

# FINANCIAL STATEMENTS

## DB RREEF RENTS TRUST (ARSN 112 705 852)

### ANNUAL FINANCIAL REPORT

30 JUNE 2006

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditors' Independence Declaration	5
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10
Directors' Declaration	24
Independent Audit Report to the Members of DB RREEF RENTS Trust	25

DB RREEF RENTS Trust is a listed investment trust offering unitholders quarterly floating rate non-cumulative distributions based on a margin of 1.3% p.a. over the 90 day bank bill rate and are expected to be 90% tax deferred to the Step-up Date.

The Responsible Entity for DB RREEF RENTS Trust (ARSN 112 705 852)  
is DB RREEF Funds Management Limited (ABN 24 060 920 783)

Unitholder Enquiries Freecall 1800 819 675  
Website [www.dbrreef.com](http://www.dbrreef.com)

The Directors of DB RREEF Funds Management Limited ("DRFM") as Responsible Entity of DB RREEF RENTS Trust ("the Trust") present their Directors' Report together with the Financial Statements for the year ended 30 June 2006.

## 1. Directors and other key management personnel

### 1.1 Directors

The following persons were Directors or alternate Directors of DRFM at any time during the year, and to the date of this Directors' Report:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
Christopher T Beare	4 August 2004	
Elizabeth A Alexander AM	1 January 2005	
Barry R Brownjohn	1 January 2005	
Stewart F Ewen OAM	4 August 2004	
Victor P Hoog Antink	1 October 2004	
Charles B Leitner III	10 March 2005	
Brian E Scullin	1 January 2005	
<b>Alternate Director for Charles B Leitner III</b>		
Shaun A Mays	10 March 2005	30 January 2006
Andrew J Fay	30 January 2006	

Particulars of the qualifications, experience and special responsibilities of current Directors and alternate Directors at the date of this Directors' Report are set out in the "Directors" section of the Annual Report and form part of this Directors' Report.

Particulars of the qualifications, experience and special responsibilities of the alternate Director who resigned during the period are as follows:

#### **Shaun A Mays** BSc (Hons), MSc, MBA

(Alternate Director to Charles B Leitner III)

Shaun Mays was appointed the Global Head of RREEF Infrastructure Investments in May 2005 and is now based in New York. Prior to this appointment Shaun joined Deutsche Asset Management (Australia) Limited as Australian Chief Executive Officer. Previously Shaun was Managing Director of Westpac Financial Services. He was also Chief Investment Officer of Commonwealth Financial Services and Managing Director and Chief Investment Officer of Mercury Asset Management. He has more than 19 years experience in the funds management industry, in both executive management and investment positions, gained in Australia, the United Kingdom and the USA. In addition to his traditional asset management expertise, Shaun has experience in the property and private equity sectors. Shaun was Deutsche Bank's nominated alternate Director for Charles Leitner until January 2006.

### 1.2 Other key management personnel

In addition to the directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be key management personnel during all or part of the financial year and up to the date of this report:

<b>Name</b>	<b>Title</b>	<b>Qualification date of other key management personnel during the 12 months ended 30 June 2006</b>
Tanya L Cox	Chief Operating Officer	
John C Easy	General Counsel	
Greg T Lee	Head of Transaction Services	Ceased to qualify 31 January 2006
Ben J Lehmann	Head of Portfolio Services	
Peter C Roberts	Chief Finance Officer	Qualified 5 December 2005
Mark F Turner	Head of Unlisted Funds	

## 2. Remuneration report

Remuneration received by key management personnel of the Trust is a cost of DRFM and not the Trust. DRFM does not recover any proportion of their remuneration from the Trust.

### 3. Directors' interests

#### 3.1 Interest in the Trust's securities

As at the date of this Directors' Report, the interests of each Director in the securities of the Trust are:

Name	Held Personally	Held Indirectly
Christopher T Beare	Nil	Nil
Elizabeth A Alexander AM	Nil	Nil
Barry R Brownjohn	Nil	Nil
Stewart F Ewen OAM	Nil	Nil
Andrew J Fay (alternate to Charles B Leitner III)	Nil	Nil
Victor P Hoog Antink	Nil	Nil
Charles B Leitner III	Nil	Nil
Brian E Scullin	Nil	Nil

As at the date of this Directors' Report, no Director, Alternate Director or any officer of DRFM held options over, or any other contractual interest in, securities of the Trust.

