40,099 |
| Movement in valuation of property held for resale | 91 | - |
| Net realised foreign exchange loss | 21 | 25 |
| ***Net cash inflow from operating activities*** | **9,946** | **10,405** |

**(b) Components of cash**

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Cash and liquid assets* | **13,430** | **11,528** |

*Certain cash included above held in the US LLC is subject to control by the special servicer of the $196.1 million loan held by the US LLC. Refer Note 12 for further details.

## 19. Earnings per unit

| | Consolidated 2011 Cents | Consolidated 2010 Cents |
|---|---|---|
| (a) Basic and diluted earnings per unit | (3.80) | (9.64) |

Earnings per unit are calculated by dividing the net profit 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.

| | 2011 | 2010 |
|---|---|---|
| (b) Basic earnings per unit after adjusting for fair value movements and foreign currency movements* | 0.18 | 1.78 |

| *This calculation is based on the following adjusted net loss: | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Total comprehensive loss attributable to RNY unitholders | (9,963) | (38,970) |
| add: loss from investment property revaluations | 10,428 | 30,074 |
| add: loss from revaluation of property held for sale | 68 | - |
| (less)/add: foreign currency translation (gain)/loss | (52) | 13,585 |
| Adjusted net profit used in calculation above | 481 | 4,689 |

## 20. Commitments, Contingencies and Impairment Losses

*Leasing arrangements*

The US LLC enters into lease arrangements with the various tenants that occupy the 25 properties (2010: 25 properties) owned by the company in the New York Tri-State area.

The minimum lease payments receivable on fixed term non-cancellable leases of investment properties not recognised in the financial statements as receivables are as follows:

| | US LLC | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Within 1 year | 55,754 | 54,250 |
| Later than 1 year but not later than 5 years | 136,352 | 156,037 |
| Later than 5 years | 51,619 | 63,115 |
| | **243,725** | **273,402** |

(b) Capital Commitments

The Group had no future capital commitments existing at balance date.

(c ) Contingent liabilities

The Group had no contingent liabilities existing at balance date.

(d) Impairment losses

Other than as mentioned in Note 7 to the accounts, the Group had no impairment losses existing at balance date.

## 21. Key Management Personnel

### (i) Directors

The directors of RAML, the responsible entity of RNY are considered to be key management personnel.

*Chairman - Executive*
Mr Scott Rechler

*Executive directors*
Mr Michael Maturo
Mr Jason Barnett

*Non executive directors*
Mr Philip Meagher
Mr Mervyn Peacock
Mr William Robinson

### (ii) Other Key Management Personnel

*Individuals*

| **Name** | **Position** | **Employer** |
|---|---|---|
| Francis Sheehan | Fund Manager - Australia | RXR Property Management LLC |
| Michael McMahon | Fund Manager - New York | RXR Property Management LLC |

*Corporation*
RAML, the Responsible Entity of RNY.

### (iii) Remuneration of Key Management Personnel

Other than the fees paid by the Trust to the Responsible Entity referred to in Note 23(iii), no amounts are paid by the Trust directly to the Key Management Personnel of the Trust for services to the Trust.
The non-executive Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly from the Responsible Entity, RAML. Consequently, no compensation as defined in AASB 124: *Related Parties* is paid by the Trust to its Key Management Personnel.

## 21. Key Management Personnel (continued)

**(iv) Units in the Trust held by related parties**
The interests of the Directors of RAML in units of the Trust at year end are set out below:

| | Units held Opening balance | Acquired during year | Units held Closing balance |
|---|---|---|---|
| **Non Executive Directors** | | | |
| Phillip Meagher | 60,000 | - | 60,000 |
| Mervyn Peacock | 70,000 | - | 70,000 |
| | | | |
| **Executive Directors** | | | |
| Scott Rechler* | 51,252,240 | - | 51,252,240 |
| Michael Maturo* | 51,252,240 | - | 51,252,240 |
| Jason Barnett* | 51,252,240 | - | 51,252,240 |

* These units are held by an entity which is controlled by Scott Rechler, Michael Maturo and Jason Barnett

The directors do not hold any options to buy units in RNY.

All equity transactions between Key Management Personnel and RNY have been entered into under arms length terms and conditions.

