RNY PROPERTY TRUST

ARSN 115 585 709

2016 ANNUAL REPORT

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Chairman's Report

2016 was another challenging year for RNY's NY Tri-State suburban office portfolio (the "Portfolio") as many of the trends that have plagued U.S. suburban areas since the global financial crisis have continued, and the expected cyclical recovery has not materialized.

Since 2008, we have witnessed an increase in urbanization, as people seek to live in transit-accessible urban or city areas with shopping and entertainment within a walkable distance. During this period, there has been a lack of office-using job creation in the suburbs, and in turn modest demand for suburban office space. Employers have shifted their attention towards urban environments with strong transportation infrastructure and dense residential areas to meet employee desires. For example, during 2016, General Electric Co. announced that after 42 years it was moving its corporate headquarters from the suburbs of Fairfield, Connecticut and relocating to downtown Boston to, amongst several reasons, attract young talent from the numerous colleges and universities based near the Boston area.

During the past 9 years, job growth in the NYC area has primarily occurred in the 'TAMI' industries (technology, advertising, media, and information technology). Companies in these industries want to be located in urban areas to be close to and to attract the creative work-force they rely upon. In addition, during this period NYC has seen a boom in development in the areas close to, and accessible by transit to, Manhattan. For example, Brooklyn, Queens and the New Jersey water-front have all been the beneficiaries of new residential and office construction and conversion. These areas have soaked up demand that in past business recovery cycles had spread out to the NY Tri-State suburban markets.

The structural shifts mentioned above have continued to make for a difficult operating environment for suburban office properties (particularly for the more commodity-like office properties owned by RNY where there is more competition and less demand). RNY management has spent the years since the global financial crisis operating the Portfolio to the best of our abilities - taking a disciplined and conservative approach with respect to capital expenditures and only investing capital where required or where there is an immediate return on the investment; focusing on tenant renewals; extending, re-negotiating, and modifying mortgage loans; opportunistically selling assets; suspending distributions to conserve cash to operate the portfolio and/or help pay the public company costs; and, deferring a portion of the asset management fees in excess of cost (an amount totaling approximately US$508,000 as of 31 December '16) until there is sufficient net cash to pay such amount.

Due to the above-mentioned trends, the RNY Portfolio has suffered along with other U.S. suburban areas. From 2006-2009 the Portfolio occupancy averaged over 90%, but from 2010-2016 Portfolio occupancy has been below 80%. Over the past 12 months, occupancy in the Portfolio has remained flat (74.4% at 31 Dec '15, 74.8% at 30 June '16, and 74.5% at 31 Dec '16) and asset values have continued to be depressed.

There has been a lack of investment sales in RNY's markets as investor and lender appetite for suburban office assets has been limited. This lack of interest is primarily driven by the lack of confidence in the leasing market, particularly with respect to landlord's lack of ability to increase net rents, which have not grown since the global financial crisis.

With a lack of comparable asset sales in the NY Tri-State suburban markets since the global financial crisis, it has been difficult to accurately or confidently gauge or ascertain the valuation of assets. For the past few years, the Board has revalued the entire Portfolio every 6 months, using independent, nationally recognized, third-party valuers to perform appraisals and provide cap-rate data for the remainder of the Portfolio, unless a property was under contract to be sold, in which case the property's value was the contracted sales price.

Cushman & Wakefield ("C&W") appraised 9 of the Portfolio's assets at 30 June 2016, and 7 assets at 31 December 2016. For the 6-month period ended 30 June 2016, C&W also provided cap-rate data for the remainder of the Portfolio, and such information was then used by management for internal NOI analysis and valuations. For both periods, Portfolio valuations were reviewed and signed-off by RNY's auditors, Ernst & Young LLP, and the Board. This process resulted in a 4.7% decrease of the Portfolio's valuation, for the 6 months ended 30 June, and a 13.1% decrease for the 6 months ended 31 December (this 13.1% decrease was primarily driven by the bids received on the SunTrust-Torchlight ("ST-TL") assets, as described below). RNY's per unit, US dollar NTA has decreased from 29 cents (at 31 Dec '15) to 20 cents (at 30 June '16) to 12 cents (at 31 Dec '16). Such decreasing values have increased RNY's gearing ratio from 75.8% (at 31 Dec '15) to 79.5% (at 30 June '16) and 85.9% (at 31 Dec '16) and created some challenging situations with the Portfolio's non-recourse mortgage debt covenants.

After the global financial crisis, in November 2008, an affiliated entity controlled by the three executive directors of the Board purchased 19.5% (51,252,240 units) of the publicly-traded units of RNY to align themselves with unitholders and as a sign of confidence in the RNY assets and markets. As the largest holder of RNY units, the three executive directors are incentivized to execute the strategy that maximizes unitholder value, and in light of the above-mentioned negatives trends in RNY's suburban markets and the debt issues (discussed below) confronting the Portfolio, management and the Board believe that the best strategy to maximize unitholder value is for RNY to continue to address these challenges, by operating the Portfolio in the most efficient manner, working with the Portfolio's lenders to continue the process of selling Portfolio assets in an orderly and strategic manner, with net sales proceeds eventually being distributed to unitholders.

Our Portfolio's lenders have shown their confidence in our ability to return maximum value by leaving us in place to operate and dispose of the Portfolio, as we work through the following debt issues.

<u>ST-TL loans</u>: With regards to the 9 properties encumbered by the ST-TL senior loan and mezzanine loan, and an impending debt service coverage ratio covenant violation, the US LLC, on 8 July 2016, completed a modification agreement with the ST-TL lenders. As part of such modification agreement the lenders required that, as of 31 December 2016, all 9 of these assets have a signed sales contract, or with regards to 492 River Road, a lease renewal with the building's sole tenant.

To comply with this sales requirement, management embarked on a marketing process for 8 of these 9 assets (492 River Road was not marketed), hiring nationally recognized, independent third-party brokers to widely market these assets. Bids for such assets were received in November and such bids, on average, were 14% below June 30 valuations, and as a result the expected net sales proceeds from these assets is below the value of the outstanding debt encumbering such properties. Subsequent to 31 December, the US LLC completed an agreement with these lenders to allow more time to complete these assets sales, and as of 27 March 2016, three of these properties have been sold, four other properties are under contract and expected to close within the next few weeks, and one property is being marketed. With regards to the remaining asset in this debt pool, the intention is to market this asset subject to a lease renewal with the building's sole tenant.

Investor Savings Bank ("ISB") loan: During 2016, with regards to the US$26 million ISB mortgage loan (which was due to mature on 1 January 2017) and the three assets encumbered by such loan, the lenders agreed with management's asset disposition strategy, and both 300 Executive Drive and 300 Motor Parkway were marketed simultaneously with the ST/TL assets (300 Executive Dr. is in the same corporate office park as three of the ST/TL assets that were required to be sold). 300 Motor Parkway was sold on 20 December 2016 and 300 Executive Drive is under contract to be sold. The third asset in this debt pool is 710 Bridgeport, which is currently being marketed for sale. Subsequent to 31 December 2016, ISB extended the loan maturity date to 1 July 2017 to allow more time to complete the sale of these assets. Net sales proceeds from the sale of these assets will be retained for eventual distribution to RNY unitholders.

Acore loan: With regards to the US$75.5 million Acore mortgage loan, and the 7 assets encumbered by such loan, the lender is in agreement with management's asset sale strategy and subsequent to 31 December 2016 amended the Acore loan to reserve all their rights pursuant to the net worth and liquidity covenant violations (which occurred on 31 Dec '16 and 1 Jan '17, respectively, and are events of default pursuant to the loan agreement, as they weren't cured within the cure period), while allowing RNY to proceed with their plan to market the Acore assets. It is management's goal to begin marketing these assets within the next few months and have signed sales contracts with closing dates scheduled post the third quarter of 2017 (after debt prepayment penalties expire pursuant to the loan agreement). Net sales proceeds from the sale of these assets will be distributed to RNY unitholders.

After struggling the past few years to improve the financial condition of the Portfolio, amid declining valuations and limited demand for suburban office space, and waiting for a recovery that still has not extended to the NY Tri-State suburban markets, management and the Board agree that the best strategy to maximize unitholder value is to market the remaining Portfolio assets for sale and distribute any remaining proceeds to RNY unitholders (after the payment of mortgage debt and other expenses).

Thank you for your continued support as we try to execute the above-mentioned strategy.

/s/ Scott Rechler
Scott Rechler
Chairman & Chief Executive Officer
RNY Australia Management Limited

Asset and Tenant Diversification

THE FOLLOWING LISTS HIGHLIGHT THE TENANT INDUSTRY
DIVERSIFICATION (FOR ALL TENANTS) AND LEASE EXPIRY PROFILE OF THE PROPERTIES
(as of 1 January 2017)

TENANT INDUSTRY DIVERSIFICATION:

11.0% Consumer Products
11.0% Financial Services
10.0% Technology
8.0% Other professional services
8.0% Defense/Electronics
8.0% Insurance
7.0% Telecom
7.0% Healthcare

LEASE EXPIRY PROFILE (BY INCOME):

2017: 10.0%

2018: 11.0%

2019: 12.0%

2020: 13.0%

2021: 14.0%

+2022: 40.0%

LONG ISLAND

OFFICE MARKET

HAUPPAUGE

150 Motor Parkway (this asset was sold on 8 February 2017)

MELVILLE

35 Pinelawn Road (this asset was sold on 19 January 2017)

SYOSSET

6800 Jericho Turnpike
6900 Jericho Turnpike

Uniondale

55 Charles Lindbergh Blvd.

6800 Jericho Turnpike
Syosset, Long Island

Lease expiry by % of income:

2017:	41.5
2018:	14.1
2019:	6.3
2020:	10.2
+2021:	27.9

Property Overview: 6800 Jericho Turnpike, Long Island is a 209,222 square foot NLA, two storey office building. The site area is 13.0 acres and includes 970 parking spaces. It is located between Route 135 and Routes 106 and 107. Major tenants include AC Nielsen, Massachusetts Mutual Life, HQ Global and Nautilus Consulting. Occupancy is 76.9% and weighted average lease term to expiry (by income) is 2.5 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	30.9

Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	22.4

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
AC Neilsen	Consulting/research	20,550	11.0%	March 2021	4.2
Mass Mutual Life	Insurance	13,839	9.2%	May 2017	0.4
HQ Global Workplaces	Real Estate	11,780	6.9%	Dec 2017	1.0
Nautilus Consulting	Consulting	8,783	5.4%	Sept 2018	1.7

6900 Jericho Turnpike
Syosset, Long Island

Lease expiry by % of income:

2017:	2.6
2018:	0.0
2019:	2.3
2020:	0.0
+2021:	95.1

Property Overview: 6900 Jericho Turnpike, Long Island is a 95,538 sq ft NLA, four storey office building and features a newly renovated lobby. The site area is 5.0 acres and includes 377 parking spaces. It is located between Route 135 and Routes 106 and 107. Major tenants include Hoffman & Baron LLP, and Lincoln Financial Group. Occupancy is 77.6% and weighted average lease term to expiry (by income) is 5.9 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	14.4

Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	9.1

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Hoffman & Baron	Legal	17,298	19.3%	Sept 2021	4.8
EisnerAmper	Accounting	12,726	16.1%	July 2023	6.6
United Jewish Appeal	Legal	10,848	13.1%	July 2025	8.6
Cardworks	Other	9,728	11.3%	Dec 2023	7.0

55 Charles Lindbergh Blvd.
Uniondale, Long Island

Lease expiry by % of income:

2017:	78.9
2018:	0.0
2019:	21.1
2020:	0.0
+2021:	0.0

Property Overview: 55 Charles Lindbergh Boulevard, Long Island is a 214,581 sq ft NLA, two storey office building and features a café. The site area is 10.0 acres and includes 672 parking spaces. It is located within easy access of the Long Island Expressway and Northern State Parkway. Major tenants include Lockheed Martin Corporation and Frequency Electronics. Occupancy is 91.0% and weighted average lease term to expiry (by income) is 1.0 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	29.6

Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	26.8

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Lockheed Martin	Defense	103,500	78.9%	Sept 2017	0.7
Frequency Electronics	Electronics	91,027	21.1%	Jan 2019	2.1

NORTHERN NEW JERSEY
Office Market

West Orange

100 Executive Drive	(this asset is under contract to be sold)
200 Executive Drive	(this asset is under contract to be sold)
300 Executive Drive	(this asset is under contract to be sold)
10 Rooney Circle	(this asset is under contract to be sold)

Nutley

492 River Road

100 Executive Drive
West Orange, NJ

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	0.0
2018:	12.0
2019:	0.0
2020:	0.0
+2021:	88.0

