

# Appendix 4E

## Preliminary final report for the year ended 31 December 2006

Name of entity	Reckson New York Property Trust
ARSN	115 585 709
Reporting period	Twelve month period ended 31 December 2006
Previous corresponding period (1)	From 26 September 2005 to 31 December 2005

### Results for announcement to market

#### *Financial Performance*

	A \$'000
Revenue from ordinary activities	Up 382.8% to 59,742
Profit from ordinary activities after tax attributable to unitholders	Up 496.3% to 48,231
Net profit for the period attributable to unitholders	Up 496.3% to 48,231

#### *Distribution*

<i>Current Period</i>	<i>Amount per unit</i>	<i>Tax Deferred</i>
Final Distribution	3.53	100.00%
Interim Distributions	2.88	100.00%
<b>Total</b>	<b>6.41</b>	<b>100.00%</b>
<i>Previous Corresponding Period:</i>		
Final Distribution	1.49	86.58%
Interim Distributions	-	
<b>Total</b>	<b>1.49</b>	<b>86.58%</b>

Record date for determining entitlement to the distribution for the period ended 31 December 2006	29 December 2006
Date the December 2006 distribution is payable	28 February 2007
Tax advantage component of the December 2006 distribution *	100%
The taxable component of the December 2006 distribution comprises:	
Australian sourced income *	Nil%
Foreign sourced income *	Nil%
Foreign tax credit per unit *	Nil

**\* Information on tax components of the distribution will be provided to unitholders with their half yearly tax statement for the period ending 31 December 2006**

**(1) The previous corresponding period for RNY represents the period from 26 September 2005 (the date RNY was listed on ASX) to 31 December 2005, and is not representative of a full financial period.**

**Reckson New York Property Trust**  
ARSN 115 585 709

Financial Report  
For the Year Ended 31 December 2006

# RECKSON NEW YORK PROPERTY TRUST

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The directors of Reckson Australia Management Limited ("RAML"), the Responsible Entity of Reckson New York Property Trust ("RNY" or the "Trust"), present their report together with the financial report of the Trust and its controlled entities, together known as the "Group", for the year ended 31 December 2006.

### Directors

The names of the persons who served on the Board of Directors of the Responsible Entity 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.

Reckson Australia Management Limited, the Responsible Entity is incorporated in Australia and has its principal place of business at Level 25, The Chifley Tower, 2 Chifley Square, Sydney, NSW.

### Company Secretary of the Responsible Entity

Mr Francis Sheehan  
Degree in Law, Bachelor of Science  
12 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	-
Michael Maturo	-
Jason Barnett	-
Philip Meagher	30,000
Mervyn Peacock	50,000
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.

### Principal activity

The Trust is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 25, The Chifley Tower, 2 Chifley Square, Sydney, NSW. The principal activity during the financial year has been in investing into the commercial office markets of the New York Tri-State area in the United States (US), which is in accordance with the stated investment strategy as set out in the Product Disclosure Statement dated 15 August 2005. There has been no change in the Trust's activities during or since the end of the financial year.

### **Distributions**

The distribution payable to unitholders for the year ended 31 December 2006 is 6.41 cents per unit. An interim distribution of 2.88 cents per unit for the six months ended 30 June 2006 was paid on 28 August 2006. A final distribution for the year ended 31 December 2006 of 3.53 cents per unit will be paid on or about 28 February 2007.

For the period from 2 August 2005 to 31 December 2005 a distribution of 1.49 cents per unit was paid on 28 February 2006.

A provision for the final distribution of \$9,298,510 has been recognised in the financial statements.

### **Review of Operations**

#### **Results**

The consolidated net profit of the Group is presented in the Income Statement. Net profit attributable to the members of the Group for the year ended 31 December 2006 was \$48,230,432 (period ended 31 December 2005: \$8,089,047).

#### **Significant changes in the state of affairs**

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

#### **Matters subsequent to the end of the financial year**

The following significant events occurred subsequent to the end of the financial year:

RAML's parent company, Reckson Associates Realty Corp. ("RA"), has merged in the US with SL Green Realty Corp., effective as of 25 January 2007. At the same time, RexCorp Realty LLC ("RexCorp"), purchased various RA assets including those associated with RNY. Accordingly, RexCorp has replaced RA as the parent company of RAML.

RAML remains the responsible entity of RNY.

RexCorp is a newly created, fully integrated, private real estate company. RexCorp has approximately US\$3 billion in assets under management, including over 10 million square feet in 70 properties, and is one of the largest office landlords in the New York Tri-State area. Its address is RexCorp Realty LLC, 625 RexCorp Plaza, Uniondale, NY 11556.

#### **Likely developments and expected results of operations**

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

#### **Units on issue**

The Trust had 263,413,889 fully paid units on issue at 31 December 2006 (31 December 2005: 263,413,889 partly paid units). The final instalment of \$0.35 per unit was paid on 29 September 2006.

#### **Trust Assets**

At 31 December 2006, the Trust held total assets of \$299.606 million (2005: \$203.226 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 \$772,130 (2005 period: \$47,252 were paid to the Responsible Entity for the year. The responsible entity was also reimbursed for expenses amounting to \$166,428 (2005 period: Nil) for the year

### **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 year ended 31 December 2006 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. No charge was made in the prior period. So long as the officers of Reckson Australia Management Limited 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 auditors of the Trust are in no way indemnified out of the assets of the Trust.

### **Rounding of Amounts**

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

### **Corporate Governance**

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

### **Board Committees**

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

### **Auditor Independence and Non-audit Services**

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 immediately follows this report.

Details of non-audit services provided by the Trust's auditor, Ernst & Young (E&Y) are set out in Note 26 to the financial statements. The directors are satisfied that the provision of non-audit services provided by E&Y as the external auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided did not compromise the auditor independence requirements of the Corporations Act.