#### 3.2 Other interests

As at the date of this report no Director or alternate Director held an interest in any other fund managed by DRFM or any other entity that forms part of DB RREEF Trust.

### 4. Principal activities

During the year the principal activity of the Trust consisted of an investment in preference units of DOT Commercial Trust, a sub trust of DB RREEF Office Trust. DB RREEF Office Trust forms part of the DB RREEF Trust stapled security. There were no significant changes in the nature of the Trust's activities during the year.

### 5. Total value of trust assets

The total value of the assets of the Trust as at 30 June 2006 was \$207.9 million (2005: \$205.2 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

### 6. Review and results of operations

A review of the results, financial position, operations including business strategies and the expected results of operations of the Trust, is set out in the "Chief Executive Officer's Report" in DB RREEF Trust's Annual Report.

### 7. Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and the future developments or results of the Trust, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report, would be unreasonably prejudicial to the Trust.

### 8. Significant changes in the state of affairs

The Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial years.

### 9. Matters subsequent to the end of the financial year

Since the end of the year the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial years.

### 10. Distributions

Distributions paid or payable by DB RREEF RENTS Trust for the year ended 30 June 2006 were 725.0 cents per unit (2005: nil) and are outlined in note 9 of the Notes to the Financial Statements.

### **11. Responsible entity fees and associate interests**

Details of fees paid or payable by the Trust to the Responsible Entity for the year ended 30 June 2006 are outlined in note 13 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 13 of the Notes to the Financial Statements and form part of this Directors' Report.

### **12. Interests in the Trust**

The movement in securities on issue in the Trust during the year and the number of securities on issue as at 30 June 2006 are detailed in note 7 of the Notes to the Financial Statements and forms part of this Directors' Report.

The Trust did not have any options on issue as at 30 June 2006 (2005: nil).

### **13. Environmental regulation**

The Directors of the Responsible Entity are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with its various licence requirements and regulations. Further, the Directors are not aware of any breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

### **14. Indemnification and insurance**

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by the Responsible Entity. The auditors are in no way indemnified out of the assets of the Trust.

### **15. Audit**

#### **15.1 Auditor**

PricewaterhouseCoopers ("PwC" or "the Auditor") continues in office in accordance with section 327 of the Corporations Act 2001.

#### **15.2 Non-audit services**

Details of the amounts paid to the Auditor, which include amounts paid for non-audit services are set out in note 2 of the Notes to the Financial Statements.

The Board Audit Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The reasons for the Directors being satisfied are as follows:

- Board Audit Committee has determined that the Auditor will not provide services that have the potential to impair the independence of its audit role, including:
  - participating in activities that are normally undertaken by management; and
  - being remunerated on a "success fee" basis;
- Board Audit Committee has determined that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
  - the preparation of accounting records;
  - the design and implementation of information technology systems;
  - conducting valuation, actuarial or legal services;
  - promoting, dealing in or underwriting securities; or
  - providing internal audit services;
- Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services;
- the Auditor has provided a written declaration to the Board regarding its independence at each reporting period; and
- Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of \$100,000.

The above Directors' statements are in accordance with the advice received from the Board Audit Committee.

#### **15.3 Audit independence declaration**

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out in the Financial Statements and forms part of this Directors' Report.

**16. Rounding of amounts and currency**

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

**17. Management representation**

The Chief Executive Officer and the Chief Financial Officer have reviewed the Trust's financial reporting processes, policies and procedures together with its risk management and internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial records for the financial year have been properly maintained in accordance with the Corporations Act 2001 and the Financial Statements and their notes comply with the accounting standards and give a true and fair view.

**21. Directors' authorisation**

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



**Christopher T Beare**  
Chair  
22 August 2006



**Victor P Hoog Antink**  
Chief Executive Officer  
22 August 2006

## Auditor's Independence Declaration

As lead auditor for the audit of DB RREEF RENTS Trust for the year ended 30 June 2006, I declare that 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 DB RREEF RENTS Trust during the period.