Property Overview: 100 Executive Drive, Northern New Jersey is a 93,011 sq ft NLA, three storey office building and features a distinctive mirror and granite lobby. The site area is 10.1 acres and includes 419 parking spaces. It is located within easy access to Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Partnership for Children. Occupancy is 26.1% and weighted average lease term to expiry (by income) is 4.0 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	14.5

Valuation Summary	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	2.2

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Partnership for children	Governmental	18,740	73.2%	Jan 2021	4.1
Emacx Systems	Consulting	2,918	12.0%	Dec 2018	2.0
RD Parisi Associates	Legal	3,592	14.8%	Dec 2021	5.0

200 Executive Drive
West Orange, NJ

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	87.2
2018:	5.7
2019:	0.0
2020:	7.1
+2021:	0.0

Property Overview: 200 Executive Drive, Northern New Jersey is a 106,327 sq ft NLA, four storey office building and features a newly renovated lobby with storefront entrance. The site area is 8.2 acres and includes 415 parking spaces. It is located within easy access to Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Lincoln Educational and Hockman-Lewis Ltd. Occupancy is 48.9% and weighted average lease term to expiry (by income) is 1.2 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	16.0

Valuation Summary	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	3.3

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Lincoln Educational	Other	45,408	87.2%	Dec 2017	1.0
Hockman-Lewis	Other	3,803	7.1%	Oct 2020	3.8
Ostergaard Acoustical	Consulting	2,810	5.7%	Feb 2018	1.2

300 Executive Drive
West Orange, NJ

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	35.4
2018:	21.0
2019:	2.1
2020:	24.0
+2021:	17.5

Property Overview: 300 Executive Drive, Northern New Jersey is a 125,440 sq ft NLA, four storey office building and features a marble and wood lobby. The site area is 8.7 acres and includes 508 parking spaces. It is located within easy access of Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Kessler Foundation, Government Employees Insurance Co. ("GEICO"), National Cable and USI Insurance Services. Occupancy is 68.2% and weighted average lease term to expiry (by income) is 2.4 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	17.2
Valuation Summary	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	6.5

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
GEICO	Insurance	13,886	19.6%	Nov 2020	3.9
USI Insurance	Insurance	10,788	16.1%	Dec 2018	2.0
National Cable Communication	Advertising	13,056	15.0%	Aug 2017	0.7

10 Rooney Circle
West Orange, NJ

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	0
2018:	0
2019:	0
2020:	0
+2021:	100

Property Overview: 10 Rooney Circle, Northern New Jersey is a 70,873 sq ft NLA, three storey office building. The site area is 5.2 acres and includes 266 parking spaces. It is located within easy access of Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include the Federal Aviation Administration. Occupancy is 41.4% and weighted average lease term to expiry (by income) is 9.8 years.

Acquisition Summary	Trust’s indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	11.1

Valuation Summary	Signed sales contract	Dec ‘16
	Valuation (US$ million)(100% basis)	3.0

Major Tenant’s Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
FAA	Governmental	29,372	100%	September 2026	9.8

492 River Road
Nutley, NJ

Lease expiry by % of income:

2017:	0
2018:	0
2019:	0
2020:	0
+2021:	100

Property Overview: 492 River Road, Northern New Jersey is a 130,009 sq ft NLA, three storey office building. The site area is 17.3 acres and includes 496 parking spaces. It is located within easy access of Route 3 and Route 21. The building is 100% leased to BT Radianz with a remaining lease term of 4.4 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	28.4
Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	35.8

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
BT Radianz Americas	Telecom	130,009	100%	May 2021	4.4

WESTCHESTER COUNTY
Office Market

Elmsford

80 Grasslands Road	(this asset is under contract to be sold)
100 Grasslands Road	(this asset is under contract to be sold)

Tarrytown

555 White Plains Road	(this asset is under contract to be sold)
560 White Plains Road	
580 White Plains Road	
660 White Plains Road	**(this asset was sold on 9 March 2017)**

80 Grasslands Road
Elmsford

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	31.6
2018:	1.8
2019:	0.0
2020:	0.0
+2021:	66.6

Property Overview: 80 Grasslands Road, Westchester County is a 86,999 sq ft NLA, three storey office building and features a two storey lobby. The site area is 4.9 acres and includes 287 parking spaces. It is located within easy access of Route 9A, Sprain Brook Parkway, Saw Mill River Parkway and Interstate 287. Major tenants include Amscan Inc. and Liberty Mutual. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 3.5 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	14.2

Valuation Summary	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	7.95

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Amscan	Consumer products	60,240	66.5%	Dec 2021	5.0
Liberty Mutual Insurance	Insurance	24,191	30.5%	April 2017	0.3

100 Grasslands Road
Elmford

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	0.0
2018:	17.9
2019:	0.0
2020:	0.0
+2021:	82.1

Property Overview: 100 Grasslands Road, Westchester County is a 47,720 sq ft NLA, single storey office building. The site area is 8.5 acres and includes 458 parking spaces. It is located within easy access of Route 9A, Sprain Brook Parkway, Saw Mill River Parkway and Interstate 287. Major tenants include Amscan Inc. and Cooper Electric. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 4.3 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	8.0

Valuation Summary	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	7.95

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Amscan Inc.	Consumer products	39,551	82.1%	Dec 2021	5.0
Cooper Friedman Electric	Retail/wholesale	8,169	17.9%	March 2018	1.2

555 White Plains Road
Tarrytown

This asset is under contract to be sold, although there are no guarantees that such sale will be completed.

Lease expiry by % of income:

2017:	0
2018:	100
2019:	0
2020:	0
+2021:	0

<u>Property Overview</u>: 555 White Plains Road, Westchester County is a 125,497 sq ft NLA, five storey office building and features a high quality lobby. The site area is 4.2 acres and includes 386 parking spaces. It is located within easy access of the Westchester Parkway System. Occupancy is 26.8% and weighted average lease term to expiry (by income) is 1.6 years.

<u>Acquisition Summary</u>	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	17.7

<u>Valuation Summary</u>	Signed sales contract	Dec '16
	Valuation (US$ million)(100% basis)	5.9

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Tappan Zee Constructors	Other	30,780	92.4%	August 2018	1.7

560 White Plains Road
Tarrytown

Lease expiry by % of income:

2017:	31.5
2018:	6.1
2019:	42.3
2020:	0.0
+2021:	20.1

Property Overview: 560 White Plains Road, Westchester County is a 126,144 sq ft NLA, six storey office building. The site area is 4.0 acres and includes 402 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Oracle USA Inc., Ent and Allergy Associates, and Complus Data Innovations. Occupancy is 45.9% and weighted average lease term to expiry (by income) is 3.0 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	19.4
Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	10.4

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
ENT & Allergy Associates	Healthcare	28,826	40.4%	Dec 2019	3.0
Oracle America Inc.	Technology	12,086	16.9%	Dec 2017	1.0
Complus Data Innovations	Telecom	8,380	11.3%	Feb 2017	0.2

580 White Plains Road
Tarrytown

Lease expiry by % of income:

2017:	22.9
2018:	6.0
2019:	15.1
2020:	4.0
+2021:	52.0

Property Overview: 580 White Plains Road, Westchester County is a 171,466 sq ft NLA, six storey office building. The site area is 6.1 acres and includes 609 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include 580 Center Mgmt Corp. and Mental Health Associates. Occupancy is 86.1% and weighted average lease term to expiry (by income) is 4.4 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	26.4

Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	22.4

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Mental Health Associates	Healthcare	17,500	12.5%	Feb 2023	6.2
580 Center Management Corp.	Other	10,749	10.4%	May 2026	9.4

FAIRFIELD COUNTY
Office Market

Stamford

225 High Ridge Road

Shelton

710 Bridgeport Avenue

225 High Ridge Road
Fairfield, CT

Lease expiry by % of income:

2017:	6.5
2018:	14.6
2019:	4.3
2020:	9.4
+2021:	56.2

Property Overview: 225 High Ridge Road, Fairfield County is a 223,940 sq ft NLA, three storey office property. The site area is 14.01 acres and includes 685 parking spaces. It is located within easy access of Interstate 95. Major tenants include Synapse Group Inc., Philip Morris Co., and Scoria Capital. Occupancy is 80.9% and weighted average lease term to expiry (by income) is 6.2 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	76.5

Valuation Summary	Signed sales contract	Dec '16
	(the potential purchaser backed out of the contract and management is negotiating with another bidder)	
	Valuation (US$ million)(100% basis)	24.0

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Synapse Group Inc.	Financial services	66,530	39.0%	June 2027	10.5
Synapse Group Inc.	Financial services	11,110	6.5%	Dec 2017	1.0
Scoria Capital Partners LP	Financial services	15,451	9.4%	Nov 2020	3.9
Philip Morris Co.	Consumer products	20,981	8.7%	Dec 2018	2.0

710 Bridgeport Avenue
Fairfield, CT

Lease expiry by % of income:

2017:	3.6
2018:	0.0
2019:	10.8
2020:	85.6
+2021:	0.0

Property Overview: 710 Bridgeport Avenue, Fairfield County is a 452,414 sq ft NLA, two storey office and other flexible use (including research and development) building. The site area is 36.1 acres and includes 868 parking spaces. The major tenants include Perkin Elmer Inc. and Panolam Industries. Occupancy is 75.7% and weighted average lease term to expiry (by income) is 3.4 years.

Acquisition Summary	Trust's indirect interest in US LLC	75%
	Purchase price (US$ million)(100% basis)	39.4

Valuation Summary	Cushman & Wakefield appraisal	Dec '16
	Valuation (US$ million)(100% basis)	23.7

Major Tenant's Summary

Tenant	Industry	Leased area (sq ft)	% of rent	Lease expiry date	Remaining term (yrs)
Perkin Elmer Health	Technology	245,704	85.6%	July 2020	3.6
Panolam Industries	Manufacturing	78,877	10.8%	Aug 2019	2.7

CORPORATE GOVERNANCE STATEMENT

The board of directors (the "Board") of RNY Australia Management Ltd ("RAML") is responsible for the corporate governance of the Trust. The Board has implemented certain policies and procedures to facilitate its commitment to sound corporate governance practices. The Trust's website (www.rnypt.com.au) contains copies of key corporate governance policies and documents, including the Board Charter, the Audit and Risk Management Committee Charter, the Working Rules of the Compliance Committee, the Continuous Disclosure and Communications Policy, the Securities Trading Policy, the Code of Conduct and the Diversity Policy.

The ASX Corporate Governance Council's Corporate Governance Principles (the "ASX Principles") and Recommendations (the "ASX Recommendations") is a guide to the top 500 ASX listed companies on good corporate governance practices and contains 27 separate best practice recommendations relating to 8 key principles of corporate governance. A chart listing these ASX Principles and Recommendations is reproduced at the end of this Corporate Governance Statement. Such chart also states whether the Trust has or has not complied with each of the ASX Recommendations. This statement discloses the extent to which RAML has followed these ASX Recommendations in relation to the operations of the Trust for the period from 1 January 2016 to 31 December 2016.

The Board's corporate governance practices have been operating since the Trust was listed on the Australian Stock Exchange ("ASX") in September 2005 and, with few exceptions, these practices have been compliant with the ASX Recommendations. Where RAML's corporate governance practices have not complied with the ASX Recommendations an explanation as to the extent and the reason for the non-compliance has been provided in this statement.

The Trust is a registered managed investment scheme under the Corporations Act 2001. There are special provisions governing the Trust and those who administer it that are designed to protect investors.

Principle 1 – Lay solid foundations for management and oversight
Board Charter
The Board's Charter sets out the allocation of the functions and responsibilities of the Board. The Board's Charter details the following requirements:

(a) the functions and responsibilities of the Board;
(b) the role of the Board;
(c) the role of the Chairman of the Board (the "Chairman"); and
(d) the role of Board Committees.

A copy of the Board's Charter may be reviewed at www.rnypt.com.au on the Trust's website.

The Board may delegate certain functions to committees. Committee members have the appropriate skills, expertise, availability, and, where relevant, independence to provide an efficient process through which the Board may delegate decision making powers.

Directors' Information
In considering any selection or appointment to the Board, the Board considers the necessary and desirable competencies of any Directors or proposed Directors. The Board ensures that the Trust undertakes appropriate checks before appointing a person as a Director.

Agreements with Directors and Senior Executives
Each Director enters into an agreement with RAML setting out the Terms and Conditions of their appointment including their roles and responsibilities.

Each of the senior executives enters into a service agreement which sets out their position description, duties and responsibilities, reporting lines, remuneration entitlements, ongoing confidentiality, obligation to comply with all corporate policies, the circumstances in which their service may be terminated (with or without notice) and any entitlements on termination.

Company Secretary
In accordance with the Board Charter, the Company Secretary is appointed and if necessary removed by the Board and is therefore accountable directly to the board on all matters to do with the proper functioning of the Board. Each Director also has direct access to the Company Secretary. The Company Secretary's role includes:

- Advising the Board and its committees on governance matters.
- Monitoring that Board and its committees on governance matters.
- Coordinating the timely completion and dispatch of Board and committee papers.
- Ensuring that the business at Board and committee meetings is accurately captured in the minutes.
- Helping to organize and facilitate the induction and professional development of Directors.