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

/s/ Philip Meagher

Philip Meagher

Director

Dated this 28 day of February 2007 in Sydney

**Auditor's Independence Declaration to the Directors of Reckson Australia Management Limited, the Responsible Entity of Reckson New York Property Trust**

In relation to our audit of the financial report of Reckson New York Property Trust for the financial year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Douglas Bain  
Partner  
28 February 2007

**Income Statement**  
**year ended 31 December 2006**

	Notes	Consolidated		RNY	
		2006 \$'000	2005 <sup>(i)</sup> \$'000	2006 \$'000	2005 <sup>(i)</sup> \$'000
<b>INCOME</b>					
Distribution received from controlled entity		-	-	18,636	4,315
<b>Share of net operating results of associates</b>					
Rental income		66,713	14,187	-	-
Property related expenses		(26,948)	(5,143)	-	-
Net rental income		39,765	9,044	-	-
Other income		908	539	-	-
Net finance costs		(16,649)	(3,143)	-	-
Manager's fees		(2,210)	(458)	-	-
Other expenses		(1,339)	(50)	-	-
Gain on sale of property		1,056	-	-	-
Net income from associates before fair value		21,531	5,932	-	-
Adjustments					
Gain from investment property revaluations		33,237	6,357	-	-
<b>Total share of net income from associates</b>		54,768	12,289	-	-
Interest income		220	84	194	73
Foreign exchange gains		1,423	-	1,423	-
Net unrealised gain on revaluation of financial derivatives		3,331	-	3,331	-
<b>Total revenue and other income</b>		59,742	12,373	23,584	4,388
<b>EXPENSES</b>					
Auditor's remuneration	26	406	385	169	125
Administration expenses		138	26	138	34
Finance costs		1,270	196	188	36
Management fees		2,258	472	772	47
Other expenses	3	299	-	402	131
Net unrealised loss on revaluation of financial derivatives		-	943	-	943
Foreign exchange loss		-	12	-	12
Total expenses		4,371	2,034	1,669	1,328
<b>PROFIT BEFORE TAX EXPENSE</b>		55,371	10,339	21,915	3,060
US withholding tax	4(a)	-	360	-	360
Deferred tax expense	4(a)	7,140	1,890	(1,890)	1,890
<b>NET PROFIT ATTRIBUTABLE TO UNITHOLDERS OF RECKSON NEW YORK PROPERTY TRUST ("RNY")</b>		48,231	8,089	23,805	810
<b>Basic and diluted earnings per unit (cents)</b>		18.31	3.07		

<sup>(i)</sup> RNY was listed on the ASX on 26 September 2005 and the comparatives reflect RNY's performance from that date.

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

**Distribution Statement**  
**year ended 31 December 2006**

	Notes	Consolidated		RNY	
		2006 \$'000	2005 <sup>(i)</sup> \$'000	2006 \$'000	2005 <sup>(i)</sup> \$'000
Net profit attributable to unitholders of RNY		48,231	8,089	23,805	810
Adjusted for:					
Gain from investment property revaluations		(33,237)	(6,357)	-	-
Straight lining of rental income		(2,352)	(717)	-	-
Unrealised (gain)/loss on derivatives		(3,331)	943	(3,331)	943
Deferred tax expense		7,140	1,890	(1,890)	1,890
Deferred rental income		1,991	-	-	-
Mortgage cost amortisation		1,218	270	-	-
Realised loss on derivatives		861	-	-	-
Leasing cost amortisation		300	-	-	-
Foreign exchange gains		(1,423)	-	(1,423)	-
Transfer (to)/from undistributed income		(2,513)	(193)	(276)	282
<b>DISTRIBUTION PAID AND PAYABLE</b>	13	<u>16,885</u>	<u>3,925</u>	<u>16,885</u>	<u>3,925</u>
Distribution per unit (cents)		<u>6.41</u>	<u>1.49</u>	<u>6.41</u>	<u>1.49</u>

<sup>(i)</sup> RNY was listed on the ASX on 26 September 2005 and the comparatives reflect RNY's performance from that date.

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

**Balance Sheet  
as at 31 December 2006**

	Notes	Consolidated		RNY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Current assets</b>					
Cash and cash equivalents	18(b)	11,288	5,338	32	4,697
Trade and other receivables	5	67	499	10,117	30
Derivative financial instruments	9	2,388	3,974	2,388	3,974
Other current assets	10	220	-	-	-
<b>Total current assets</b>		<b>13,963</b>	<b>9,811</b>	<b>12,537</b>	<b>8,701</b>
<b>Non-current assets</b>					
Investment in Controlled Entity	6	-	-	252,529	166,028
Investments held via associates					
Share of associate's property assets	8	589,434	395,724	-	-
Share of associate's liabilities	7	(330,011)	(228,969)	-	-
Share of associate's other net assets		26,220	26,660	-	-
Investment in associates	7	285,643	193,415	-	-
<b>Total non-current assets</b>		<b>285,643</b>	<b>193,415</b>	<b>252,529</b>	<b>166,028</b>
<b>Total assets</b>		<b>299,606</b>	<b>203,226</b>	<b>265,066</b>	<b>174,729</b>
<b>Current liabilities</b>					
Derivative financial instruments	9	-	4,917	-	4,917
Due to related parties	11	3,987	16,450	-	4,162
Trade and other payables	12	2,627	685	181	554
Provision for distribution	13	9,299	3,925	9,299	3,925
<b>Total current liabilities</b>		<b>15,913</b>	<b>25,977</b>	<b>9,480</b>	<b>13,558</b>
<b>Non current liabilities</b>					
Deferred withholding tax liability	14	8,599	1,890	-	1,890
Preferred shareholders	15	158	-	-	-
<b>Total non-current liabilities</b>		<b>8,757</b>	<b>1,890</b>	<b>-</b>	<b>1,890</b>
<b>Total liabilities</b>		<b>24,670</b>	<b>27,867</b>	<b>9,480</b>	<b>15,448</b>
<b>Net assets</b>		<b>274,936</b>	<b>175,359</b>	<b>255,586</b>	<b>159,281</b>
<b>Unitholders' Equity</b>					
Units on Issue	16	251,377	161,992	251,781	162,396
Reserves	17	(11,951)	9,203	-	-
Undistributed income		35,510	4,164	3,805	(3,115)
<b>TOTAL EQUITY</b>		<b>274,936</b>	<b>175,359</b>	<b>255,586</b>	<b>159,281</b>