## 22. Parent Entity Information

The following table provides information relating to RNY Property Trust, the parent entity of the Group.

| | RNY Property Trust 2011 $'000 | 2010 $'000 |
|---|---|---|
| Current assets | 176 | 186 |
| Total assets | 74,848 | 84,866 |
| Current liabilities | 217 | 272 |
| Total liabilities | 217 | 272 |
| | | |
| Units on issue | 251,781 | 251,781 |
| Accumulated deficit | (177,150) | (167,187) |
| **Total Unitholders' Equity** | **74,631** | **84,594** |
| | | |
| Loss from continuing operations before income tax | (9,963) | (38,970) |
| Income tax applicable | - | - |
| **Total comprehensive loss for the period after tax** | **(9,963)** | **(38,970)** |

## 23. Related Party Disclosure

**(i) Subsidiaries**

The consolidated financial statements include the financial statements of RNY and its subsidiary, the US REIT.

| Name | Country of incorporation | Equity interest | | Investment | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | | % | % | $'000 | $'000 |
| RNY Australia LPT Corp ("US REIT") | United States | 100 | 100 | 74,672[(a)] | 84,679[(a)] |
| *Investment held indirectly through the US REIT* | | | | | |
| RNY Australia Operating Company LLC ("US LLC") | United States | 75[(b)] | 75[(b)] | 126,026 | 128,210 |

(a) Due to the decline in the value of the US dollar against the Australian dollar and the decline in the fair value of investment properties in the US LLC, the Trust's investment in the US REIT has been written down in both the current and prior year to its net asset value which is the best estimate of its recoverable amount.

(b) The owner of the remaining 25% interest is an affiliate of RXR Realty LLC ("RXR"), a private enterprise founded by Messrs. Rechler, Maturo and Barnett (three of the directors of the Trust).

**(ii) Responsible Entity**

The Responsible Entity of the Trust is RAML (ACN 114 294 281), a wholly owned subsidiary of RXR Co Australia RE Holdings, Inc, a company incorporated in Delaware, USA. RXR Co Australia RE Holdings, Inc. is an affiliate of RXR.

The manager of RNY's indirect investments in the US LLC is RNY Australia Asset Manager LLC, a company organised in the United States.

## 23. Related Party Disclosure (continued)

### (iii) Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

| Related party | Interest paid (received) on related party loans AUD $'000 | Purchases from related parties AUD $'000 | Distributions received from related parties AUD $'000 | Amounts owed by related parties AUD $'000 | Amounts owed to related parties AUD $'000 |
|---|---|---|---|---|---|
| ***For the year ended 31 December 2011*** | | | | | |
| ***Consolidated*** | | | | | |
| RNY Australia Management Ltd: | | | | | |
| - asset management fees | - | 305 | - | - | - |
| - expense reimbursements | - | 129 | - | - | - |
| RNY Australia Asset Manager LLC | | | | | |
| - asset management fees | - | 1,230 | - | - | - |
| Loan from the US LLC to US REIT | 165 | - | - | - | 3,253 |
| Loan from RAML to RNY | - | - | - | - | 87 |
| | | | | | |
| ***Parent*** | | | | | |
| RNY Australia Management Ltd: | | | | | |
| - asset management fees | - | 305 | - | - | - |
| - expense reimbursements | - | 129 | - | - | - |
| Distribution received by RNY from US REIT | - | - | 930 | - | - |
| Loan from RAML to RNY | - | - | - | - | 87 |

## 23. Related Party Disclosure (continued)
### (iii) Transactions with related parties (continued)

| Related party | Interest paid (received) on related party loans AUD $'000 | Purchases from related parties AUD $'000 | Distributions received from related parties AUD $'000 | Amounts owed by related parties AUD $'000 | Amounts owed to related parties AUD $'000 |
|---|---|---|---|---|---|
| ***For the year ended 31 December 2010*** | | | | | |
| ***Consolidated*** | | | | | |
| RNY Australia Management Ltd: | | | | | |
| - asset management fees | - | 451 | - | - | - |
| - expense reimbursements | - | 115 | - | - | - |
| RNY Australia Asset Manager LLC | | | | | |
| - asset management fees | - | 1,353 | - | - | - |
| Loan from the US LLC to US REIT | 176 | - | - | - | 3,083 |
| Loan from RAML to RNY | - | - | - | - | 140 |
| | | | | | |
| ***Parent*** | | | | | |
| RNY Australia Management Ltd: | | | | | |
| - asset management fees | - | 451 | - | - | - |
| - expense reimbursements | - | 115 | - | - | - |
| Distribution received by RNY from US REIT | - | - | 964 | - | - |
| Loan from RAML to RNY | - | - | - | - | 140 |

## 23. Related Party Disclosure (continued)

**(iii) Transactions with related parties (continued)**

*Terms and conditions of transactions with related parties*

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Interest is charged on loans between the parties at commercial rates.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

For the year ended 31 December 2011 and the comparative year, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history does not suggest otherwise. This assessment will be undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. When assessed as required the Group raises such a provision.