Diversity Policy
In December 2011, RAML formalized and instituted its Diversity Policy. The Diversity Policy explains RAML's commitment to promoting a positive workplace environment free from discrimination and harassment and employment based on personal capabilities and qualifications. The policy has been developed having regard to the current size of RAML's business operations, which comprises one male employee and one male external consultant and one female external consultant. The Board comprises 6 male directors and has remained unchanged since inception of the Trust.

In the event that RAML experiences either staff or Director turn-over, RAML will undertake the following objectives for the Board to consider:

- That an environment conducive to a diverse selection pool is established. The Board recognizes that such an environment would promote a culturally diverse workplace with regard to age, gender, ethnicity and experience.
- That any succession plans are reviewed to ensure an appropriate focus on diversity.
- A program is developed that takes into account domestic responsibilities of employees.
- That the Board remains transparent in its selection and hiring process.

Given there was no change in staffing or Board arrangements throughout the period there was no formal review of this policy in 2016. A copy of the Diversity Policy may be reviewed at www.rnypt.com.au on the Trust's website.

Director, Board and Committee Evaluation
Pursuant to its Charter, the Board will annually review the performance of its Directors to ensure that they perform in accordance with the Trust's strategies and objectives.

No formal Board assessment was undertaken in the financial year ended 2016, although the Chairman has the responsibility of continually monitoring the performance and operation of the Board.

Principle 2 – Structure the board to add value
Nomination Committee
RAML does not currently have a formal nomination committee. The Board is of the opinion that it can effectively and efficiently deal with board composition and succession issues without establishing a separate nomination committee. The Board comprises three independent directors who are based in Australia and hold the appropriate balance of skills coupled with the extensive skills of the US Directors to ensure their confidence in providing the board with the appropriate balance of knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively. This is a departure from ASX Recommendation 2.1.

The Directors
The Board comprises six directors and all six of the directors have been in office since the Trust was listed on ASX, in September 2005, and remain in office as at the date of this report. The Board considers the following three directors to be external and independent:

Philip Meagher
Mervyn Peacock
William Robinson

The three executive directors in office at the date of this report are:

Scott Rechler
Michael Maturo
Jason Barnett

The Trust does not comply with ASX Recommendation 2.4, which recommends for a majority of the Board to be independent. However, the directors believe that the Trust benefits from the ongoing involvement of the RXR executive directors at the Board level, as the relationship with RXR is critical to the performance of the Trust and the three executive directors have an average of 27 years' experience in the industry, 24 years' experience at RXR (or its predecessor entities) and an extensive amount of local market insight, knowledge and industry relationships in connection with the New York Tri-State commercial office markets.

During the period from 1 January 2016 until 31 December 2016 the Board held 4 meetings with all Board members attending each meeting, except for Mr Peacock who was absent from one meeting.

Board Profiles, Skills and Competencies
The skills, experience and expertise relevant to the position of each Director are set out below. The Board comprises a diverse range of skills and understanding gained by Directors from their decades of experience in the financial services, asset management, investment banking and property sectors. This expertise is supported by appropriate accounting, banking and finance and risk management skills.

Scott Rechler – Chairman and Chief Executive Officer
Scott Rechler has served as Chief Executive Officer and Chairman of RXR since January 2007. RXR is a multi-billion dollar, private real estate company which was formed subsequent to the merger of Reckson Associates Realty Corp ("Reckson") with SL Green, one of the largest public real estate management buyouts in REIT history.

Mr Rechler served as Chief Executive Officer and Chairman of Reckson during its dynamic growth throughout New York City, Long Island, New Jersey, Westchester and Connecticut. Mr Rechler was the architect of Reckson's US$300 million IPO in 1995 and US$6.0 billion sale in 2007 generating over a 700% total return to Reckson shareholders.

Mr Rechler prides himself on enhancing the communities where RXR operates. As such, he serves as Chairman of the Regional Planning Association, a member of the Real Estate Board of New York, a Board member of The Feinstein Institute for Medical Research, and a member of the NYU Real Estate Institute Advisory Committee. In addition, Mr Rechler serves on the board of many of the region's top cultural institutions such as the Tribeca Film Institute where he serves as its co-Chairman of the Board, the Long Island Children's Museum, and The National September 11 Memorial & Museum at the World Trade Center Foundation, Inc. He also serves on the Board of the Drum Major Institute and as Chairman of the Center for Social Innovation.

In June 2011, Mr. Rechler was appointed by New York Governor Andrew Cuomo to serve on the Board of Commissioners of the Port Authority of New York and New Jersey, and served on such Board until October 2016. During his Board tenure Mr. Rechler served as Vice Chairman of such Board, and as Chairman of the Port Authority's Capital Planning Committee with responsibility for the Port's US$30 billion capital budget, including the World Trade Center redevelopment. In May 2013, Mr Rechler was appointed to represent Governor Cuomo on the Board of the National September 11 Memorial & Museum at the World Trade Center Foundation, Inc.

Michael Maturo – President and Chief Financial Officer
Michael Maturo has served as President and Chief Financial Officer of RXR since January 2007. Mr Maturo was an integral part of the Reckson/SL Green merger and is one of the founding managing partners of RXR. In this capacity, along with the two other founding managing partners, he develops and implements RXR's corporate,

operating and fund management strategies. Mr Maturo also has oversight responsibility for all financial, strategic planning and capital market activities.

Prior to the Reckson/SL Green merger, Mr Maturo served as President, Chief Financial Officer and a Director at Reckson, where he was responsible for Reckson's capital market's activities as well as its accounting, financing, strategic planning, budgeting, treasury, tax management, internal and external reporting and investor relations departments. Mr Maturo also had oversight responsibility over the company's investment functions and allocation of capital. Mr Maturo worked closely with the company's CEO in developing and implementing the company's corporate and operating strategies.

Mr Maturo was with Reckson from 1995 until January 2007 and during his tenure served as Executive Vice President, Treasurer and Chairman of the Investment Committee, where he completed over US$6 billion in capital markets transactions, spearheaded Reckson's IPO of its Australian LPT and established Reckson's investment grade rating, culminating in the issuance of US$800 million of senior unsecured notes.

Mr Maturo specialises in diverse phases of real estate finance, including corporate and property debt financings and recapitalisation transactions, leading efforts to raise over US$2 billion of additional debt and equity capital during this time period.

Prior to joining Reckson, Mr Maturo was a senior manager with EY Kenneth Leventhal Real Estate Group. Mr Maturo is a Certified Public Accountant.

Jason Barnett – General Counsel

Jason Barnett has served as Vice Chairman and General Counsel of RXR since January 2007. In this capacity he is involved in many aspects of the company's business and is responsible for all legal and compliance matters for RXR. Mr Barnett is also responsible for corporate initiatives, overseeing RXR's transactional and corporate activities. Mr Barnett was an integral part of the Reckson/SL Green merger, successfully navigating Reckson through a myriad of legal complexities to execute the transaction. Mr Barnett is also one of the founders of RXR. Prior to the Reckson/SL Green merger, Mr Barnett served as Senior Executive Vice President - Corporate Initiatives, General Counsel and Secretary where he was integrally involved in over US$6 billion of acquisitions, financings and capital market transactions.

Mr Barnett was with Reckson from 1996 until 2007 and during his tenure was responsible for the coordination of all legal and compliance matters, and was involved in over US$5 billion of real estate transactions, including acquisitions, dispositions, joint ventures, and financings. Mr Barnett was also involved in approximately US$2 billion of public securities offerings on behalf of Reckson.

Prior to joining Reckson, Mr Barnett practiced in the corporate and securities department of Sidley Austin Brown & Wood, LLP, an international law firm, where he focused on capital markets and Real Estate Investment Trusts. He is a member of the American Bar Association, the Real Estate Board of New York, and is admitted to the Bar of the State of New York.

Philip Meagher – Independent Director

Philip Meagher joined the Board of RAML on 26 May 2005. Mr Meagher has over 40 years of experience in law, property trust management and professional trusteeship. From 2003 to 2005 he was a Business Development Manager, Corporate Services, of the Trust Company of Australia Ltd. Prior to that Mr Meagher worked in various capacities within the Permanent Trustee Company including as Senior Manager of Property Custody and Accounting, as well as New South Wales Manager of Corporate Trusts. Mr Meagher has previously served as Managing Director of Equitable Group Ltd, the wholly owned funds management subsidiary of QBE Limited, the local Executive Director of British Land Company Holdings Australia Limited, and Chairman of Metlife Trustee Pty Limited. Mr Meagher was a non-practising solicitor of the Supreme Court of New South Wales.

Mr Meagher is currently a Responsible Manager and Chairman of the Compliance Committee and Risk Management Committee for Fortius Funds Management Pty Ltd, a wholesale property fund manager.

Mervyn Peacock – Independent Director
Mervyn Peacock joined the Board of RAML on 27 July 2005. Mr Peacock has over 40 years domestic and international experience in a variety of investment areas including Fund Management, Private Equity, Infrastructure and Property. Mr Peacock was Chief Investment Officer and a Director of AMP Capital Investors for five years until his retirement in January 2006. Prior to that, he was Investor Relations Manager of AMP Ltd. Mr Peacock was a Director of UniSuper Ltd and Chair of the Investment Committee (2007-2013).

Mr Peacock currently holds a number of directorships including Riverland Water Pty Ltd and Reliance Rail Ltd.

Mr Peacock is a CPA, a Fellow of the Financial Services Institute of Australasia, and a graduate of the Australian Institute of Company Directors.

William Robinson – Independent Director
William Robinson joined the Board of RAML on 27 July 2005. Mr Robinson has over 40 years of domestic and international experience in finance, mining and property. Mr Robinson has been a director of companies in Australia, Africa, Asia, North America and Europe including Unwired Australia Group, Deutsche Asset Management, Deutsche Real Estate, Southern Mining Corporation, Diamond Trust Bank Kenya Ltd, CIGA Hotels SPA and Emerging Market Growth Fund Limited. Mr Robinson is an Associate of the Bankers Institute of Australasia and Australian Society of Accountants and also a Fellow of the Australian Institute of Company Directors.

The Role of the Chairman
The Chairman provides leadership of the Board and strategic direction for the Trust and RAML, most particularly by:

(a) leading and facilitating the Board and its deliberations;
(b) ensuring that the directors remain focused on the enhancement of unitholder value;
(c) ensuring that management appropriately responds to questions and enquiries of members of the Board; and
(d) acting as spokesman for the Trust and communicating and consulting with unitholders, shareholders and relevant stakeholders on significant issues, as appropriate.

Scott Rechler, the Chairman and Chief Executive Officer of RAML, is also the Chairman and Chief Executive Officer of RXR Realty LLC ("RXR"). RAML is an affiliate of RXR. Because of this, Mr Rechler is not considered by RAML to be an independent director. This is a departure from the ASX Recommendation 2.5, but given Mr Rechler's expertise and experience in the real estate industry and the New York Tri-State area markets, and other factors, such as RXR's significant ownership interest in the Trust's portfolio, the Board strongly believes that Mr Rechler's continuation in both roles is in the best interests of the Trust.

Induction and Training
Upon their appointment RAML ensures that Directors are appropriately inducted and gain an understanding of the Board and the Trust (including its culture and values) and their rights, duties and responsibilities, the roles and responsibilities of senior executives, the role of the Board Committees, and meeting arrangements and Director interaction.

Directors are required to keep themselves adequately informed in respect of relevant industry and regulatory issues and changes.

RAML will provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

Principle 3 – Act ethically and responsibly
Code of Conduct
The Board is committed to ensuring that it acts ethically and responsibly when dealing with the Trust and unitholders. Accordingly, the Board has adopted a Code of Conduct (the "Code") which is structured to promote ethical and responsible decision making. The Code details RAML's commitment to ensuring that all directors and employees of RAML observe the highest standards of ethical behaviour and conduct.

Pursuant to the Code, all directors and employees of RAML are required to:

(a) comply with all relevant laws and regulations;
(b) act honestly and with integrity;
(c) not place themselves in situations which result in a conflict of interest;
(d) use RAML's assets responsibly and in the best interests of RAML; and
(e) be responsible and accountable for their actions.

The Board, management and all employees of RAML are committed to implementing and complying with the Code, a copy of which is listed at www.rnypt.com.au on the Trust's website.