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

**Cash Flow Statement**  
**year ended 31 December 2006**

		<b>Consolidated</b>		<b>RNY</b>	
	<b>Notes</b>	<b>2006</b>	<b>2005<sup>(i)</sup></b>	<b>2006</b>	<b>2005<sup>(i)</sup></b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>					
Payments to suppliers		(1,064)	(108)	(867)	(29)
Income received from associates		18,526	4,984	-	-
Interest received		427	45	223	34
Interest and borrowing costs paid		(1,041)	(196)	-	-
Distributions received		-	-	8,085	4,315
<b>Net cash inflow from operating activities</b>	18 (a)	<u>16,848</u>	<u>4,725</u>	<u>7,441</u>	<u>4,320</u>
<b>Cash flows from investing activities</b>					
Payments for investment in associate		(72,221)	(167,228)	-	-
Payments for investment in subsidiary		-	-	(86,501)	(166,028)
Acquisition costs paid		(3,762)	(9,010)	-	-
<b>Net cash outflow from investing activities</b>		<u>(75,983)</u>	<u>(176,238)</u>	<u>(86,501)</u>	<u>(166,028)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units		92,195	171,219	92,195	171,219
Equity issue costs paid		(2,779)	(9,055)	(2,779)	(8,822)
Proceeds from interest bearing liabilities		-	16,478	-	4,008
Repayment of related party borrowings		(10,803)	-	(4,933)	-
Debt raising costs paid		(586)	(1,966)	-	-
Distribution paid		(11,511)	-	(11,511)	-
<b>Net cash inflow from financing activities</b>		<u>66,516</u>	<u>176,676</u>	<u>72,972</u>	<u>166,405</u>
<b>Net increase in cash and cash equivalents</b>		7,381	5,163	(6,088)	4,697
Cash and cash equivalents at beginning of year		5,338	-	4,697	-
Net foreign exchange differences		(1,431)	175	1,423	-
<b>Cash and cash equivalents at end of year</b>	18 (b)	<u>11,288</u>	<u>5,338</u>	<u>32</u>	<u>4,697</u>

<sup>(i)</sup> RNY was listed on the ASX on 26 September 2005 and the comparatives reflect RNY's performance from that date.

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

**Statement of Changes in Equity  
year ended 31 December 2006**

	Note	Units on Issue	Undistributed Income	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>					
<b>At 2 August 2005</b>					
		-	-	-	-
Fair value movement of derivative financial instruments	17	-	-	(442)	(442)
Foreign currency translations taken to equity	17	-	-	9,645	9,645
<b>Total income and expense recognised directly in equity for the period</b>		-	-	9,203	9,203
Profit for the period		-	8,089	-	8,089
<b>Total income and expense recognised for the period</b>		-	8,089	9,203	17,292
Issue of units – proceeds	16	171,219	-	-	171,219
Issue of units – issue costs	16	(9,227)	-	-	(9,227)
Distributions		-	(3,925)	-	(3,925)
<b>As at 31 December 2005</b>		161,992	4,164	9,203	175,359
Fair value movement of derivative financial instruments	17	-	-	442	442
Foreign currency translations taken to equity	17	-	-	(21,596)	(21,596)
<b>Total income and expense recognised directly in equity for the year</b>		-	-	(21,154)	(21,154)
Profit for the year		-	48,231	-	48,231
<b>Total income and expense recognised for the year</b>		-	48,231	(21,154)	27,077
Issue of units – proceeds	16	92,195	-	-	92,195
Issue of units – issue costs	16	(2,810)	-	-	(2,810)
Distributions		-	(16,885)	-	(16,885)
<b>At 31 December 2006</b>		251,377	35,510	(11,951)	274,936

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

**Statement of Changes in Equity  
year ended 31 December 2006**

	Note	Units on Issue	Undistributed Income	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
<b>RNY</b>					
<b>At 2 August 2005</b>					
Profit for the period		-	810	-	810
<b>Total income and expense recognised for the period</b>		-	810	-	810
Issue of units – proceeds	16	171,219	-	-	171,219
Issue of units – issue costs	16	(8,823)	-	-	(8,823)
Distributions		-	(3,925)	-	(3,925)
<b>At 31 December 2005</b>		162,396	(3,115)	-	159,281
Profit for the year		-	23,805	-	23,805
<b>Total income and expense recognised for the year</b>		-	23,805	-	23,805
Issue of units – proceeds	16	92,195	-	-	92,195
Issue of units – issue costs	16	(2,810)	-	-	(2,810)
Distributions		-	(16,885)	-	(16,885)
<b>At 31 December 2006</b>		251,781	3,805	-	255,586

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 2006 was authorised for issue in accordance with a resolution of the directors on 27 February 2007.

The Trust was constituted on 2 August 2005. The Responsible Entity of the Trust is Reckson Australia Management Limited (“RAML”). The Responsible Entity’s registered office is at Level 25, 2 Chifley Tower, Sydney 2000.

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

## **2. Summary of Significant Accounting Policies**

### **(a) Basis of Preparation**

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

The financial report is prepared in accordance with the historical cost convention except for derivative financial instruments and investment properties that are held at fair value, and investments in associates that are equity accounted.

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

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

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

### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (“AIFRS”). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (“IFRS”).

#### *Pending Accounting Standards*

Accounting standards AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* are applicable to annual reporting periods beginning on or after 1 January 2007. The Trust has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will affect the type of information in relation to the Trust’s financial instruments.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Trust’s financial report in subsequent reporting periods.

### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiary as at 31 December 2006. 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 judgements, estimates and assumptions

#### *(i) Significant accounting judgements*

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

#### Operating lease commitments

Space in each of the investment properties owned by the consolidated entity’s associate, Reckson Australia Operating Company LLC (“US LLC”) is leased to third parties. The consolidated entity has determined that the US LLC retains all the significant risks and rewards of ownership of these properties and has accordingly classified the leases as operating leases.

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

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

#### *(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. See also property investments note (l) in this section for further details of estimates and assumptions made in the preparation of these accounts.

### **(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.

### **(g) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount, less a provision for any uncollectible debts.

The collectibility of debts is assessed on an ongoing basis and specific provision is made for any doubtful accounts when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **(h) Creditors and accruals**

Liabilities are recognised for amounts to be paid in the future for services received, whether or not billed. Creditors are normally settled within 30 days.

Liabilities for creditors are carried at the original invoice amount.

### **(i) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred or amortised over the period of the loan where applicable.

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.

Balances and transactions between the Trust and the US REIT have been eliminated in preparing the consolidated financial statements.

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

### **(k) Investments in Associates**

The Trust's indirect investment in its associate through its subsidiary (the US REIT) is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Trust has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value and distributions received. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated net income statement reflects the Group's share of the profits and losses of the associate. The share of movements in reserves is recognised in the consolidated balance sheet.

The financial statements of the associate are used by the Trust to apply the equity method. The reporting dates of the associate and the Group are identical, and both use consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. Unrealised profits arising from intra-group transactions have been eliminated in full.

### **(l) Investment Properties held by Associates**

The Group's equity accounted share of investment properties held by associates are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the consolidated financial statements of the Group. Notwithstanding, the directors of US REIT and the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure that the carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, the relevant assets are adjusted to their fair value.