DA Prothero

Partner  
PricewaterhouseCoopers

Sydney

22 August 2006

**DB RREEF RENTS TRUST  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$'000	27/01/2005 to 30/06/2005 \$'000
<b>Income</b>			
Fair value gain on investment		14,312	6,992
Interest revenue		22	-
<b>Total income</b>		<b>14,334</b>	<b>6,992</b>
<b>Expenses</b>			
Other expenses		(177)	(5)
<b>Total expenses</b>		<b>(177)</b>	<b>(5)</b>
<b>Profit attributable to unitholders of DB RREEF RENTS Trust</b>		<b>14,157</b>	<b>6,987</b>
<b>Earnings per unit<sup>1</sup></b>			
Basic earnings per unit	17	-	-
Diluted earnings per unit	17	-	-

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

<sup>1</sup> Earnings per unit represents the earnings attributable to the ordinary unitholder, DB RREEF Office Trust. Details of earnings per unit attributable to preference unitholders are included in Note 17 of the Notes to the Financial Statements.

	Notes	2006 \$'000	2005 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,894	624
Receivables	3	-	584
<b>Total current assets</b>		<b>3,894</b>	<b>1,208</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	4	204,000	204,000
<b>Total non-current assets</b>		<b>204,000</b>	<b>204,000</b>
<b>Total assets</b>		<b>207,894</b>	<b>205,208</b>
<b>Current liabilities</b>			
Payables	5	322	335
Provisions	6	3,509	-
<b>Total current liabilities</b>		<b>3,831</b>	<b>335</b>
<b>Total liabilities</b>		<b>3,831</b>	<b>335</b>
<b>Net assets</b>		<b>204,063</b>	<b>204,873</b>
<b>Equity</b>			
Contributed equity	7	197,705	197,886
Undistributed income	8	6,358	6,987
<b>Total equity</b>		<b>204,063</b>	<b>204,873</b>

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



**DB RREEF RENTS TRUST  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	<b>2006</b> <b>\$'000</b>	27/01/2005 to 30/06/2005 \$'000
<b>Total equity at the beginning of the year</b>		<b>204,873</b>	-
<b>Profit</b>		<b>14,157</b>	6,987
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	7	(181)	197,886
Distributions provided for or paid	9	(14,786)	-
<b>Total transactions with equity holders</b>		<b>(14,967)</b>	197,886
<b>Total equity at the end of the year</b>		<b>204,063</b>	204,873

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

**DB RREEF RENTS TRUST  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$'000	27/01/2005 to 30/06/2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts in the course of operations (inclusive of GST)		584	-
Payments in the course of operations (inclusive of GST)		(117)	-
Interest received		22	-
Distributions received		14,312	624
<b>Net cash inflow from operating activities</b>	16	<u>14,801</u>	<u>624</u>
<b>Cash flows from investing activities</b>			
Payments for investments in unit trusts		-	(197,634)
<b>Net cash outflow from investing activities</b>		<u>-</u>	<u>(197,634)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		-	204,000
Establishment expenses and unit issue costs		(263)	(6,366)
Distributions paid		(11,268)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(11,531)</u>	<u>197,634</u>
<b>Net inflow in cash and cash equivalents</b>		<b>3,270</b>	<b>624</b>
Cash and cash equivalents at the beginning of the year		<b>624</b>	-
<b>Cash and cash equivalents at the end of the year</b>		<u><b>3,894</b></u>	<u><b>624</b></u>

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

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation**

The Trust was created on 27 January 2005. On 15 June 2005, the Trust listed 2,040,000 units on the Australian Stock Exchange under the code "DRRPA". The Trust is required to comply with the reporting and disclosure requirements under the Corporations Act 2001 and Australian Accounting Standards.

This financial report for the year ended 30 June 2006 has been prepared in accordance with the requirements of the Trust's Constitution, the Corporations Act 2001 and Australian Equivalents to International Financial Reporting Standards ("AIFRS").

This financial report is prepared on the going concern basis and historical cost conventions and has not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain non-current assets (refer note 1(c)).

*Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation of fair values described in Note 1(c), no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

**(b) Change in accounting policy**

In the current year, the Trust changed the basis of valuation of its investment in DOT Commercial Trust ("DCT") from cost to fair value, in accordance with the policy set out below. The new policy was adopted to bring the Trust's accounting policy into line with its ultimate parent entity, who has adopted fair value measurement of investments under AASB 139 *Financial Instruments - Recognition and Measurement* from 1 July 2005, and to provide more relevant information about the investment. Comparative information in the financial statements has been adjusted to reflect this change.