Principle 4 – Safeguard integrity in corporate reporting
Audit and Risk Committee
RAML's Audit and Risk Charter (the "Audit Charter") was adopted by the Board on 13 September 2005. The Audit Charter establishes the Audit Committee and sets out the composition, operation and responsibilities of the Audit Committee. According to the Audit Charter, the Audit Committee shall comprise at least three members appointed by the Board. A majority of the Audit Committee members shall be external directors (in accordance with Corporations Act) and all members of the Audit Committee shall be non-executive directors of RAML. The Chairman of the Audit Committee shall be an independent director, who is not Chairman of the Board. According to the Audit Charter, the core responsibilities of the Audit Committee are to assist the Board in relation to:

(a) the integrity of financial statements of the Trust;
(b) monitoring the Trust's relationship with its external auditors (Ernst & Young);
(c) overseeing the effectiveness of the internal audit function;
(d) assessing the propriety of related party transactions;
(e) assisting with the maintenance of an effective framework to deal with risk management; and
(f) considering the adequacy of the Trust's, the Directors' and Officers' and other insurance cover.

As at the date of this report, the Audit Committee comprises Messrs Meagher, Peacock and Robinson. Mr Peacock is the Chairman of the Audit Committee. The Board has adopted a Charter for the Audit Committee which sets out the functions and responsibilities of the Audit Committee, a copy of which is listed on the Trust's website at www.rnypt.com.au.

Compliance Committee
At the date of this statement, the members of the Compliance Committee are Messrs Meagher, Peacock and Robinson. The Board has adopted a set of Working Rules for the Compliance Committee, a copy of which is listed on the Trust's website at www.rnypt.com.au.

Chief Executive Officer and Chief Financial Officer Declarations
The Board has received confirmation from both the Chief Executive Officer and Chief Financial Officer that their declaration for both the interim and full year financial reporting periods made in accordance with section 295A of the Corporations Act 2001, were based upon sound system of risk management and internal control and further that the system is operating effectively in all material respects in relation to financial reporting risk.

Principle 5 – Make timely and balanced disclosure
Continuous Disclosure
The Board believes that investors and the investment market should be informed of all material business events that may influence the Trust. As a disclosing entity under the Corporations Act, the Trust complies with the continuous disclosure regime under the ASX listing rules and the Corporations Act. To monitor compliance with this regime, RAML has a Continuous Disclosure and Communications Policy (the "Disclosure and Communications Policy"), adopted on 13 September 2005. The Disclosure and Communications Policy is designed to ensure that timely disclosure is made to the ASX to support a fully informed market, and to promote effective communications with unitholders. A copy of the Disclosure and Communications Policy may be reviewed at www.rnypt.com.au on the Trust's website.

The Board is committed to providing timely and relevant information to unitholders through its annual reports, six-monthly financial reporting, as well as by providing periodic reports and presentations and key market announcements via ASX, as well as posting such announcements and materials on the Trust's website.

Principle 6 – Respect the rights of security holders
Corporate Governance
The Trust's website at www.rnypt.com.au has a corporate governance section from where all relevant corporate governance information can be accessed, including Board and Committee Charters and various corporate governance policies. Details on the Board of Directors and current ASX announcements can also be found on the website.

Investors' Reports
The Trust prepares annual reports for investors for each financial year ending 31 December. These reports are posted on its website. Investors may elect to receive a hard-copy of the annual report or an email notification once they become available.

Principle 7 – Recognise and manage risk
Risk Management
The Trust has formalised risk management policies which are monitored by the Board on a regular basis. Risks such as operational, financial, environmental, legal and insurance risks at both the RAML and Trust level are managed through RAML's risk management frameworks and procedures.

The Audit and Risk Committee has responsibility for overseeing risk management as well as the Board. The composition of the Committee is outlined under Principle 4. Under the Committee Charter, the Committee is responsible for the following functions to assist the Board in overseeing the Group:

- In consultation with management:
- Reviewing the scope of the external auditors' review of internal control and risk management, reviewing reports on significant findings and recommendations, together with management's responses.
- Recommending to the Board any changes to the Trust's internal control and risk management framework from time to time as appropriate.

The Audit and Risk Committee met 2 times throughout the period 1 January 2016 till 31 December 2016, and all Committee members attended each meeting.

As a Managed Investment Scheme, the Trust is required to have a Compliance Plan in place. The Compliance Plan sets out the systems and processes in place to ensure compliance with the Corporations Act and the Trust's Constitution. Material non-compliance with any part of the Compliance Plan shall be reported to ASIC by the Board. The Trust's auditors conduct an audit of the Compliance Plan once a year.

Risk Management Framework
The Trust has prepared a Risk Matrix which is reviewed by the Compliance Committee on a bi-annual basis and then presented to the Board. In the context of the Trust's strategy and activities, the Risk Matrix identifies and assesses the key categories of risk for the Trust and summarises and evaluates the effectiveness of the risk control environment for each category of risk identified for the Trust.

Internal Audit
The Board has determined having regard to the Group's size not to establish a separate internal audit function. As set out above the Audit and Risk Committee and Compliance Committee along with the Board has specific responsibilities in relation to risk management and internal control.

Safety and Sustainability
The Board monitors any material exposure to economic, environmental and social sustainability risks, via its Risk Matrix. There are no apparent significant risks associated with these factors at the time of the annual report.

Principle 8 – Remunerate fairly and responsibly
No employees, including executive officers or directors, are remunerated by the Trust. Independent non-executive directors are remunerated by RAML. Although RAML does not currently have a formal remuneration committee, these functions are carried out by the Board itself. This is a departure from ASX Recommendation 8.1. However, in consideration of the actual remuneration paid by RAML and the Trust, the Board does not believe that it is necessary to establish a remuneration committee, nor does the Board believe that any marked efficiencies or enhancements would be achieved by the creation of a separate remuneration committee. Particularly given that pursuant to its Charter, the Board annually reviews and evaluates the performance of the CEO, and other executive officers, as well as the Board's performance in the context of the Trust's strategy and objectives.

Further information relating to remuneration is disclosed in Note 18(iii) to the Financial Statements for the year ended 31 December 2016. Such Financial Statements are included in this Annual Report and can also be viewed at www.rnypt.com.au on the Trust's website.

Information relating to transactions with related parties is disclosed in Note 20 to the Financial Statements for the year ended 31 December 2016. Such Financial Statements are included in the Annual Report and can also be viewed at www.rnypt.com.au on the Trust's website.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, and the Trust's compliance or non-compliance with such Recommendations, are listed below:

ASX Principle	**RAML Compliance**
Principle 1: Lay solid foundations for management and oversight	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	Complies
1.2 Companies should undertake appropriate checks before appointing or re-electing the Board members and disclose such information to security holders.	Complies
1.3 Provide written agreements with each director and senior executive setting out the terms of their acceptance.	Complies
1.4 The Company Secretary to be accountable directly to the Board through the Chair, on all matters to do with the proper functioning of the Board.	Complies
1.5(a) Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to access annually both the objectives and progress in achieving them. 1.5(b) Companies should include in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. 1.5(c) Companies should include in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.	Complies
1.6 Formalise and disclose a process for periodically evaluating the performance of the Board, its Committees and individual Directors and disclose if this has been undertaken in the reporting period.	Complies
1.7 Formalise and disclose a process for periodically evaluating the performance of the Senior Executives and disclose if this has been undertaken in the reporting period.	Complies
Principle 2: Structure the board to add value	
2.1 The board should establish a Nomination Committee	Does not Comply

2.2 Formalise and disclose a board's skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Complies
2.3 Companies should disclose the names of the directors considered by the Board to be independent directors, and the length of service of each director	Complies
2.4 A majority of the Board should be independent directors	Does not Comply
2.5 The Chairman should be an independent director, and in particular should not be the same person as the CEO.	Does not Comply
2.6 Companies should have in place a program for inducting new Directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role effectively.	Complies
Principle 3: Act ethically and responsibly	
3.1 Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent) and any other key executive as to:	Complies
The practices necessary to maintain confidence in the company's integrity.	
The practices necessary to take into account their legal obligations and reasonable expectations to their unitholders	
The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
Principle 4: Safeguard integrity in corporate reporting	
4.1 The Board should establish an audit committee 4.1(a)1 At least three members – all of whom are non-executive directors and a majority of whom are independent directors 4.1(a)2 Is chaired by an independent director, who is not the chair of the Board 4.1(a)3 Have in place a charter of the committee 4.1(a)4 Have the requisite skills and qualifications to be a member of the Committee 4.1(a)5 Note the number of times the Committee met within the period and the attendance of its members.	Complies
4.2 A formal declaration from the CEO and CFO that the financial statements for the period comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the entity	Complies
4.3 If an AGM is underataken ensure that the auditor is available to attend the AGM to answer questions from security holders.	Not applicable
Principle 5: Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Complies
Principle 6: Respect the rights of shareholders	
6.1 Companies should provide information about itself and its governance to investors via its website.	Complies
6.2 Design and disclose a communications strategy to promote effective communication with shareholders. and encourage effective participation at general meetings.	Complies
6.3 Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies
6.4 Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies
Principle 7: Recognise and manage risk	
7.1 Companies should establish a Committee to oversee risk, each of which 7.1(a)1 has at least three members, a majority of whom are independent directors; and 7.1(a)2 is chaired by an independent director; and disclose: 7.1(a)3 the charter of the Committee	Complies

7.1(a)4 the members of the Committee; and 7.1(a)5 as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or 7.1(b) if it does not have a risk committee in place, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	
7.2 The Board or a Committee of the Board should: 7.2(a) review the entity's risk management framework, at least annually to satisfy itself that it, continues to be sound; and 7.2(b) disclose in relation to each reporting period, whether such a review has taken place.	Complies
7.3 Companies should disclose: 7.3(a) if it, has an internal audit function, how the function is structured and what role it performs; or 7.3(b) if it, does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complies
7.4 Companies should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a Remuneration Committee which 8.1(a)1 has at least three members, a majority of whom are independent directors; and 8.1(a)2 is chaired by an independent director, and disclose 8.1(a)3 the charter of the committee; 8.1(a)4 the members of the committee; and 8.1(a)5 as at the end of each reporting period the number of times the committee met and the committee's attendance. 8.1(b) if it, does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for each director and senior executives and ensuring such remuneration is appropriate and not excessive.	Does not Comply
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies
8.3 Companies which have an equity based remuneration scheme should: 8.3(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit, the economic risk of participating in the scheme; and 8.3(b) disclose that policy or a summary of it.	Complies

SUPPLEMENTARY UNITHOLDER INFORMATION
As at 7 March 2017

Twenty largest Unitholders (per Link Market Services)

Unitholder	Number of Units	% of Units on Issue
1. Citicorp Nominees Pty Ltd	70,603,722	26.80
2. Aurora Funds Mgmt Ltd	41,720,661	15.84
3. JP Morgan Nominees Australia Ltd	17,240,856	6.55
4. HSBC Custody Nominees (Aust) Ltd	17,010,330	6.46
5. ABN AMRO Clearing Sydney Nominees Pty Ltd	13,430,705	5.10
6. One Managed Inv Funds	10,263,561	3.90
7. Mr & Mrs Evans (Superfund)	7,460,598	2.83
8. National Nominees Ltd	7,206,556	2.74
9. Australian Executor Trustees Ltd	4,978,766	1.89
10. Mr Mattani	4,433,394	1.68
11. Pythagoras Aust Pty Ltd (Super A)	4,178,404	1.59
12. Mr & Mrs Mackenzie	3,022,500	1.15
13. Mr Hancock	2,250,000	.85
14. Jelly Pty Ltd	2,227,800	.85
15. Mr C Lepherd	2,119,871	.80
16. Dr & Mrs B Sandler	2,000,000	.76
17. Pythagoras Aust Pty Ltd	1,785,000	.68
18. Allegra Ventures Pty Ltd	1,759,142	.67
19. BNP Paribas Nom Pty Ltd	1,624,164	.62
20. Sporran Lean Pty Ltd	1,350,000	.51
Total in this Report	**216,666,030**	**82.25**
Total Other Investors	**46,747,859**	**17.75**
Total Units on Issue	**263,413,889**	**100.00%**

Supplementary Unitholder Information

As at 7 March 2017

RANGE OF UNITHOLDERS

Holding	Number of holders	Number of units
1-1,000	77	6,785
1,001-5,000	48	144,228
5,001-10,000	46	405,824
10,001-100,000	295	12,624,667
100,001 and over	132	250,232,385
Total number of unitholders	598	263,413,889
Number of unitholders holding less than a marketable parcel	174	

CORPORATE DIRECTORY

Responsible Entity of the Trust
RNY Australia
Management Limited (RAML)
19 Martin Place
MLC Centre
Level 56
Sydney NSW 2000
Phone: (02) 9293 2911
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Directors of RAML
Scott Rechler, Chairman
Jason Barnett
Michael Maturo
Philip Meagher
Mervyn Peacock
William Robinson

Company Secretary
Francis Sheehan

Independent Accountant
Ernst & Young
Ernst & Young Centre
680 George Street
Sydney NSW 2000

Legal Advisor
Greenwich Legal
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Sydney NSW 2000

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RNY Property Trust

ARSN 115 585 709

Financial Report
For the Year Ended 31 December 2016

RNY PROPERTY TRUST
CONTENTS

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 entity, together known as the "Group", for the year ended 31 December 2016.