The prime valuation methodology used by the property valuers in determining fair value, is to discount the expected net cash flows to their present value using a market determined risk-adjusted discount rate applicable to the respective asset. Changes in fair value of an investment property are recorded in the income statement.

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 of entities within the consolidated entity 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 2006, a spot rate of A\$1.00 = US\$0.79 was used (31 December 2005: 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 entities and equity accounted investments 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 income statements are 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) Comparatives

The Trust was established on 2 August 2005 and was listed on the Australian Stock Exchange on 26 September 2005. Accordingly the comparative columns in the financial statements show the first reporting period for RNY and the consolidated entity from that date.

### (o) 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.

### (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) 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)**

### **(r) Earnings per unit (EPU)**

Basic EPU is calculated as net profit attributable to members divided by the weighted average number of ordinary units. Diluted EPU is calculated as the net profit attributable to members divided by the weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units.

RNY has no dilutive potential ordinary units therefore its basic and diluted EPU are the same.

### **(s) 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 disposal of its US investments that may attract a US tax liability. 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 Income Statement as a tax expense. Gains from such disposals attract a US tax rate of 38.25% for land disposals and a rate of 15% for building disposals.

#### *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.

### **(t) Leasing fees**

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

### **(u) Leasing Incentives**

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

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

### **(v) Impairment of Assets**

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

### **(w) Derivative financial instruments**

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

The entity holds cash flow hedges (forward foreign currency contracts and interest rate swaps) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**3. Expenses**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005<sup>(i)</sup></b>	<b>2006</b>	<b>2005<sup>(i)</sup></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses</b>				
Other expenses				
- administration & marketing	61	-	164	31
- insurance	101	-	101	-
- consulting fees	137	-	137	100
	<u>299</u>	<u>-</u>	<u>402</u>	<u>131</u>

**4. Income tax expense**

**(a) Income tax expense**

Current US withholding tax expense	-	360	-	360
Deferred US withholding tax expense	7,140	1,890	(1,890)	1,890
	<u>7,140</u>	<u>2,250</u>	<u>(1,890)</u>	<u>2,250</u>

**(b) Reconciliation of withholding tax expense**

The prima facie tax on profit before tax expense is reconciled to the tax expense provided in the financial statements as follows:

Net profit before tax expense	55,371	10,339	21,915	3,060
Prima facie US withholding tax expense at the US rate of 15% (2005: 15%)	8,306	1,551	3,287	459
Tax effect of amounts that are not assessable for withholding tax purposes	(8,306)	(1,191)	(3,287)	(99)
Tax effect of amounts subject to US withholding tax relating to fair value adjustments to properties	7,140	1,890	(1,890)	1,890
US withholding tax expense	<u>7,140</u>	<u>2,250</u>	<u>(1,890)</u>	<u>2,250</u>

The deferred withholding tax liability balances are shown at Note 14

**5. Trade and other receivables**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Distribution receivable	-	-	10,054	-
Amounts receivable from related parties	39	469	36	-
Other receivables	28	30	27	30
	<u>67</u>	<u>499</u>	<u>10,117</u>	<u>30</u>

(i) RNY was listed on the ASX on 26 September 2005 and the comparatives reflect RNY's performance from that date.

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**6. Investments in Controlled Entities**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment in Reckson Australia LPT Corp	<u>-</u>	<u>-</u>	<u>252,529</u>	<u>166,028</u>

The following controlled entity was acquired during the previous period:

<b>Entity</b>	<b>Date</b> <b>Acquired</b>	<b>Payment</b> <b>Consideration</b>	<b>Country of</b> <b>incorporation</b>	<b>Ownership</b> <b>interest</b>
Reckson Australia LPT Corp ("US REIT")	21 Sep 05	Cash	United States	100%

The cash consideration paid of US\$128.1 million (AUD\$166.1 million) was used to acquire partly paid units in the US REIT. The final instalment on these units amounting to US\$64.4 million (AU\$86.5 million) was paid on 6 October 2006. The US REIT had no assets or liabilities prior to the issue of units to RNY. The cash proceeds received by the US REIT were used to acquire a 75% interest in the US LLC. See note 7 below.

**7. Investments in Associates**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment in associate	<u>285,643</u>	<u>193,415</u>	<u>-</u>	<u>-</u>

The associate was acquired during the previous period. Other details are as follows:

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

RNY has a 100% interest in Reckson Australia LPT Corp., which in turn has a 75% interest in Reckson Australia Operating Company LLC, a Delaware Limited Liability Company that as of 31 December 2006 owned 24 office properties (2005: 17 properties) in the New York Tri-State area. The new owner of the remaining 25% interest is an affiliate of RexCorp Realty LLC ("RexCorp"). Refer Note 27 for further details of the new ownership structure.

Under the structure created above, RNY (through the US REIT) and RexCorp exercise significant influence over the property investments held in the US LLC. RexCorp 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.

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**7. Investments in Associates (continued)**

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

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Movements in carrying amounts</i>		
Carrying amount at the beginning of the year	193,415	-
Purchase of investment in associate	72,221	166,007
Acquisition costs	-	9,510
Dividends received	(18,526)	(4,984)
Share of profit in associate	54,768	12,289
Effect of changes in exchange rates	(16,235)	10,593
Carrying amount at the end of the year	<b>285,643</b>	<b>193,415</b>
<i>Share of associate's balance sheet</i>		
Current assets	4,624	3,885
Non-current assets	611,030	418,499
Total Assets	<b>615,654</b>	<b>422,384</b>
Current liabilities	18,561	14,104
Non-current liabilities (a)	311,450	214,865
Total Liabilities	<b>330,011</b>	<b>228,969</b>
Net Assets	<b>285,643</b>	<b>193,415</b>

(a) Non-current liabilities comprise:

Facility	US \$'000 @ 100% 2006	US \$'000 @100% 2005	AUD \$'000 @ 75% 2006	AUD \$'000 @75% 2005	Int Rate	Maturity Date
<i>Fixed rate commercial mortgages*</i>						
Tranche I mortgage	196,100	196,100	185,864	201,460	5.20%	Aug 2010
Tranche II mortgage	72,000	-	68,242	-	5.32%	Jan 2016
Tranche III mortgage	51,501	-	48,814	-	5.20%	Oct 2010
	319,601	196,100	302,920	201,460		
<i>Credit facility**</i>						
Revolving facility	9,000	13,000	8,530	13,405	variable	Sep 2008
<b>Total</b>	<b>328,601</b>	<b>209,100</b>	<b>311,450</b>	<b>214,865</b>		

\* The mortgages are secured over certain properties of the Trust

\*\* The revolving credit facility is held jointly with Citicorp North America Inc., UBS Loan Finance LLC and Westdeutsche. The facility has a limit of US\$30 million at year end (2005 period end: US\$30 million.) Interest on this facility is calculated as the Citibank New York Base Rate plus a 0.5% margin plus the US Federal Funds Rate. The interest exposure on this facility is unhedged.