The effect of this change on the period ending 30 June 2005 was to create a fair value gain on investment on the Income Statement of \$6,992,000, a decrease in distribution income of \$624,000 and an increase the carrying value of the investment on the Balance Sheet from \$197,632,000 to \$204,000,000. The impact on the current year is recognition of a fair value gain on investment on the Income Statement of \$14,312,000 and to decrease distribution income by \$4,665,000. This has increased earnings per unit by 472.89 cents for the year ended 30 June 2006 and 312.16 cents for the period ended 30 June 2005.

**(c) Financial assets at fair value through profit or loss**

The Trust has designated its investment in DCT as a financial asset at fair value through profit or loss. The investment is revalued at each reporting date to its fair value in accordance with AASB 139. Changes in the fair value of the investment are recognised in the Income Statement for the year. Distributions received from the investment are credited against the investment when received.

The fair value of the investment is determined using discounted cash flow analysis. The discount rate applied in calculating the fair value of the investment is 1.3% per annum over the 90 day bank bill rate.

**(d) Income recognition**

**Interest income**

Interest income is brought to account on an accruals basis using the effective interest rate method and, if not received at the balance date, is reflected in the Balance Sheet as a receivable.

**(e) Expenses**

Expenses are brought to account on an accruals basis and, if not paid at the balance date, are reflected in the Balance Sheet as a payable.

**(f) Goods and Services Tax**

Revenues, expenses and capital assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the ATO is classified as operating cash flows.

**(g) Taxation**

Under current legislation, the Trust is not liable for income tax provided that the taxable income and taxable realised gains are fully distributed to unitholders each year.

**(h) Distributions**

In accordance with the Trust's Constitution, the Trust distributes its distributable income to unitholders by cash. Distributions are provided for when they are declared.

**Note 1. Summary of significant accounting policies (continued)**

**(i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, which is based on the receivables amount less provision for doubtful debts. Receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables.

**(k) Acquisition of assets**

The purchase method of accounting is used for all acquisitions. Cost is measured as the fair value of the assets given up, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange at the entity's incremental financing rate.

**(l) Payables**

These amounts represent liabilities for amounts owing at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

**(m) Earnings per unit**

Basic and diluted earnings per unit is determined by dividing the net profit attributable to unitholders of the Trust by the weighted average number of units outstanding during the year.

**(n) Segment reporting**

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing services within a particular geographic environment and is subject to risks and returns that are different from those of segments operating in other geographic environments.

**(o) Rounding of amounts**

The Trust is the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(p) New accounting standards and UIG interpretations**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2006 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

*(i) AASB 7 Financial Instruments Disclosure and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 requires qualitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk. The Trust has elected not to adopt the standard early. Application of this standard will not affect any of the amounts recognised in the financial statements.

*(ii) AASB 2005-4 Amendments to Australian Accounting Standards (AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038)*

AASB 2005-4 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendment restricts the ability to designate financial assets and financial liabilities "at fair value through profit or loss". The amendment will not affect the Trust's financial statements.

*(iii) AASB 2005-11 Amendments to Australian Accounting Standards (AASB 101, AASB 112, AASB 132, AASB 133, AASB 139 and AASB 141)*

The amendment deals with the impact of contingently issuable shares and contingently returnable shares on earnings per share. The Trust does not issue shares of this type and accordingly, the amendment will not affect the Trust's financial statements.

**Note 2. Audit and advisory fees**

	27/01/2005
	to
<b>2006</b>	30/06/2005
<b>\$</b>	<b>\$</b>

During the year the auditor of the Trust, its related practices and non-related audit firms earned the following remuneration:

**(a) Assurance services**

*Audit services*

PwC Australia audit and review of financial reports and other audit work under the Corporations Act 2001	<b>10,000</b>	5,200
Total remuneration for audit services	<u><b>10,000</b></u>	<u>5,200</u>

**(b) Taxation Services**

Fees paid to PwC Australia	<b>26,010</b>	-
Total remuneration for taxation services	<u><b>26,010</b></u>	<u>-</u>

**(c) Advisory Services**

Fees paid to PwC Australia in relation to establishment of the Trust	-	325,000
Total remuneration for advisory services	<u>-</u>	<u>325,000</u>

**Note 3. Current assets - receivables**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
GST receivable	-	583
Other receivables	-	1
<b>Total current assets - receivables</b>	<b>-</b>	<b>584</b>

**Note 4. Non-current assets - financial assets at fair value through profit or loss**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
DOT Commercial Trust	<b>204,000</b>	204,000
<b>Total non-current assets - financial assets at fair value through profit or loss</b>	<b>204,000</b>	204,000

On 15 June 2005, the Trust purchased 1,976,320 preference units in DOT Commercial Trust ("DCT") for \$100 each. Preference units do not confer on their holders any rights on the winding up of DCT or any rights to distributions. However, where a distribution is declared to preference unit holders, this distribution must be paid in preference to any distribution declared to ordinary unit holders. Preference units hold no voting rights in relation to DCT, other than where the matter is in relation to the rights of the preference units. In these matters, each preference unit carries 1000 votes on a poll.