**(iv) Responsible Entity fees and other transactions**

Fees paid by the Trust to the Responsible Entity for the year amounted to $305,026 (2010: $451,373).

In accordance with the Trust Constitution, the Responsible Entity is entitled to claim reimbursement for all expenses reasonably and properly incurred in connection with the Trust or in performing its obligations under the Constitution.

## 24. Net Asset Backing per Unit

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| Net asset backing per unit | $0.28 | $0.32 |

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

## 25. 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 office properties located outside Australia and from short term deposits and money market securities which are held for and are incidental to those property investments. Except for cash deposits and derivatives 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 19(b) of these accounts. A reconciliation of adjusted net profit to the consolidated net loss shown in the statement of comprehensive income is also provided in the note.

Segment revenues are derived from a broad tenant base across the 24 operating properties owned by the Group. There is no single tenant providing revenues greater than 10% of the segment's total income.

## 26. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different type of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates and the use of future cash flow forecasts to monitor liquidity risk.

The Board reviews and approves policies for managing each of these risks as summarised below. Refer to the Corporate Governance Statement included in the annual report for more details on the structure and responsibilities of the Board.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and approves policies for managing each of the risks discussed in this section.

## 26. Financial risk management objectives and policies (continued)

### (a) Foreign currency risk

As a result of the Trust's investments in the United States and its transactions with entities in the United States, the Trust can potentially be affected significantly by movements in the $US/$AU exchange rates.

Currently, there is minimal exposure to foreign currency risk due to the insignificant amount of cash and other financial instruments held by the Trust in US dollars

### (b) Credit risk

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the Trust to incur a financial loss. Previously the Trust had significant derivative financial instruments held with two international bank counterparties which were considered to be high quality financial institutions.

The main form of credit risk is now the risk of default by a tenant in an investment property of the US LLC. To manage this risk, prospective tenants are carefully checked for credit worthiness and receivables are monitored closely on an ongoing monthly basis. Generally security deposits equivalent to two months rent are also taken at the time of a new tenant signing.

The maximum exposure to credit risk is the fair value of the receivables shown in Note 7 of these accounts. As noted above, security held against the Trust's receivables takes the form of security deposits.

## 26. Financial risk management objectives and policies (continued)

### (c) Net fair values

The carrying values of the Group's financial assets and liabilities (excluding loans and borrowings) included in the Balance Sheet approximate their fair values. Refer to Note 2 for the methods and assumptions adopted in determining net fair values for investments.

The fair values of interest bearing loans and borrowings are calculated using current market interest rates. Refer to Note 12(e) for details of fair value calculations.

### (d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates mainly to the mortgage debts held in the US LLC.

The following tables set out the carrying amount of the financial instruments in the Group that are exposed to interest rate risk.

| | | | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **Fixed/ Floating** | **Interest Rate** | **2011 $'000** | **2010 $'000** |
| **Financial Assets** | | | | | |
| Cash – $AUD accounts | | Floating | 4.2% | 66 | 25 |
| Cash – $USD accounts | | Non interest | n/a | 13,364 | 11,503 |
| **Total Financial Assets** | 18(b) | | | 13,430 | 11,528 |
| **Financial Liabilities** | | | | | |
| Secured borrowings – Tranche 1 | 12(a) | Fixed | 5.20% | 193,056 | 192,923 |
| Secured borrowings – Tranche 2 | 12(b) | Fixed | 5.32% | 70,894 | 70,845 |
| Secured borrowings – Tranche 3 | 12(a) | Fixed | 5.20% | 50,740 | 50,707 |
| Secured borrowings – Dec 2009 | 12(b) | Fixed | 6.125% | 41,904 | 42,634 |
| Preference shares | 13 | Fixed | 12.5% | 123 | 123 |
| **Total Financial Liabilities** | | | | 356,717 | 357,232 |
| **Net Exposure** | | | | (343,287) | (345,704) |

Due to the fixed rate nature of the secured borrowings held by the Group and the small amounts of interest bearing cash balances held, there is insignificant risk to the Group from any movement in interest rates.

## 26. Financial risk management objectives and policies (continued)

### (e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations to repay its financial liabilities as and when they fall due.

The outstanding contractual maturities of the Group's financial liabilities are:

| | **Consolidated** | |
|---|---|---|
| | **2011 $'000** | **2010 $'000** |
| ***Liabilities maturing in:*** | | |
| 6 months or less | 272,636 | 264,617 |
| 6 to 12 months | 3,522 | 3,512 |
| 1 to 5 years | 92,789 | 25,521 |
| Over 5 years | 42,240 | 116,528 |
| | 411,187 | 410,178 |

Liquidity risk mainly lies in the US LLC. Liquidity risk is managed by adhering to restrictions under the US LLC's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total equity held in the US LLC.