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
22 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 2016 owned 18 office properties (2015: 20 office properties) in the New York Tri-State area. The principal activity during the financial year has been holding investments in the commercial office markets of the New York Tri-State area in the United States (the "US"), which is in accordance with the stated investment strategy as set out in the Product Disclosure Statement dated 15 August 2005. The Group's management has taken a more proactive approach to marketing properties throughout 2016 in advance of 2017 debt maturities, and as required by the modification of the mezzanine loan (the "Mezz Loan") on 8 July 2016. As part of such Mezz Loan modification, the Group was required to have the nine properties, which serve as collateral for the Mezz Loan, under contract to be sold by 31 December 2016. As of the date of this report: (i) 2 of the 9 properties have been sold and the Group has executed sales contracts for 6 of the remaining 7 properties, and (ii) the Group has executed sales contracts for 3 additional assets.

Distributions

No distributions were paid to unitholders for the year ended 31 December 2016 and no provision for distribution has been recognised in the financial statements.

Funding

At 31 December, 2016, with regards to two of the US LLC's non-recourse secured loans (the "Senior Bank loan" and the "Acore Loan"), the US LLC had approximately US$2.3 million (31 December 2015: US$2.4 million) in a lender controlled cash account under the Senior Bank loan and approximately US$0.9 million in a lender controlled cash account under the Acore Loan. The cash accounts are used to fund operating expenses, reserves and debt service on a monthly basis. Any remaining funds after providing for the aforementioned items are deposited into a leasing reserve. At 31 December, 2016, the US LLC had approximately US$6.8 million (31 December 2015: US$6.2 million) in lender controlled reserve accounts. The reserve accounts are used to fund real estate taxes, insurance, capital improvements and tenanting costs. Such amounts are reflected in share of US LLC's other assets in the accompanying balance sheet.

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 2016 was $50,591,701 (2015: Loss $66,207,010).

Significant changes in the state of affairs

At 31 December 2016 the Group's management revalued the entire property portfolio. Cushman and Wakefield was engaged to perform appraisals of seven properties and the remaining properties in the portfolio, which are being marketed for sale, were valued at the sales price as per the signed sales contracts for such assets. Refer to Note 7 and Note 26 of these accounts for more details of the progress of these sales. Utilizing these appraisals and contract prices resulted in a 17.3% decrease in the portfolio's value from 31 December 2015.

Matters subsequent to the end of the financial year

Asset Sales:

Subsequent to balance date, settlement has occurred for the following properties which had been contracted for sale at balance sheet date:

	Book Value At 31 Dec 16 @75%	Sales proceeds US LLC share @75%	Settlement Date
	US $'000	US $'000	
35 Pinelawn Rd, Long Island	11,531	11,531	20 Jan 2017
150 Motor Parkway, Long Island	15,750	15,750	8 Feb 2017

In addition, details of properties for which contracts have been entered into but settlement has not occurred at the date of this report are as follows

	Book Value At 31 Dec 16 @75%	Sales proceeds US LLC share @75%	Expected Settlement Date
	US $'000	US $'000	
West Orange Properties (to be sold in aggregate)			
100 Executive Dr, Nth New Jersey	1,650	1,650	14 Mar 2017
200 Executive Dr, Nth New Jersey	2,475	2,475	14 Mar 2017
10 Rooney Circle, Nth New Jersey	2,250	2,250	14 Mar 2017
300 Executive Drive, Nth New Jersey	4,875	4,875	14 Mar 2017
	11,250	11,250	
660 White Plains Rd, Westchester County	22,503	22,503	9 Mar 2017
80 and 100 Grasslands Rd, Westchester County	11,926	11,926	28 Mar 2017
555 White Plains Rd, Westchester County	4,425	4,425	13 Apr 2017
225 High Ridge Rd Fairfield County	18,000	18,000	6 Apr 2017

Debt matters:

On 1 January 2017, the US$26.6 million December 2009 mortgage loans matured. On 17 January 2017, the US LLC completed a Modification and Extension Agreement, which extended the term of such mortgage loans by six months, to 1 July 2017.

With regard to the US$75.5 million Acore Loan, the US LLC, as the loan guarantor, is in violation of the net worth requirement (as of 31 December 2016) and the liquidity requirement (as of 1 January 2017). These violations could lead to an event of default, pursuant to the loan documents, if borrower fails to cure such violations within 60 days. During the continuance of an event of default, in addition to other rights and remedies available to the lender pursuant to the loan documents, the lender may charge interest at the default rate and/or declare the loan to be immediately due and payable. The US LLC is in discussions with the lender regarding such matters.

Likely developments and expected results of operations

The Group's management has taken a more proactive approach to marketing properties throughout 2016 in advance of 2017 debt maturities. As part of the Mezz Loan modification on 8 July 2016, the nine properties, which serve as collateral for the Mezz Loan, were required to have entered into a contract to be sold by 31 December 2016. Currently, eight of the properties have executed contracts to be sold. Based on the contracts executed on the eight properties, the US LLC determined that it was unlikely to receive sufficient net proceeds after payment of closing costs and the senior debt to allow it to pay the Mezz Loan in full. Therefore, the US LLC recorded a gain on the remeasurement of the Mezz Loan in the amount of approximately US$16.1 million to reduce the balance of the Mezz Loan to the estimated proceeds available to pay the Mezz Loan lender.

The Group may market additional properties during 2017 to pay back other outstanding debt.

In addition, the Group's management has been focussed on cash management and on attempting to build and maintain occupancy, which has proven difficult due to what the Group's management perceives as structural shifts in the Trust's suburban markets. The Group will focus on conserving cash by limiting base building capital expenditures to essential projects, holding back on distributions to unitholders, and to strategically and selectively use cash in support of leasing efforts that will have a positive impact on efforts to market the properties for sale.

Further information on likely developments in 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 2016 (31 December 2015: 263,413,889 fully paid units).

Trust Assets

At 31 December 2016, the Trust's total assets held amounted to $51.202 million (2015: $99.153 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 $388,431 (2015: $392,629) were paid to the Responsible Entity for the year. The Responsible Entity was also reimbursed for expenses amounting to $125,991 (2015: $114,863) for the year ended 31 December 2016.

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 2016 and 2015, 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.

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

Rounding of Amounts

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

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 (EY) are set out in Note 25 to the financial statements. The directors are satisfied that the provision of non-audit services provided by EY 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 23rd day of February 2017 in Sydney

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Auditor's Independence Declaration to the Directors of RNY Property Trust

As lead auditor for the audit of RNY Property Trust for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of RNY Property Trust and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
23 February 2017

Statement of Comprehensive Income
year ended 31 December 2016

	Note	Consolidated 2016 $'000	2015 $'000
CONTINUING OPERATIONS			
Share of net loss of US LLC			
Rental income from investment properties		54,260	55,500
Property related expenses		(31,972)	(33,208)
Net rental income		22,288	22,292
Other income		950	1,423
Gain on remeasurement of mezzanine loan	6(a)	16,229	-
Borrowing costs		(18,818)	(18,784)
Loss on sale of investment property		(1,482)	(73)
Other expenses		(2,184)	(3,046)
Net income from US LLC before fair value adjustments		16,983	1,812
Loss from investment property revaluations		(65,125)	(65,274)
Total share of net loss from US LLC		(48,142)	(63,462)
Interest income		1	2
Total loss and other income		(48,141)	(63,460)
Expenses			
Administration expenses		(271)	(289)
Finance costs		(371)	(343)
Management fees		(1,527)	(1,842)
Other expenses	3	(282)	(273)
Total expenses		(2,451)	(2,747)
Loss from continuing operations before tax expense		(50,592)	(66,207)
US withholding tax	4	-	-
NET LOSS FROM CONTINUING OPERATIONS AFTER TAX		(50,592)	(66,207)
OTHER COMPREHENSIVE INCOME – RECYCLABLE			
Foreign currency translation difference (net of tax)		842	16,991
Gain on financial instrument hedge (net of tax)	6(c)	726	258
Other comprehensive gain for the year, net of tax		1,568	17,249
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(49,024)	(48,958)
Basic and diluted loss per unit from continuing operations (cents)	16(a)	(19.21)	(25.13)

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

Balance Sheet
as at 31 December 2016

	Note	Consolidated 31 Dec 16 $'000	Consolidated 31 Dec 15 $'000
Current assets			
Cash and cash equivalents	15(b)	59	127
Trade and other receivables	5	14	10
Other current assets		30	31
Total current assets		103	168
Non-current assets			
Investments held in US LLC			
Share of US LLC's investment properties	7	287,915	359,550
Share of US LLC's liabilities		(266,625)	(288,358)
Share of US LLC's other assets		29,809	27,793
Total investment held in US LLC	6	51,099	98,985
Total non-current assets		51,099	98,985
Total assets		51,202	99,153
Current liabilities			
Related party payables	8	6,231	5,794
Trade and other payables	9	1,504	870
Total current liabilities		7,735	6,664
Non-current liabilities			
Preferred shares	10	173	171
Total non-current liabilities		173	171
Total liabilities		7,908	6,835
Net assets		43,294	92,318
Unitholders' Equity			
Units on Issue	11	251,377	251,377
Reserves	12	6,833	5,265
Accumulated deficit		(214,916)	(164,324)
TOTAL EQUITY		43,294	92,318

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

Cash Flow Statement
year ended 31 December 2016

	Note	Consolidated 2016 $'000	2015 $'000
Cash flows from operating activities			
Payments to suppliers		(1,504)	(2,389)
Distributions received from US LLC		1,436	2,462
Interest received		1	2
Net cash (outflow)/inflow from operating activities	15(a)	(67)	75
Cash flows from investing activities			
Net cash flow from investing activities		-	-
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(67)	75
Cash and cash equivalents at beginning of year		127	75
Net foreign exchange differences		(1)	(23)
Cash and cash equivalents at end of year	15(b)	59	127

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

	Note	Units on Issue	Accumulated Deficit	Reserves	Total Equity
		$'000	$'000	$'000	$'000
CONSOLIDATED					
At 31 December 2014		251,377	(98,117)	(11,984)	141,276
Fair value movement of derivatives					
- recyclable	12	-	-	258	258
Foreign currency translations taken to equity					
- recyclable	12	-	-	16,991	16,991
Loss for the year		-	(66,207)	-	(66,207)
Total comprehensive loss for the year, net of tax		-	(66,207)	17,249	(48,958)
Distributions		-	-	-	
At 31 December 2015		251,377	(164,324)	5,265	92,318
Fair value movement of derivatives					
- recyclable	12	-	-	726	726
Foreign currency translations taken to equity					
- recyclable	12	-	-	842	842
Loss for the year		-	(50,592)	-	(50,592)
Total comprehensive loss for the year, net of tax		-	(50,592)	1,568	(49,024)
Distributions		-	-	-	-
At 31 December 2016		251,377	(214,916)	6,833	43,294

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 2016 was authorised for issue in accordance with a resolution of the directors on 23 February 2017.

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 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 and derivatives that are held at fair value.

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. RNY and US REIT also require continued access to adequate cash distributions from the underlying investment in RNY Australia Operating Company LLC (the "US LLC"), the joint venture investment, to settle the liabilities within the respective entities. US LLC has a debt facility (the "Mezz Loan") that is currently in breach of its agreement to dispose of the assets pledged as security prior to 31 December 2016. US LLC has also violated its covenant requirement on another debt facility (the "ACORE Loan") as at 31 December 2016 and has 60 days to cure the violation prior to an event of default. The US LLC is currently in discussions with the lenders of the Mezz Loan and ACORE Loan to remedy the respective breach and loan violation. All secured borrowings are non-recourse loans with exposure being limited to the properties pledged for each loan facility. It is expected that US LLC will be able to undertake remedial actions, however, there can be no guarantee that this will happen. Management is presently in discussions with the lenders referenced above and is hopeful that agreement can be reached resolving these issues.

If US LLC is not able to remedy the facilities currently in breach or avoid an event of default, then doubt may be cast over US LLC's ability to realise the carrying value of its assets and ultimately the cash distributions paid to US REIT and 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 2016, the US LLC has sufficient liquidity to maintain distributions to the US REIT in order to pay their debts as and when they fall due.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars per Corporations Instrument 2016/191.