**Note 5. Current liabilities - payables**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Accruals	<b>74</b>	335
GST payable	<b>248</b>	-
<b>Total current liabilities – payables</b>	<b>322</b>	335

**Note 6. Current liabilities - provisions**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Provision for distribution</b>		
Opening balance as at 1 July 2005	-	-
Additional provisions	<b>14,786</b>	-
Payments of distributions	<b>(11,277)</b>	-
<b>Closing balance as at 30 June 2006</b>	<b>3,509</b>	-

**Provision for distribution**

Provision is made for the distribution for the period ending 30 June 2006. This distribution was paid on 17 July 2006.

**Note 7. Contributed equity**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>(a) Value of units on issue</b>		
Opening balance as at 1 July 2005	<b>197,886</b>	-
Issue of preference units	-	204,000
Cost of placement of units	<b>(181)</b>	(6,114)
<b>Closing balance as at 30 June 2006</b>	<b>197,705</b>	197,886

	<b>2006</b>	2005
	<b>No. of units</b>	No. of units
<b>(b) Number of units on issue</b>		
Opening balance as at 1 July 2005	<b>2,040,001</b>	-
Issue of ordinary unit	-	1
Issue of A class unit	-	1
Cancellation of A class unit	-	(1)
Issue of preference units	-	2,040,000
<b>Closing balance as at 30 June 2006</b>	<b>2,040,001</b>	2,040,001

**Terms and Conditions**

Each preference unit ranks equally with all other preference units for the purposes of distributions and on termination of the Trust.

The one ordinary unit holds all the voting rights in the Trust, but has no beneficial interest in the Trust assets. The preference units hold the beneficial interest in the assets of the Trust. Payment of distributions to preference unitholders is at the Directors' discretion.

The preference units entitle holders to receive non-cumulative quarterly floating rate distributions at a margin of 130 basis points above the 90 day bank bill rate. The preference units may be exchanged for cash or stapled securities in DB RREEF Trust on 30 June 2012 (the "Step-up Date"). For each distribution period following the Step-up Date, the margin will increase by a once only step-up of 2% per annum unless the preference units are repurchased or exchanged.

Payments which become due and payable to holders are guaranteed on an unsecured and subordinated basis by the responsible entity of each of the DB RREEF stapled trusts (each a guarantor). This guarantee ranks ahead of the distribution payments on stapled securities, but is subordinated to the claims of senior creditors.

**Issue and cancellation of units**

On creation of the Trust on 27 January 2005, one ordinary unit was issued to DB RREEF Office Trust and one A Class unit was issued to DB RREEF Holdings Pty Limited. On 15 June 2005, the A Class unit was cancelled and 2,040,000 preference units ("RENTS") were issued at a unit price of \$100 (refer to the Product Disclosure Statement and Supplementary Product Disclosure Statement RENTS dated 27 April 2005). RENTS were listed on the Australian Stock Exchange on the same day.



**Note 8. Undistributed income**

	2006 \$'000	2005 \$'000
Undistributed income as at 1 July 2005	6,987	-
Net profit attributable to members	14,157	6,987
Distributions provided for or paid	(14,786)	-
<b>Undistributed income as at 30 June 2006</b>	<b>6,358</b>	<b>6,987</b>

**Note 9. Distributions paid and payable**

	2006 \$'000	2005 \$'000
30 September 2005 (paid 17 October 2005)	4,223	-
31 December 2005 (paid 17 January 2006)	3,566	-
31 March 2006 (paid 19 April 2006)	3,488	-
30 June 2006 (paid 17 July 2006)	3,509	-
<b>Total distributions paid and payable</b>	<b>14,786</b>	<b>-</b>

	2006 Cents per unit	2005 Cents per unit
30 September 2005 (paid 17 October 2005)	207.00	-
31 December 2005 (paid 17 January 2006)	175.00	-
31 March 2006 (paid 19 April 2006)	171.00	-
30 June 2006 (paid 17 July 2006)	172.00	-
<b>Total cents per unit</b>	<b>725.00</b>	<b>-</b>





**Note 11. Contingent liabilities**

The directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Trust, other than those disclosed in the financial statements, which should be brought to the attention of unitholders as at the date of completion of this report.