Given the current economic climate, the Group has adopted further strategies to manage liquidity risk. These include the suspension of distributions by the Trust, the restructuring of the loan portfolio of the US LLC and the limiting of capital expenditure to essential capital works only. Furthermore, cash flows are now monitored on a monthly basis to ensure adequate funds are available to meet future liabilities.

The following tables set out the maturity analysis of the Group's assets and liabilities based on management's expectations.

| **CONSOLIDATED As at 31 December 2011** | **6 months or less $'000** | **6-12 months $'000** | **1-5 years $'000** | **Over 5 years $'000** | **TOTAL $'000** |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash | 13,430 | - | - | - | 13,430 |
| Trade & other receivables | 878 | - | - | - | 878 |
| **Total Financial Assets** | 14,308 | - | - | - | 14,308 |
| **Financial Liabilities** | | | | | |
| Trade & other payables | 19,331 | 353 | - | - | 19,684 |
| Secured borrowings | 253,305 | 3,169 | 92,789 | 42,117 | 391,380 |
| Preference shares | - | - | - | 123 | 123 |
| **Total Financial Liabilities** | 272,636 | 3,522 | 92,789 | 42,240 | 411,187 |
| **Net maturity*** | (258,328) | (3,522) | (92,789) | (42,240) | (396,879) |

*Net cash flows are based on the prevailing exchange rate as at 31 December 2011.

## 27. Capital management

The Group has been founded on a capital structure which allows RNY to own, through its 100% ownership of the US REIT, a 75% indirect interest in US properties held in the US LLC. No external borrowings exist in RNY or the US REIT and management has no current plans to implement borrowings in these entities. The Group is not subject to any externally imposed capital requirements.

*Capital management in the US LLC*

When managing capital, management's objective is to ensure that the entity continues as a going concern as well as to maintain optimal returns for the Group's unitholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management monitors capital in the US LLC through the gearing ratio (net debt/total capital). At the time of the IPO the long term gearing ratio of the US LLC was forecast as approximately 55%. The gearing ratios based on continuing operations at 31 December 2011 and 2010 were as follows:

| | **US LLC** | |
|---|---|---|
| | **2011** **\$'000** | **2010** **\$'000** |
| Total borrowings | 356,594 | 357,109 |
| Less: cash and cash equivalents | (13,336) | (11,463) |
| Net debt | 343,258 | 345,646 |
| Total equity | 91,323 | 104,784 |
| Total capital | 434,581 | 450,430 |
| Gearing ratio | 79.0% | 76.7% |

The US LLC is not subject to any externally imposed capital requirements.

## 28. Auditor's Remuneration

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Amounts received or due and receivable by Ernst & Young (Australia) for: | | |
| - audit or review of the financial report for the Trust and any other entity in the Consolidated Entity | 165,400 | 166,000 |
| - other services in relation to the entity and any other entity in the Consolidated Entity | | |
| - taxation services | 27,590 | 12,000 |
| | 192,990 | 178,000 |
| Amounts received or due and receivable by related practices of Ernst & Young (Australia) for: | | |
| - audit or review of the financial report for the US REIT and the US LLC | 290,700 | 326,190 |
| | 290,700 | 326,190 |
| Amounts received or due and receivable by audit firms other than Ernst & Young for: | | |
| - compliance services | 14,000 | 14,000 |
| | **497,690** | **518,190** |

## 29. Subsequent Events

There has not arisen in the interval between the end of the financial year any item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Group, or the results of those operations, or the state of affairs of the Group, in future financial years.

# Directors Declaration

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

1. In the opinion of the directors:

(a) the financial statements and notes of the Trust and of the consolidated entity are in accordance with the Corporations Act 2001; including:

  (i) giving a true and fair view of the Trust and consolidated entity's financial position as at 31 December 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b).

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

2. This declaration is made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2011.

On behalf of the Board

/s/ Philip Meagher
Philip Meagher
Director

Sydney, 29th March 2012

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# Independent auditor's report to the members of RNY Property Trust

## Report on the financial report

We have audited the accompanying financial report of RNY Property Trust (the Trust), which comprises the consolidated statement of financial position as at 31 December 2011 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of RNY Australia Management Limited the Responsible Entity of the Trust and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

*Opinion*

In our opinion:

a. the financial report of RNY Property Trust is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
29 March 2012