(b) Statement of Compliance

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Trust has adopted the following Amending Standards and Standards as of 1 January 2016. Adoption of these Amending Standards did not have any material effect on the financial position or performance of the Trust:

AASB 2014-4 -Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
AASB 1057 - Application of Australian Accounting Standards
AASB 2015-1 - Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
AASB 2015-2 - Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-9 - Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]

2. Summary of Significant Accounting Policies (continued)
(b) Statement of Compliance (continued)

Australian Accounting Standards ("AAS") and Interpretations that have been issued during the period 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 2016 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 and introduction of new hedge accounting requirements	1 Jan 2018	Refer note below**	1 Jan 2018
AASB 15	Revenue from contract with customers	Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers	1 Jan 2018	Refer note below**	1 Jan 2018
AASB 16	Leases	This standard contains requirements about lease classification and the recognition, measurement and presentation and disclosures of leases for lessees and lessors	1 Jan 2019	Refer note below**	1 Jan 2019

*Designates the beginning of the applicable annual reporting period

**At 31 December 2016 an assessment has been made by management as to the impact of the above Accounting Standards on the financial report. Management has concluded that there will be no material impact from the adoption of AASB 9, AASB 15 and AASB 16. 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 subsidiary as at 31 December 2016. 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.

(d) 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:

Accounting for Investment in US LLC

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

Operating lease commitments

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.

(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:

Fair value of investment properties held by the US LLC – refer Note 2(l) and Note 7
Carrying value of commercial mortgages held by the US LLC – refer Note 2(n) and Note 6

(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 collectability 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 and US REIT have been eliminated in preparing the consolidated financial statements.

(k) 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. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in the OCI of the investee is presented as part of the Group's OCI. 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.

2. Summary of Significant Accounting Policies (continued)

(k) Investments in joint ventures (continued)

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 profit or loss as "Share of net loss of US LLC". The joint venture's share of other comprehensive income or loss is detailed in Note 6(c) 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 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 loss of US LLC" in the statement of comprehensive income.

(l) Investment Properties held by joint ventures

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 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. 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 as part of the share of net income or loss from the US LLC.

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.

2. Summary of Significant Accounting Policies (continued)

(m) 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 2016, a spot rate of A$1.00 = US$0.72 was used (31 December 2015: A$1.00 = US$0.73).

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 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.

(n) 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.

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 income statement.

(o) 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.

2. Summary of Significant Accounting Policies (continued)

(p) 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.

(q) 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.

(r) 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)

(s) 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.

(t) Comparatives

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

	Consolidated	
	2016	**2015**
	$'000	**$'000**

3. Other expenses

Administration & marketing	60	41
Consulting fees	71	69
Insurance	151	163
	282	**273**

4. Income tax benefit

(a) Income tax benefit

Deferred US withholding tax benefit	**-**	**-**

(b) Reconciliation of withholding tax expense

The prima facie tax on profit before tax expense is reconciled to the tax benefit provided in the financial statements as follows:		
Net loss before tax benefit	(50,592)	(66,207)
Prima facie US withholding tax benefit at the US rate of 15% (2015: 15%)	(7,589)	(9,931)
Tax effect of amounts that are not assessable for withholding tax purposes	7,589	9,931
US withholding tax expense	**-**	**-**

Refer Note 14 for details of Deferred Tax Assets.

	Consolidated	
	2016	**2015**
	$'000	**$'000**

5. Trade and other receivables

Other receivables	**14**	**10**

There are no past due or impaired receivables in the balances above.

6. Investments in joint ventures

	Consolidated 2016 $'000	Consolidated 2015 $'000
Investment in joint venture	**51,099**	**98,985**

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 2016 owned 18 office properties (2015: 20 office properties) in the New York Tri-State area. The owner of the remaining 25% interest is an affiliate of RXR Realty LLC, a private enterprise founded by Messrs. Rechler, Maturo and Barnett (three of the directors of the Trust).

Under the structure created above, RNY (through the US REIT) and RXR exercise joint control over the property investments held in the US LLC. RXR has retained considerable powers in relation to the control of the US LLC, both during the US LLC's operation and in the event of winding up. Accordingly, the Group has adopted the equity method of accounting for its investment in the US LLC.

6. Investments in joint ventures (continued)

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

		Consolidated	
	Note	**2016 $'000**	**2015 $'000**
Movements in carrying amounts			
Carrying amount at the beginning of the year		98,985	146,937
Distributions received		(1,436)	(2,462)
Share of loss of joint venture		(48,142)	(63,462)
Share of other comprehensive income of joint venture		726	258
Effect of changes in exchange rates		966	17,714
Carrying amount at the end of the year		**51,099**	**98,985**
Balance Sheet of US LLC			
Current assets			
Cash and cash equivalents (i)		25,712	22,457
Trade and other receivables		1,322	1,930
Other current assets		6,481	-
Properties held for sale		208,514	-
		242,029	24,387
Non-current assets			
Investment properties		175,372	479,400
Other non-current assets		6,231	12,671
		181,603	492,071
Total Assets		423,632	516,458
Current liabilities	6(a)(i)	355,500	124,019
Non-current liabilities	6(a)(ii)	-	260,459
Total Liabilities		355,500	384,478
Equity of US LLC		**68,132**	**131,980**
Proportion of the Group's ownership		**75%**	**75%**
Carrying amount of the investment		**51,099**	**98,985**

(i) Certain cash included above is subject to control by certain lenders. Refer to Note 6(e) for further details.

6. Investments in joint ventures (continued)

(a) Share of US LLC liabilities

(i) Current liabilities comprise:

Facility	US $'000 @ 100% 2016	US $'000 @ 100% 2015	AUD $'000 @ 100% 2016	AUD $'000 @ 100% 2015	Int Rate	Maturity Date
Trade & other creditors	6,622	6,188	9,151	8,470	n/a	Current
Accrued mortgage interest	13,798	11,554	19,069	15,815	*various*	Current
Interest rate swap – current	235	866	325	1,185	*see note (a)*	Current
Fixed rate commercial mortgages						
Dec 2009 mortgage*	26,628	-	36,801	-	4.25%	Jan 2017**
Mezzanine loan*	36,000	-	49,751	-	*see note (b)*	May 2017
Less: Mezz remeasurment	(16,106)	-	(22,258)	-	*see note (b)*	
Tranche II mortgage*	-	72,000	-	98,549	5.32%	Jan 2016
Floating rate commercial mortgage						
Senior Bank loan*	114,524	-	158,269	-	*see note (a)*	May 2017
Acore loan*	75,538	-	104,392	-	*see note (c)*	Jan 2019
Total	**257,239**	**90,608**	**355,500**	**124,019**		
Group share @ 75%			**266,625**	**93,014**		

(ii) Non-current liabilities comprise:

Facility	US $'000 @ 100% 2016	US $'000 @100% 2015	AUD $'000 @100% 2016	AUD $'000 @ 100% 2015	Int Rate	Maturity Date
Fixed rate commercial mortgages						
Dec 2009 mortgage*	-	37,717	-	51,625	4.25%	Jan 2017**
Mezzanine loan	-	36,000	-	49,274	*see note (b)*	May 2017
Floating rate commercial Mortgage						
Senior Bank loan*	-	116,495	-	159,451	*see note (a)*	May 2017
Interest rate swap – non current	-	79	-	109	*see note (a)*	May 2017
Total	-	**190,291**	-	**260,459**		
Group share @ 75%			-	**195,344**		

* These mortgages are secured over certain properties of the US LLC.

** Subsequent to year end, the Dec 2009 mortgage was extended to July 2017

6. Investments in joint ventures (continued)

(a) Share of US LLC liabilities

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 following borrowings are not subject to any gearing covenants.

Note (a). The Senior Bank loan bears interest at a variable rate of LIBOR plus 3.95% per annum. The US LLC has an interest rate swap agreement in place at 31 December 2016 with a notional amount of $US114.5 million (2015: $US116.5 million) which fixes LIBOR at approximately 1.33% per annum. The swap is being used to hedge the expected interest cost payable on this loan. As a result, the Senior Bank loan bears interest at an all-in rate of approximately 5.28% per annum for the term of the loan. The current portion of the swap shown above represents the present value of interest amounts payable within the next 12 months under the swap agreement.

On 8 July 2016, the US$114.5 million Senior Bank loan, which is collateralised by the same nine properties as the Mezzanine Loan (the "Mezz Loan"), was amended to account for the Mezz Loan modifications.

Note (b). The US$36.0 million Mezz Loan was issued in April 2012, matures in May 2017 and is collateralized by indirect ownership interests in nine properties owned by the US LLC (the "Mezz Loan Portfolio"). On 14 January 2015 the US LLC amended the Mezz Loan. As per this amendment, (i) the US LLC paid interest at an 8% rate for year three of the Mezz Loan (April 2014 – March 2015), at a 9% pay rate in year four, and a 10% pay rate in the fifth and final year, and (ii) the interest accrual rate for the final 3 years of the Mezz Loan will increase from 13% to 14% per annum. After giving effect to the amendment, the US LLC received a credit in the amount of approximately US$1.5 million related to interest payments made under the original loan terms versus those due per the amendment.

On 8 July 2016, the US LLC further modified the US$36.0 million Mezz Loan to restructure such debt. Material terms of the modification agreement include, but are not limited to: (i) the lender has agreed to waive certain loan provisions, including the debt service coverage ratio (the "DSCR") and the requirement that the US LLC post a letter of credit to cure any DSCR violations, as well as agreeing that monthly mezzanine interest shortfalls will be added to the outstanding principal balance, (ii) the US LLC will be required to meet certain leasing parameters, (iii) the assets of the Mezz Loan Portfolio are required to be under contract for sale by 31 December 2016, and (iv) the lender's profit participation interest in the proceeds from a sale of the Mezz Loan Portfolio increased from 15% of remaining proceeds after a 15% IRR to the US LLC to 25% of remaining proceeds after the US LLC receives US$2.75 million.

On 31 December 2016 the US LLC failed to meet the leasing and sale conditions set out in the Mezz Loan, as described above. The US LLC is in discussions with the Mezz Loan lender regarding such matters. The Mezz Loan matures in May 2017 and is a non-recourse loan. At 31 December 2016, the loan was remeasured with the balance of the Mezz Loan reduced by US$16.1 million to reflect the estimated proceeds available to pay the lender as result of the sales process currently in place.

6. Investments in joint ventures (continued)

(a) Share of US LLC liabilities

Note (c)

On 8 January 2016 the US LLC completed a pay-off and refinancing of the US$72.0 million Citibank CMBS loan (the "CMBS Loan") which matured on such date. The new financing consists of a 3-year, US$97.0 million loan provided by ACORE Capital, which encumbers and cross-collateralizes the same seven properties which served as collateral for the CMBS Loan, in addition to an eighth property, 580 White Plains Rd., which was previously encumbered as part of the US LLC's December 2009 mortgage loans.

The ACORE Loan consists of an initial loan amount of approximately US$81.7 million, with a facility of approximately US$15.3 million available to fund capital expenditures, tenant incentives and leasing commissions.

The ACORE Loan, which matures in January 2019, contains two 1-year extension options, bears interest at a variable rate of LIBOR plus weighted average rate of 4.7% per annum, with a minimum LIBOR rate of 25 basis points, and requires monthly payments of interest only during the initial 3-year term. At closing, the US LLC entered into an interest rate cap agreement to protect itself from potentially rising interest rates, which caps LIBOR at 2.5% per annum over the first two years of the term. Prior to the third year of the loan term, US LLC is obligated to enter into an extension of the interest rate cap agreement. As a result, the ACORE Loan bears interest at a minimum weighted average rate of 4.95% and a maximum weighted average rate of 7.2% per annum over the loan term. In addition, the ACORE Loan is subject to customary financial covenants and the US LLC may prepay amounts outstanding subject to yield maintenance during the first 18 months of the initial term.

With regard to the Acore Loan, the US LLC, as the loan guarantor, is in violation of the net worth requirement (as of 31 December 2016) and the liquidity requirement (as of 1 January 2017). These violations could lead to an event of default, pursuant to the loan documents, if the borrower fails to cure such violations within 60 days. During the continuance of an event of default, in addition to other rights and remedies available to the lender pursuant to the loan documents, the lender may charge interest at the default rate and/or declare the loan to be immediately due and payable. The US LLC is in discussions with the lender regarding such matters.