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**7. Investments in Associates (continued)**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Year</b>	<b>5 months</b>	<b>Year</b>	<b>5 months</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Share of associate's profit or loss</i>				
Revenue	66,713	14,726	-	-
Gain on sale of property	1,056	-	-	-
Profit before income tax	54,768	12,289	-	-
Income tax expense	-	-	-	-
Profit after income tax	<u>54,768</u>	<u>12,289</u>	<u>-</u>	<u>-</u>

*Commitments and contingencies of associate*

(a) Leasing arrangements

Reckson Australia Operating Company LLC enters into lease arrangements with the various tenants that occupy the 24 properties (2005: 17 properties) owned by the company in the New York Tri-State area.

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

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	58,682	42,037	-	-
Later than 1 year but not later than 5 years	167,288	119,014	-	-
Later than 5 years	91,089	50,740	-	-
	<u>317,059</u>	<u>211,791</u>	<u>-</u>	<u>-</u>

(b) Capital Commitments

Commitments contracted for at reporting date, but not provided for:

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	<u>-</u>	<u>269,100</u>	<u>-</u>	<u>-</u>

(c) Contingent liabilities

Reckson Australia Operating Company LLC had no contingent liabilities existing at balance date.

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**8: Property Investments**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment properties held in equity accounted investments at fair value	589,434	395,724	-	-

The Trust has an interest in property investments held by equity accounted investments, through the indirect holding of 75% interest in Reckson Australia Operating Company LLC. The amounts set out in this note represent the Trust's 75% interest in these properties

Included in the carrying value of investment properties are the following

Straight – line asset*	3,462	717	-	-
Lease commissions	3,887	1,417	-	-
<b>Total</b>	<b>7,349</b>	<b>2,134</b>	<b>-</b>	<b>-</b>

\*Asset arising from recognising lease income, with fixed increases, on a straight line basis

(a) Reconciliation of Carrying Amounts

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

Carrying amount at the start of the year	395,724	-	-	-
Cost of acquired properties	196,852	356,619	-	-
Property acquisition costs	4,049	9,009	-	-
Fair value increment	33,237	6,357	-	-
Capital additions	3,096	2,413	-	-
Disposals	(4,238)	-	-	-
Foreign exchange (loss)/gain	(39,286)	21,326	-	-
<b>Carrying amount at the end of the year</b>	<b>589,434</b>	<b>395,724</b>	<b>-</b>	<b>-</b>

**Notes to the Financial Statements**  
**year ended 31 December 2006**

**8: Property Investments**

Details of valuations of property investments held through controlled entities and associates as at 31 December 2006 – 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	Book Value	Book Value	Latest Independent Valuation	Valuer	Date of Latest Independent Valuation	Book Value	Book Value	Latest Independent Valuation
		At 31 Dec 05	At 31 Dec 06				At 31 Dec 05	At 31 Dec 06	
		@75%	@75%	@ 75%			@75%	@75%	@75%
		US \$'000	US \$'000	US \$'000			AUD \$'000	AUD \$'000	AUD \$'000
35 Pinelawn Rd, Long Island	21 Sep 05	15,475	15,048	15,075	CBRE Inc	30 Jun 06	21,206	19,017	19,050
150 Motor Parkway, Long Island	21 Sep 05	27,457	27,816	27,600	CBRE Inc	30 Jun 06	37,624	35,152	34,878
660 White Plains Rd, Westchester County	21 Sep 05	40,227	40,461	40,200	CBRE Inc	1 Jul 05	55,122	51,132	50,801
100 Executive Dr, Nth New Jersey	21 Sep 05	11,414	11,484	11,400	CBRE Inc	1 Jul 05	15,641	14,513	14,406
100 Grasslands Rd, Westchester County	21 Sep 05	6,150	6,191	6,150	CBRE Inc	1 Jul 05	8,427	7,824	7,772
80 Grasslands Rd, Westchester County	21 Sep 05	10,950	10,905	10,950	CBRE Inc	1 Jul 05	15,005	13,781	13,838
200 Executive Dr, Nth New Jersey	21 Sep 05	12,530	12,664	12,525	CBRE Inc	1 Jul 05	17,170	16,004	15,828
492 River Rd, Nth New Jersey	21 Sep 05	22,275	29,325	29,325	CBRE Inc	30 Jun 06	30,523	37,059	37,058
225 High Ridge Rd, Fairfield County	21 Sep 05	57,375	60,102	60,000	CBRE Inc	30 Jun 06	78,621	75,953	75,822
300 Motor Parkway, Long Island	21 Sep 05	6,450	6,828	6,825	CBRE Inc	30 Jun 06	8,838	8,629	8,625
88 Duryea Rd, Long Island (ii)	21 Sep 05	3,150	-	-	n/a	n/a	4,316	-	-
505 White Plains Rd, Westchester County	21 Sep 05	3,025	3,046	3,000	CBRE Inc	1 Jul 05	4,146	3,849	3,791
55 Charles Lindbergh Blvd, Long Island	21 Sep 05	23,865	25,275	25,275	CBRE Inc	30 Jun 06	32,702	31,941	31,940
200 Broadhollow Rd, Long Island	21 Sep 05	10,035	10,062	10,050	CBRE Inc	30 Jun 06	13,751	12,716	12,700
10 Rooney Circle, Nth New Jersey	21 Sep 05	9,058	9,163	9,000	CBRE Inc	1 Jul 05	12,412	11,580	11,373
560 White Plains Rd, Westchester County	21 Sep 05	15,150	15,408	15,150	CBRE Inc	1 Jul 05	20,760	19,472	19,145
555 White Plains Rd, Westchester County	21 Sep 05	14,200	14,433	14,175	CBRE Inc	1 Jul 05	19,460	18,239	17,913
6800 Jericho Turnpike, Long Island	6 Jan 06	-	27,384	26,850	CBRE Inc	30 Jun 06	-	34,607	33,930

**Notes to the Financial Statements**  
**year ended 31 December 2006**

Property Address	Date of Acquisition	Book Value	Book Value	Latest	Valuer	Date of	Book Value	Book Value	Latest
		At 31 Dec 05	At 31 Dec 06	Independent		Latest	At 31 Dec 05	At 31 Dec 06	Independent
		@75%	@75%	Valuation		Independent	@75%	@75%	Valuation
		US \$'000	US \$'000	US \$'000			AUD \$'000	AUD \$'000	AUD \$'000
6900 Jericho Turnpike, Long Island	6 Jan 06	-	12,494	12,450	CBRE Inc	30 Jun 06	-	15,790	15,733
710 Bridgeport Ave, Fairfield County	6 Jan 06	-	32,196	32,025	CBRE Inc	1 Jul 05	-	40,687	40,470
580 White Plains Rd, Westchester County	6 Oct 06	-	22,162	21,675	CBRE Inc	1 Jul 05	-	28,007	27,391
300 Executive Dr, Northern New Jersey	6 Oct 06	-	14,163	14,025	CBRE Inc	1 Jul 05	-	17,898	17,723
1660 Walt Whitman Rd, Long Island	6 Oct 06	-	12,758	12,750	CBRE Inc	1 Jul 05	-	16,122	16,112
520 Broadhollow Rd, Long Island	6 Oct 06	-	14,558	13,050	CBRE Inc	1 Jul 05	-	18,398	16,491
50 Marcus Drive, Long Island	6 Oct 06	-	32,494	30,000	CBRE Inc	1 Jul 05	-	41,064	37,911
		288,786	466,420	459,525			395,724	589,434	580,701

(i) Valuations were performed by CB Richard Ellis, Inc. – Valuation and Advisory Services or internal revaluations were performed as detailed above.

(ii) 88 Duryea Rd, Long Island was sold on 23 June 2006.

## 9. Derivative financial instruments

	Consolidated		RNY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Current asset</b>				
Forward contract at fair value*	-	3,974	-	3,974
Cross currency swap at fair value	2,388	-	2,388	-
	<u>2,388</u>	<u>3,974</u>	<u>2,388</u>	<u>3,974</u>

\*The above contract was taken out to fund the purchase of Tranche III properties in October 2006.

### Current liability

Net interest payable on cross currency swap	-	178	-	178
Cross currency swap at fair value	-	4,739	-	4,739
	<u>-</u>	<u>4,917</u>	<u>-</u>	<u>4,917</u>

## 10. Other current assets

Prepaid taxes	145	-	-	-
Prepaid insurance	75	-	-	-
	<u>220</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 11. Due to related parties

Amounts owing to related parties	<u>3,987</u>	<u>16,450</u>	<u>-</u>	<u>4,162</u>
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## 12. Trade & other payables

Other creditors & accruals	194	194	181	194
Withholding tax payable	-	360	-	360
Other payables	2,433	131	-	-
	<u>2,627</u>	<u>685</u>	<u>181</u>	<u>554</u>

## 13. Provision for distribution

Final distribution payable*	<u>9,299</u>	<u>3,925</u>	<u>9,299</u>	<u>3,925</u>
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The distribution was paid on 28 February 2007 and represents a rate of 3.53 cents per unit

### Distributions paid during the period:

Distribution for the six months ended 30 June*	<u>7,586</u>	<u>-</u>	<u>7,586</u>	<u>-</u>
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\*Both current year distributions were 100% tax advantaged. (2005 period: 86.6% tax advantaged)

#### 14. Deferred withholding tax liability

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred withholding tax liability	<b>8,599</b>	<b>1,890</b>	<b>-</b>	<b>1,890</b>

The closing balance of the deferred tax liability relates to US federal income taxes payable on the difference between the adjusted tax cost base and the carrying value of the investment properties held in the US LLC. The liability has been calculated using the current withholding tax rates of 38.25% for increments in land assets and 15% for increments in building assets.

#### 15. Preferred Shareholders

Preferred shareholders	<b>158</b>	<b>-</b>	<b>-</b>	<b>-</b>
------------------------	------------	----------	----------	----------

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.

#### 16. Units on Issue

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
<b>(a) Movements in Ordinary units on issue</b>				
Units on issue at beginning of the year (partly paid)	263,413,889	-	263,413,889	-
Partly paid units issued during the year (i)	-	263,413,889	-	263,413,889
Units on issue at the end of the year (i) (partly paid 2005, fully paid 2006)	<u>263,413,889</u>	<u>263,413,889</u>	<u>263,413,889</u>	<u>263,413,889</u>
	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Movement in Ordinary units on issue</b>				
Issued equity at the beginning of the year	161,992	-	162,396	-
Equity issued during the year at \$0.65 per unit	-	171,219	-	171,219
Final payment of \$0.35 per unit on ordinary units issued	92,195	-	92,195	-
Transaction costs on equity issued during the year	(2,810)	(9,227)	(2,810)	(8,823)
Issued equity at the end of the year	<u>251,377</u>	<u>161,992</u>	<u>251,781</u>	<u>162,396</u>

(i) All units were allotted on 21 September 2005 on payment of the initial instalment of \$0.65 per unit. The final instalment of \$0.35 was paid on 29 September 2006.

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.

**17. Reserves – Movements in Reserves**

	Consolidated		RNY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unrealised loss on derivative financial instruments	-	(442)	-	-
Foreign currency translation reserve	(11,951)	9,645	-	-
<b>Total reserves</b>	<b>(11,951)</b>	<b>9,203</b>	<b>-</b>	<b>-</b>
<i>(a) Unrealised loss on derivative financial instruments (i)</i>				
Balance at beginning of the year	(442)	-	-	-
Fair value movement on interest rate swaps	442	(442)	-	-
Balance at the end of the year	-	(442)	-	-
<i>(b) Foreign currency translation reserve (ii)</i>				
Balance at the beginning of the year	9,645	-	-	-
Gain/(loss) on translation of controlled foreign entities	(21,596)	9,645	-	-
Balance at end of the year	(11,951)	9,645	-	-

(i) The net unrealised gains reserve records movements in available for sale financial assets and effective cash flow hedges to fair value.