(b) Assets pledged as security:

The Group share of carrying amounts of assets pledged as security for current secured borrowings are:

	2016 $'000 @ 75%	2015 $'000 @ 75%
Property assets		
Senior Bank loan / Mezz Loan		
Investment properties	152,966	192,067
Acore Loan		
Investment properties	103,647	-
Tranche II mortgage		
Investment properties	-	93,777
Dec 2009 mortgage		
Investment properties	31,302	73,706
Total property assets pledged as security	**287,915**	**359,550**

6. Investments in joint ventures (continued)

(c) Summarised statement of comprehensive income of US LLC

	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue & other income		
Rental income from investment properties	72,347	74,000
Gain on remeasurement of mezzanine loan	21,639	-
Other income	1,267	1,897
Total revenue	95,253	75,897
Expenses		
Property expenses	(42,629)	(44,277)
Borrowing costs	(25,091)	(25,045)
Loss from investment property revaluations	(86,833)	(87,032)
Loss on sale of investment property	(1,976)	(97)
Other expenses	(2,913)	(4,062)
Total expenses	(159,442)	(160,513)
Net loss of US LLC before income tax	(64,189)	(84,616)
Income tax expense	-	-
Net loss from continuing operations after income tax	(64,189)	(84,616)
Other comprehensive income – recyclable		
Gain on financial instrument hedge - (net of tax)	968	344
Total comprehensive loss for the year	(63,221)	(84,272)
Proportion of the Group's ownership:	**75%**	**75%**
Group's share of loss of US LLC for the year	(48,142)	(63,462)
Group's share of other comprehensive gain for the year	726	258
Group's share of loss for the year	**(47,416)**	**(63,204)**

(d) Commitments and contingencies of joint venture

(i) Capital Commitments

The US LLC had no future capital commitments existing at balance date.

(ii) Contingent liabilities

The US LLC had no contingent liabilities existing at balance date.

(iii) Impairment losses

The US LLC had impairment losses relating to doubtful debts existing at balance date which were not considered material.

(e) Current funding

At December 31, 2016, with regards to the Senior Bank loan, the US LLC has approximately US$2.3 million (31 December 2015: US$2.4 million) in a lender controlled cash account with the Senior Bank loan lender. With regards to the Acore Loan, the US LLC has approximately US$0.9 million in a lender controlled bank account. The cash account is used to fund operating expenses, reserves and debt service on a monthly basis. Any remaining funds after providing for the aforementioned items is deposited into a leasing reserve. At 31 December, 2016, the US LLC had approximately US$6.8 million (31 December 2015: US$6.2 million) in lender controlled reserve accounts. The reserve accounts are used to fund real estate taxes, insurance, capital improvements and tenanting costs. Such amounts are reflected in share of US LLC's other assets in the accompanying balance sheet.

7. Share of US LLC's Properties

	Consolidated 2016 $'000	Consolidated 2015 $'000
Investment properties – at fair value	131,529	359,550
Properties held for sale – at fair value	156,386	-
Investment properties and properties held for sale held in equity accounted investments	**287,915**	**359,550**

The Trust has an interest in properties held by equity accounted investments, through the indirect holding of a 75% interest in the US LLC. The amounts set out in this note represent the 75% interest in these properties.

Included in the carrying value of these properties are the following:		
Straight – line asset*	9,939	10,556
Lease commissions	8,909	7,663
Deferred revenues**	(1,909)	(2,578)
Total	16,939	15,641

*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 properties at the beginning and end of the financial year is set out below:

	2016	2015
Carrying amount at the start of the year	359,550	378,018
Fair value decrement (unrealised)	(65,125)	(65,274)
Capital additions	3,199	4,384
Other investment value	2,528	(910)
Book value of property disposals	(14,956)	(2,469)
Foreign exchange gain	2,719	45,801
Carrying amount at the end of the year	**287,915**	**359,550**

At 31 December 2016, the investment portfolio occupancy rate was 74.5% (2015: 74.6%) with a weighted average lease expiry of 3.5 years (2015: 3.4 years). Certain of the joint venture's properties are pledged as security for the joint venture's borrowings. See note 6(b) for further details.

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

The attached table shows details of investment properties and properties held for sale held through controlled entities and joint ventures as at 31 December 2016. The amounts below represent the Consolidated Entity's 75% beneficial share of these properties at balance dates.
Amounts are in US Dollars and Australian Dollars where indicated.

Property Address	Date of Acquisition	Region	Book Value At 31 Dec 15 @75% US $'000	Book Value At 31 Dec 16 @75% US $'000	Book Value At 31 Dec 15 @75% AUD $'000	Book Value At 31 Dec 16 @75% AUD $'000
Properties currently held for sale						
35 Pinelawn Rd, Long Island	21 Sep 05	Long Island	-	11,531	-	15,936
150 Motor Parkway, Long Island	21 Sep 05	Long Island	-	15,750	-	21,766
660 White Plains Rd, Westchester County	21 Sep 05	Westchester	-	22,503	-	31,100
100 Executive Dr, Nth New Jersey	21 Sep 05	New Jersey	-	1,650	-	2,280
100 Grasslands Rd, Westchester County	21 Sep 05	Westchester	-	5,963	-	8,241
80 Grasslands Rd, Westchester County	21 Sep 05	Westchester	-	5,963	-	8,241
200 Executive Dr, Nth New Jersey	21 Sep 05	New Jersey	-	2,475	-	3,420
225 High Ridge Rd, Fairfield County	21 Sep 05	Connecticut	-	18,000	-	24,876
10 Rooney Circle, Nth New Jersey	21 Sep 05	New Jersey	-	2,250	-	3,109
555 White Plains Rd, Westchester County	21 Sep 05	Westchester	-	4,425	-	6,115
710 Bridgeport Ave, Fairfield County	6 Jan 06	Connecticut	-	17,775	-	24,565
300 Executive Dr, Nth New Jersey	6 Oct 06	New Jersey	-	4,875	-	6,737
Total properties held for sale			-	113,160	-	156,386

The US LLC is currently completing the orderly sale of the above properties. As at 31 December 2016, contracts for sale had been entered into for the sale of 35 Pinelawn Rd, 150 Motor Parkway, 80 and 100 Grasslands Rd, 100, 200 and 300 Executive Drive, 10 Rooney Circle and 660 White Plains Rd. For further details on these sales and further sales subsequent to balance date refer to Note 26 of these accounts.

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

Property Address	Date of Acquisition	Region	Book Value At 31 Dec 15 @75% US $'000	Book Value At 31 Dec 16 @75% US $'000	Book Value At 31 Dec 15 @75% AUD $'000	Book Value At 31 Dec 16 @75% AUD $'000
Investment Properties						
35 Pinelawn Rd, Long Island	21 Sep 05	Long Island	10,575	-	14,474	-
150 Motor Parkway, Long Island	21 Sep 05	Long Island	16,575	-	22,687	-
660 White Plains Rd, Westchester County	21 Sep 05	Westchester	28,875	-	39,522	-
100 Executive Dr, Nth New Jersey	21 Sep 05	New Jersey	3,075	-	4,209	-
100 Grasslands Rd, Westchester County	21 Sep 05	Westchester	8,175	-	11,189	-
80 Grasslands Rd, Westchester County	21 Sep 05	Westchester	8,925	-	12,216	-
200 Executive Dr, Nth New Jersey	21 Sep 05	New Jersey	4,500	-	6,159	-
492 River Rd, Nth New Jersey	21 Sep 05	New Jersey	30,225	26,850	41,370	37,106
225 High Ridge Rd, Fairfield County	21 Sep 05	Connecticut	29,400	-	40,241	-
300 Motor Parkway, Long Island (iii)	21 Sep 05	Long Island	3,600	-	4,927	-
55 Charles Lindbergh Blvd, Long Island	21 Sep 05	Long Island	18,600	20,100	25,459	27,778
200 Broadhollow Rd, Long Island (ii)	21 Sep 05	Long Island	7,200	-	9,855	-
10 Rooney Circle, Nth New Jersey	21 Sep 05	New Jersey	2,400	-	3,285	-
560 White Plains Rd, Westchester County	21 Sep 05	Westchester	7,875	7,800	10,779	10,779
555 White Plains Rd, Westchester County	21 Sep 05	Westchester	7,500	-	10,266	-
6800 Jericho Turnpike, Long Island	6 Jan 06	Long Island	16,950	16,800	23,200	23,217
6900 Jericho Turnpike, Long Island	6 Jan 06	Long Island	7,988	6,825	10,933	9,432
710 Bridgeport Ave, Fairfield County	6 Jan 06	Connecticut	23,850	-	32,644	-
580 White Plains Rd, Westchester County	6 Oct 06	Westchester	17,700	16,800	24,227	23,217
300 Executive Dr, Nth New Jersey	6 Oct 06	New Jersey	8,700	-	11,908	-
Total Investment Properties			262,688	95,175	359,550	131,529
Total share of US LLC's Properties			262,688	208,335	359,550	287,915

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

(i) Cushman and Wakefield performed appraisals for seven of the joint venture's properties at 31 December 2016 as noted above (31 December 2015: ten properties), and the remaining eleven properties were valued at the sales price, as per the signed contracts for the sales of such properties.

(ii) On 30 June 2016 the US LLC sold 200 Broadhollow Road for US$9.15 million. The Group's 75% share of the sale price was US$6.86 million and the property's carrying value at 31 December 2015 was US$7.2 million.

(iii) On 20 December 2016 the US LLC sold 300 Motor Parkway Long Island for US$5.07 million. The Group's 75% share of the sale price of US$3.803 million equates to the property's carrying value at 30 June 2016.

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 15	**31 Dec 16**	**31 Dec 15**	**31 Dec 16**
Westchester	7.80%	7.79%	8.85%	8.83%
Long Island	7.77%	7.68%	8.20%	8.10%
New Jersey	8.00%	8.04%	8.63%	8.82%
Connecticut	8.67%	8.50%	9.03%	10.36%

7. Investment Properties (continued)

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	
	2016	**2015**
	$'000	**$'000**

8. Due to related parties

Amount owing to related party	**6,231**	**5,794**

The related party loan is repayable on demand. Interest is charged quarterly on the daily balance, based on the commercial rate at which funds are borrowed by the related party. The average interest rate charged for the 2016 year was 6.36% (2015: 6.33%)

9. Trade and other payables

Other creditors & accruals	1,327	744
Owing to related parties	177	126
	1,504	**870**

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

10. Preferred Shares

Preferred shares	**173**	**171**

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.

11. Units on Issue

	Consolidated 2016 Units	Consolidated 2015 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 2016 $'000	Consolidated 2015 $'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.

12. Reserves

	Consolidated 2016 $'000	Consolidated 2015 $'000
Foreign currency translation reserve	7,077	6,235
Cash flow hedge reserve	(244)	(970)
	6,833	**5,265**
Movement in foreign currency translation reserve (i)		
Balance at the beginning of the year	6,235	(10,756)
Gain on translation of controlled foreign entities	842	16,991
Balance at end of the year	**7,077**	**6,235**

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Movement in cash flow hedge reserve		
Balance at the beginning of the year	(970)	(1,228)
Gain on revaluation of derivatives	726	258
Balance at end of the year	**(244)**	**(970)**

13. Distribution Statement

	Consolidated 2016 $'000	Consolidated 2015 $'000
Total comprehensive loss for the period attributable to unitholders of RNY	(49,024)	(48,958)
Adjusted for RNY share of:		
Loss from investment property revaluations	65,125	65,274
Straight lining of rental income	(376)	(5)
Gain on remeasurement of mezzanine loan	(16,229)	-
Mortgage cost amortisation	1,960	1,080
Leasing cost amortisation	1,917	2,580
Gain on financial instrument hedge	(726)	(258)
Foreign currency translation gain	(842)	(16,991)
INCOME AVAILABLE FOR DISTRIBUTION	1,805	2,722
Other amounts retained	(1,805)	(2,722)
DISTRIBUTION PAID AND PAYABLE	-	-

14. Deferred tax asset

At 31 December 2016, the Group share of temporary differences for which no deferred tax asset is recognised on the balance sheet is $AU15.857 million (2015: $AU8.469 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.

15. Reconciliation of net profit to net cash flows

	Consolidated 2016 $'000	Consolidated 2015 $'000
(a) Reconciliation of net loss to net cash inflow/(outflow) from operating activities		
Net loss for the year from continuing operations	(50,592)	(66,207)
(Increase)/decrease in receivables and other assets	(3)	18
Increase in payables and other liabilities	982	355
Net realised foreign exchange gain	(33)	(14)
Undistributed loss transferred to reserves of equity accounted joint ventures	49,579	65,923
Net cash inflow/(outflow) from operating activities	(67)	75

(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:

	2016 $'000	2015 $'000
Cash and liquid assets	59	127

16. Earnings per unit

	Consolidated 2016 Cents	Consolidated 2015 Cents
(a) Basic and diluted earnings per unit	(19.21)	(25.13)

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.

	2016 Cents	2015 Cents
(b) Basic earnings per unit after adjusting for fair value movements and foreign currency movements*	(0.64)	(0.35)

*This calculation is based on the following adjusted net income:

	2016 $'000	2015 $'000
Total comprehensive loss attributable to RNY unitholders	(49,024)	(48,958)
add: loss from investment property revaluations	65,125	65,274
less: gain on remeasurement of mezzanine loan	(16,229)	-
less: gain on financial instrument hedge	(726)	(258)
less: foreign currency translation gain	(842)	(16,991)
Adjusted net loss used in calculation above	(1,696)	(933)

17. Commitments, Contingencies and Impairment Losses

Commitments, contingent liabilities and impairment losses relating to the joint venture are detailed in Note 6(d). There are no other commitments, contingent liabilities or impairment losses existing at balance date.