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

**18. Reconciliation of net profit to net cash inflow from operating activities**

	Consolidated		RNY	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of net profit to net cash inflow from operating activities</b>				
Net profit attributable to members of RNY	48,231	8,089	23,805	810
Decrease/(increase) in receivables and other assets	212	(499)	(9,347)	(30)
(Decrease)/increase in payables and other liabilities	2,261	1,596	(373)	707
Increase/(decrease) in deferred tax liability	7,140	1,890	(1,890)	1,890
Fair value movement in derivatives	(3,331)	943	(3,331)	943
Net realised foreign exchange gain	(1,423)	-	(1,423)	-
Undistributed income transferred to reserves of equity accounted associates	(36,242)	(7,306)	-	-
Unrealised foreign exchange loss	-	12	-	-
<b>Net cash inflow from operating activities</b>	<b>16,848</b>	<b>4,725</b>	<b>7,441</b>	<b>4,320</b>
 <b>(b) Components of cash</b>				
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:				
Cash and liquid assets	11,288	5,338	32	4,697

**19. Earnings per unit**

	Consolidated	2005
	2006	2005
	Cents	Cents
Basic and diluted earnings per unit	18.31	3.07

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.

## 20. Commitments and Contingencies

Commitments relating to the Associate are detailed in Note 7. There are no other commitments or contingent liabilities existing at balance date.

## 21. Key Management Personnel

### (i) Directors

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

#### *Chairman - Executive*

Mr Scott Rechler

#### *Executive directors*

Mr Michael Maturo

Mr Jason Barnett

#### *Non executive directors*

Mr Philip Meagher

Mr Mervyn Peacock

Mr William Robinson

### (ii) Other Key Management Personnel

#### Individuals

<b>Name</b>	<b>Position</b>	<b>Employer</b>
Francis Sheehan	Fund Manager	RexCorp Property Management LLC
Michael McMahon	Director of Financial Reporting	RexCorp Property Management LLC

#### Corporation

RAML, the Responsible Entity of RNY.

### (iii) Remuneration of Key Management Personnel

No amounts are paid by the Trust directly to the Key Management Personnel of the Trust.

The non-executive Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly from the Responsible Entity, RAML. Consequently, no compensation as defined in AASB 124: *Related Parties* is paid by the Trust to its Key Management Personnel.

## **21. Key Management Personnel**

### **(iv) Units in the Trust held by related parties**

The interests of the Directors of Reckson Australia Management Ltd in units of the Trust at year end are set out below:

<b>Non Executive Director</b>	<b>Units held Opening balance</b>	<b>Acquired during year</b>	<b>Units held Closing balance</b>
Phillip Meagher	30,000	-	30,000
Mervyn Peacock	50,000	-	50,000

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

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

## **22. Related Party Disclosure**

### **(i) Responsible Entity**

The Responsible Entity of the Trust is RAML (ACN 114 294 281), a wholly owned subsidiary of RexCorp Australia RE Holdings, Inc. (formerly Reckson Australian RE Holdings, Inc.), a company incorporated in Delaware, USA. RexCorp Australia RE Holdings, Inc. is an affiliate of RexCorp Realty LLC (see note 27).

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

The consolidated financial statements include the financial statements of RNY and its subsidiary, Reckson Australia LPT Corp. (US REIT).

**22. Related Party Disclosure (continued)**

**(ii) 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 (for information regarding outstanding balances at year-end refer to note 11 and note 12):

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
<b><u>For the year ended 31 December 2006</u></b>					
<b><i>Consolidated</i></b>					
Reckson Australia Management Ltd:					
- asset management fees	-	772	-	-	-
- expense reimbursements	-	166	-	-	-
Loan from the US LLC to US REIT	868	-	-	-	3,987
Loan from RNY to RAML	(10)	-	-	36	-
				-	-
<b><i>Parent</i></b>					
Reckson Australia Management Ltd:					
- asset management fees	-	772	-	-	-
- expense reimbursements	-	166	-	-	-
Distribution received by RNY from US REIT	-	-	18,636	-	-
Loan from the US REIT to RNY	188	-	-	-	-
Loan from RNY to RAML	(10)	-	-	36	-

**22. Related Party Disclosure (continued)**

Related party	Interest paid 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
<b><i>For the year ended 31 December 2005</i></b>					
<b><i>Consolidated</i></b>					
Reckson Australia Management Ltd:					
- asset management fees	-	47	-	-	52
- expense reimbursements	-	-	-	-	51
Loan from the US LLC to US REIT	196	-	-	-	16,450
<b><i>Parent</i></b>					
Reckson Australia Management Ltd:					
- asset management fees	-	47	-	-	52
- expense reimbursements	-	-	-	-	51
<b><i>Other transactions within the group:</i></b>					
Distribution received by RNY from US REIT	-	-	4,315	-	-
Loan from the US REIT to RNY	36	-	-	-	3,750

**22. Related Party Disclosure (continued)**

**(ii) 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 2006 and the comparative period, 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.

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

Fees paid by the Trust to the Responsible Entity for the year amounted to \$772,130 (2005 period: \$47,252).

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.

**23. Net Asset Backing per Unit**

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	\$	\$
Net asset backing per unit	\$1.04	\$0.67

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

**24. Segment Reporting**

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

## 25. Financial Instruments

### (a) Derivative financial instruments

The Responsible Entity has a policy to undertake foreign exchange hedging of forecast distributions to insulate against movements in exchange rates, both favourable and unfavourable.

The policy is to arrange half yearly rolling foreign exchange hedges equivalent to:

- 100% of the Trust's estimated distributions for the three year period from 2007 to 2009; and
- 90% of the Trust's estimated distributions for the two year period from 2010 to 2011

The Responsible Entity will review such foreign currency hedges when it believes there has been a material change in the expected distributions of the Trust.

This policy is intended to provide a degree of certainty for Unitholders that changes in the exchange rate between the US dollar and the Australian dollar will not have a significant impact on the distributions in Australia within the subsequent five year period and that the impact of any sustained changes in the exchange rate are phased in progressively. The cost of implementing these hedges is incorporated into the hedged exchange rate. Security may be given over the direct and indirect assets of the Trust to the counterparty to the foreign exchange hedges to protect against default.

The foreign exchange hedging arrangements entered into by the Trust are not deemed to be effective hedges for accounting purposes. Therefore the income statement will experience volatility due to the revaluation of derivatives. However, this will not affect the cash flows from operations and hence the distributions paid to Unitholders.

The entity also holds cash flow hedges (forward foreign currency contracts and interest rate swaps) to hedge future known cash flow commitments.

### (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 Trust has no concentrations of credit risk to a group of debtors or to a single debtor.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

### (c) Net fair values

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

The fair values of interest bearing loans and borrowings have been calculated using market interest rates. There are no material differences between the carrying value of these balances and their fair values.