18. 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 20(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.

18. 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 arm's length terms and conditions.

19. Parent Entity Information

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

	Note	RNY Property Trust 2016 $'000	2015 $'000
Current assets		269	220
Non-current assets	20(i)	43,348	92,359
Total assets		43,617	92,579
Current liabilities		323	261
Total liabilities		323	261
Units on issue		251,781	251,781
Accumulated deficit		(208,487)	(159,463)
Total Unitholders' Equity		**43,294**	**92,318**
Loss from continuing operations before income tax		(49,024)	(48,958)
Income tax/withholding tax applicable		-	-
Total comprehensive loss for the period after tax		**(49,024)**	**(48,958)**

20. Related Party Disclosure

(i) Investment in Controlled Entity and joint venture

The consolidated financial statements include the financial statements of RNY and its subsidiary, the US REIT. The US REIT in turn holds an interest in the US LLC, a jointly controlled entity owning properties in the New York Tri State area. The Group's interest in the US LLC is accounted for using the equity method of accounting.

A summary of these investments is as follows. See Note 6 for further details

Name	Country of Incorporation	Equity interest 2016 %	Equity interest 2015 %	Investment 2016 $'000	Investment 2015 $'000
RNY Australia LPT Corp ("US REIT")	United States	100	100		
At cost				252,529	252,529
Less: impairment [(a)]				(209,181)	(160,170)
				43,348	92,359

(a) The Trust's investment in the US REIT has been adjusted in both the current and prior year to its net asset value which is the best estimate of its recoverable amount. At balance date an impairment provision exists which was increased in the current year.

(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.

20. 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 2016					
Consolidated					
RNY Australia Management Ltd:					
- asset management fees	-	388	-	-	-
- expense reimbursements	-	126	-	-	-
RNY Australia Asset Manager LLC					
- asset management fees	-	1,139	-	-	-
Loan from the US LLC to US REIT	370	-	-	-	6,231
Loan from RAML to RNY	-	-	-	-	177
Parent					
RNY Australia Management Ltd:					
- asset management fees	-	388	-	-	-
- expense reimbursements	-	126	-	-	-
Distribution received by RNY from US REIT	-	-	855	-	-
Loan from RAML to RNY	-	-	-	-	177

20. 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 2015					
Consolidated					
RNY Australia Management Ltd:					
- asset management fees	-	393	-	-	-
- expense reimbursements	-	115	-	-	-
RNY Australia Asset Manager LLC					
- asset management fees	-	1,449	-	-	-
Loan from the US LLC to US REIT	343	-	-	-	5,794
Loan from RAML to RNY	-	-	-	-	126
Parent					
RNY Australia Management Ltd:					
- asset management fees	-	393	-	-	-
- expense reimbursements	-	115	-	-	-
Distribution received by RNY from US REIT	-	-	901	-	-
Loan from RAML to RNY	-	-	-	-	126

20. 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 2016 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 $388,431 (2015: $392,629).

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.

21. Net Asset Backing per Unit

	Consolidated	
	2016 $	**2015 $**
Net asset backing per unit	$0.16	$0.35

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

22. 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, held via the US LLC and from short term deposits and money market securities which are held for and are incidental to those property investments. Except for cash deposits 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 16(b) of these accounts. A reconciliation of adjusted net profit to the consolidated net profit shown in the statement of comprehensive income is also provided in the note.

Segment revenues are derived from a broad tenant base across the 18 operating properties owned by the US LLC. There is no single tenant providing revenues greater than 10% of the segment's total income.

23. 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.

23. 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. The Group has no significant exposure to credit risk.

(c) 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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2016, the US LLC held a Level 2 interest rate swap liability at fair value (Note 6(a)). There were no transfers between Level 1, 2 and 3 during the year.

(d) Interest rate risk and cash flow hedges

The Group has no material exposure to market risk relating to changes in interest rates. The interest rate risk relating to the mortgage debts held in the US LLC is limited by an interest rate hedge instrument.

(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. Liquidity risk mainly lies in the US LLC. The maturity dates of the liabilities in the US LLC are detailed in Note 6(a).

24. 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.

25. Auditor's Remuneration

	Consolidated 2016 $	Consolidated 2015 $
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	144,360	163,900
- other services in relation to the entity and any other entity in the Consolidated Entity		
- taxation services	12,500	12,500
	156,860	176,400
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	300,667	338,320
	300,667	338,320
Amounts received or due and receivable by audit firms other than Ernst & Young for:		
- compliance services	14,000	14,000
	471,527	**528,720**

26. Subsequent Events

Subsequent to balance date, settlement has occurred for the following properties which had been contracted for sale at balance date:

	Book Value At 31 Dec 16 @75%	Sales proceeds US LLC share @75%	Settlement Date
	US $'000	US $'000	
35 Pinelawn Rd, Long Island	11,531	11,531	20 Jan 2017
150 Motor Parkway, Long Island	15,750	15,750	8 Feb 2017

In addition, details of properties for which contracts have been entered into but settlement has not occurred at the date of this report are as follows

	Book Value At 31 Dec 16 @75%	Sales proceeds US LLC share @75%	Expected Settlement Date
	US $'000	US $'000	
West Orange Properties (to be sold in aggregate)			
100 Executive Drive, Nth New Jersey	1,650	1,650	14 Mar 2017
200 Executive Drive, Nth New Jersey	2,475	2,475	14 Mar 2017
10 Rooney Circle, Nth New Jersey	2,250	2,250	14 Mar 2017
300 Executive Drive, Nth New Jersey	4,875	4,875	14 Mar 2017
	11,250	11,250	
660 White Plains Rd, Westchester County	22,503	22,503	9 Mar 2017
80 and 100 Grasslands Rd, Westchester County	11,926	11,926	28 Mar 2017
555 White Plains Rd, Westchester County	4,425	4,425	13 Apr 2017
225 High Ridge Rd, Fairfield County	18,000	18,000	6 Apr 2017

On 1 January 2017, the US$26.6 million December 2009 mortgage loans matured. On 17 January 2017, the US LLC completed a Modification and Extension Agreement, which extended the term of such mortgage loans by six months, to 1 July 2017.

With regard to the US$75.5 million Acore Loan, the US LLC, as the loan guarantor, is in violation of the net worth requirement (as of 31 December 2016) and liquidity requirements (as of 1 January 2017). These violations could lead to an event of default, pursuant to the loan documents, if the borrower fails to cure such violations within 60 days. During the continuance of an event of default, in addition to other rights and remedies available to the lender pursuant to the loan documents, the lender may charge interest at the default rate and/or declare the loan to be immediately due and payable. The US LLC is in discussions with the lender regarding such matters.

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 2016 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 2016.

On behalf of the Board

/s/ Philip Meagher

Philip Meagher
Director

Sydney, 23rd February 2017

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RNY Property Trust (the Trust), including its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of RNY Australia Management Limited, the Responsible Entity of the Trust.

In our opinion, the accompanying financial report of RNY Property Trust is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's consolidated financial position as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred a net loss of $50.6m during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by $7.6m. In addition, the properties held in the underlying joint venture investment are pledged as security for loans held within the joint venture that are either maturing within the next 12 months, in violation of their loan covenant requirements that may lead to an event of default, or are currently in default. These events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

EY Building a better working world

1. Scoping the Group Audit

Why significant	How our audit addressed the matter
The Group operates as an investment vehicle and does not hold any direct property investments itself. Its financial statements primarily comprise its investment in a United States (US) domiciled joint venture entity that owns a portfolio of US office property assets. The operations of the Group comprise a head office function in Sydney with all underlying operational functions of the joint venture residing in the US, being the ownership and management of properties. Ernst & Young (EY) Australia is the Group auditor ("Group Auditor"). An affiliated Ernst & Young Firm (EY US) undertakes the audit work we, as Group Auditor, determine is required in the US with respect to the audit of the joint venture entity. As all operating activity occurs in the US joint venture entity, determining the nature and extent of audit procedures performed in relation to these operations, in our role as Group Auditor is a key audit matter. This includes determining the extent of the direct involvement of the Group Auditor in the conduct and supervision of the audit of the US entities.	The scope of audit procedures required to be undertaken in respect of the US joint venture entity to support the Group audit opinion were determined by us as Group Auditor and conducted by EY US. EY US was assigned a scope as determined by us based on their relative size and risk profile of the investment to the Group. We instructed EY US as to the significant areas to be covered by their audit procedures and the information to be reported to us. The Group Audit Partner directly supervised certain aspects of the US team audit including, but not limited to, the procedures conducted on investment property valuations and interest bearing liabilities. EY US was required to provide written confirmation to the Group Auditor confirming the work performed and the results of that work as well as key documents supporting any significant findings or observations. Regular communication was held with EY US throughout the audit whereby findings reported to the Group Auditor were discussed in detail, and we communicated whether any further audit procedures to be conducted by EY US were necessary to support the Group Audit opinion.

2. Investment Property Valuations

Why significant	How our audit addressed the matter
The principal assets of the Group represent its investment in a joint venture entity which holds the direct interest in 18 investment properties. These investment properties are carried at fair value, which is determined by the directors with reference to either external independent property valuations with reference to market conditions existing at reporting date or a contracted sales price. As at 31 December, 11 properties in the joint venture entity's portfolio are valued based upon a contracted sales price. Prior to 31 December 2016 an active marketing campaign was conducted on 11 properties. Offers were received on 9 properties by 31 December 2016 with a further two received subsequent to that.	Our procedures included the following: ► We tested and understood the design and operating effectiveness of the key controls over the leasing process that is used to provide inputs into the valuations conducted by the independent specialists; ► We involved US real estate valuation specialists of EY US to assess the valuation methodology adopted, the competence of the valuation specialists and the key assumptions used in the valuations. We also evaluated the scope of the valuation performed for its applicability to financial reporting; ► We tested a sample of the data used in the valuations to supporting tenancy schedules as well as actual and

Why significant	How our audit addressed the matter
Sale and purchase contracts were issued on 11 properties in total in the portfolio either prior to or subsequent to that date. There are a remaining 7 properties in the portfolio that are valued by independent external valuation specialists. There are a number of judgments and assumptions required in determining the carrying value of the property investments. These judgments include assessing the capitalisation rates, discount rates, market and contractual rents and occupancy levels. A sales campaign has been enforced by one of the secured lenders and in certain instances the contracted sales price are significantly below the 30 June 2016 fair values. The sales conditions imposed by the lender continues to influence the realisation of the underlying asset values recorded, which is a key determinate in the carrying value of the investment held by the Group. Accordingly this is considered a key audit matter. Disclosure of investment properties and significant judgments are included in note 7 of the financial statements.	budgeted financial performance of specific properties; ► We obtained signed contracts for properties where the valuation was based on the contracted price and agreed them to the valuations recorded by the Directors.

3. Interest Bearing Loans

Why significant	How our audit addressed the key audit matter
Compliance with the terms of its financing arrangements by the joint venture entity referred to above is a key audit matter as the debt is secured against the value of the Investment Properties providing the lenders with certain rights over the properties, particularly in the event of default. The ability for the underlying joint venture entity to meet its obligations under the financing arrangements and the consequences for non-compliance are important in assessing the recoverable value of the investment held by the Trust. As disclosed in Note 6(a), each of the loan facilities are subject to covenant requirements. The joint venture entity currently has three loan facilities. As at 31 December 2016, of the three loan facilities, one loan is in default, one loan is in breach of a financial covenant that may lead to an event of default and one loan is due to	Our procedures included the following: ► We have had discussions with management to understand their plans for asset sales to comply with the lender imposed requirements. ► We have considered the current status of the loan facilities and outcomes from management's discussions with each of the lenders to date; ► We have read the loan agreements to understand the terms and conditions around the security associated to each loan facility. ► We have assessed the value of each security pool of assets secured against each loan facility to determine the appropriateness of the classification and carrying value of the loan balance; ► Where the securitised asset pool is less than the carrying value of the debt, we have:

Why significant	How our audit addressed the key audit matter
mature in July 2017. For one of the loan facilities, the value of the secured assets is less than the face value of the loan and a gain of $16.2m has been recorded to adjust the loan carrying value. The adjustment to the carrying value of the loan requires judgement over the expected proceeds available to settle the obligation.	► Evaluated the assumptions applied by management in the estimation of future cashflows with reference to contracted sales prices and external valuations; ► Evaluated the discount rates applied; ► Tested the clerical accuracy of the calculation to adjust the carrying value of the debt; ► We have assessed the classification of the Group's investment in the joint venture in relation to the classification of the loans within the joint venture entity..

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Trust's 2016 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we receive the Annual Report, if we conclude there is a material misstatement therein, we are required to communicate that matter to the directors.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

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Anthony Ewan
Partner
Canberra
23 February 2017