**25. Financial Instruments (continued)**

**(d) Interest rate risk**

The consolidated entity's exposure to market risk for changes in interest rates relates primarily to the mortgage debts held in the US LLC amounting to \$US319.6 million (75% share \$AU302.9 million) Refer to Note 7 in these accounts for more details of these debts. In order to manage this risk, the US LLC has secured a fixed interest rate of 5.20% for a period of 5 years. The consolidated entity also uses interest rate swaps to limit its exposure to interest rate fluctuations.

The remaining borrowings in the US LLC are through a revolving credit facility which was unhedged at 31 December 2006. The US LLC does not consider it necessary to hedge this facility.

For more details on these borrowings refer to Note 7.

The following tables set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk.

	Note	Weighted Average Effective Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Maturing in 4 to 5 years \$'000	Fixed Interest Maturing after 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000
<i>Consolidated</i>							
<b>31 December 2006</b>							
<b>Financial Assets</b>							
Cash		5.0%	32	-	-	11,256	11,288
Trade & other receivables	5		-	-	-	67	67
Other net assets of associates	7		-	-	-	26,220	26,220
<b>Total Financial Assets</b>			32	-	-	37,543	37,575
<b>Financial Liabilities</b>							
Share of associate's liabilities	7	5.2%	8,530	234,678 <sup>(i)</sup>	68,242 <sup>(ii)</sup>	18,561	330,011
Due to related parties	11	6.1%	3,987	-	-	-	3,987
Trade & other payables	12		-	-	-	2,627	2,627
Preference shares	15	12.5%	-	-	158	-	158
<b>Total Financial Liabilities</b>			12,517	234,678	68,400	21,188	336,783

<sup>(i)</sup> The interest rate charged on this fixed interest loan is set at 5.20%.

<sup>(ii)</sup> The interest rate charged on this fixed interest loan is set at 5.32%

**25. Financial Instruments (continued)**

**(d) Interest rate risk (continued)**

	Note	Weighted Average Effective Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Maturing in 4 to 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>Consolidated</b>						
<b>31 December 2005</b>						
<b>Financial Assets</b>						
Cash		3.9%	4,697	-	641	5,338
Trade & other receivables	5		-	-	499	499
Other net assets of associates	7		-	-	26,660	26,660
<b>Total Financial Assets</b>			4,697	-	27,800	32,497
<b>Financial Liabilities</b>						
Share of associate's liabilities	7	5.2%	13,405	201,460*	14,104	228,969
Due to related parties	11	5.0%	16,450	-	-	16,450
Trade & other payables	12		-	-	685	685
<b>Total Financial Liabilities</b>			29,855	201,460*	14,789	246,104

\* The interest rate charged on the fixed interest loan is set at 5.19%.

	Note	Weighted Average Effective Interest Rate %	Floating Interest Rate \$'000	Fixed Interest \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>RNY</b>						
<b>31 December 2006</b>						
<b>Financial Assets</b>						
Cash		5.0%	32	-	-	32
Trade & other receivables	5		-	-	10,117	10,117
<b>Total Financial Assets</b>			32	-	10,117	10,149
<b>Financial Liabilities</b>						
Trade & other payables	12		-	-	181	181
<b>Total Financial Liabilities</b>			-	-	181	181

**25. Financial Instruments (continued)**

**(d) Interest rate risk (continued)**

		<b>Weighted Average Effective Interest Rate</b>	<b>Floating Interest Rate</b>	<b>Fixed Interest</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
	<b>Note</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>RNY</i>						
<b>31 December 2005</b>						
<b>Financial Assets</b>						
Cash		3.9%	4,697	-	-	4,697
Trade & other receivables	5		-	-	30	30
<b>Total Financial Assets</b>			4,697	-	30	4,727
<b>Financial Liabilities</b>						
Due to related parties	11	5.0%	4,162	-	-	4,162
Trade & other payables	12		-	-	554	554
<b>Total Financial Liabilities</b>			4,162	-	554	4,716

**(e) Foreign currency risk**

As a result of the Trust's investments in the United States, the Trust can be affected significantly by movements in the \$US/\$AU exchange rates.

The Trust currently uses derivative financial instruments to hedge its exposure to foreign currency movements. Refer to Note (a) in this section for more details

**(f) Liquidity risk**

Liquidity risk is the risk that the Trust will not be able to meet its obligations in relation to investment activities or other operations of the Trust.

Liquidity risk is managed by adhering to restrictions under the Trust's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total unitholders' funds.

**26. Auditor's Remuneration**

	<b>Consolidated</b>		<b>RNY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
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	133,284	90,000	133,284	90,000
- other services in relation to the entity and any other entity in the Consolidated Entity				
- taxation services	7,806	9,000	7,806	9,000
- compliance services	27,560	26,000	27,560	26,000
	168,650	125,000	168,650	125,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
- audit or review of the financial report for the US REIT and the US LLC	237,551	260,000	-	-
	<b>406,201</b>	<b>385,000</b>	<b>168,650</b>	<b>125,000</b>

**27. Subsequent Events**

RAML's parent company, Reckson Associates Realty Corp. ("RA"), has merged in the US with SL Green Realty Corp., effective as of 25 January 2007. At the same time, RexCorp Realty LLC ("RexCorp"), purchased various RA assets including those associated with RNY. Accordingly, RexCorp has replaced RA as the parent company of RAML.

RAML remains the responsible entity of RNY.

RexCorp is a newly created, fully integrated, private real estate company. RexCorp has approximately US\$3 billion in assets under management, including over 10 million square feet in 70 properties, and is one of the largest office landlords in the New York Tri-State area. Its address is RexCorp Realty LLC, 625 RexCorp Plaza, Uniondale, NY 11556.

## Directors Declaration

In accordance with a resolution of the directors of Reckson Australia Management Limited, the Responsible Entity of Reckson New York 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 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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 2006.

On behalf of the Board

/s/ Philip Meagher  
Philip Meagher  
Director

Sydney, 28 February 2007

## **Independent audit report to unitholders of Reckson New York Property Trust**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, the income and distribution statements, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the declaration by the directors of the Responsible Entity of Reckson New York Property Trust (the Trust) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of Reckson Australia Management Limited (the Responsible Entity) are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Trust.

### **Independence**

We are independent of the Trust and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Audit opinion**

In our opinion the financial report of Reckson New York Property Trust is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Reckson New York Property Trust and the consolidated entity at 31 December 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Douglas Bain  
Partner  
Sydney  
28 February 2007