**Note 12. Commitments**

There are no commitments receivable or payable which have not been recognised at the reporting date.

**Note 13. Related parties**

**Responsible Entity**

The Trust was formed on 27 January 2005, at which time DB RREEF Funds Management Limited ("DRFM") was appointed as the Responsible Entity.

**Responsible Entity fees**

Under the terms of the Trust Constitution, the Responsible Entity is not entitled to receive fees in relation to the management of the Trust. However, the Responsible Entity is entitled to be reimbursed for expenses incurred in relation to administration or management of the Trust.

**Related party transactions**

All related party transactions are conducted on normal commercial terms and conditions unless otherwise stated.

**Unitholdings**

At 30 June 2006, Deutsche Bank AG and its related parties, schemes and portfolios managed by Deutsche Bank AG and its related parties held 175,494 units (2005: 551,735) in the Trust.

The Trust has no investments in the Responsible Entity. The Trust has an investment in DOT Commercial Trust, a sub trust of DB RREEF Office Trust, whose Responsible Entity is also DRFM. DB RREEF Office Trust is part of the DB RREEF Trust stapled group which is listed on the Australian Stock Exchange.

**Deutsche Bank AG**

Deutsche Bank AG owns 50% of DB RREEF Holdings Pty Limited ("DRH"), which is the 100% owner of DRFM, being the Responsible Entity of the Trust. Dealings with the bank include transactions concerning the provision of financial services. Transactions and balances between the Trust and the Responsible Entity and related entities are as detailed below:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Underwriting fees paid and payable to Deutsche Bank AG	-	3,356

**Note 13. Related parties (continued)**

**Directors**

The following persons were directors of DRFM during the whole of the financial year and up to the date of this report, unless otherwise stated:

C T Beare BSc, BE (Hons), MBA, PhD, FAICD<sup>1,4,5</sup>

E A Alexander AM, BComm, FCA, FAICD, FCPA<sup>1,2</sup>

B R Brownjohn BComm<sup>1,2,5</sup>

S F Ewen FILE<sup>1,4</sup>

A J Fay BAg.Ec (Hons), ASIA (Alternate to C B Leitner)

Appointed 30 January 2006

V P Hoog Antink BCom, MBA, FCA, FAPI, MAICD<sup>5</sup>

C B Leitner BA

S A Mays BSc (Hons), MSc, MBA (Alternate to C B Leitner)

Resigned 30 January 2006

B E Scullin BEc<sup>2,3,4</sup>

<sup>1</sup> Independent Director

<sup>2</sup> Audit Committee Member

<sup>3</sup> Compliance Committee Member

<sup>4</sup> Remuneration Committee

<sup>5</sup> Treasury Committee

No directors held an interest in the Trust as at 30 June 2006 or at the date of this report.

**Other key management personnel**

In addition to the directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be key management personnel during all or part of the financial year and up to the date of this report:

<i>Name</i>	<i>Position</i>	<i>Qualification date of other key management personnel during the 12 months ended 30 June 2006</i>
Tanya L Cox	Chief Operating Officer	
John C Easy	Head of Legal	
Greg T Lee	Head of Transaction Services	Ceased to qualify 31 January 2006
Ben J Lehmann	Head of Portfolio Services	
Peter Roberts	Chief Financial Officer	Qualified 5 December 2005
Mark F Turner	Head of Unlisted Funds	

Remuneration received by key management personnel of the Trust is a cost of DRFM and not the Trust. DRFM does not recover any proportion of their remuneration from the Trust.

No key management personnel or their related parties held an interest in the Trust for the years ended 30 June 2005 and 30 June 2006 or at the date of this report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2005 and 30 June 2006 or at the date of this report.

**Note 14. Events occurring after reporting date**

Since the end of the year, the directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in their report or the financial statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future periods.

**Note 15. Segment information**

**Geographical segments**

The Trust's investments are all located in Australia.

**Business segments**

The Trust operates solely within the property trust investment sector.

**Note 16. Reconciliation of net profit / (loss) to net cash inflow from operating activities**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Profit	14,157	6,987
Net increment on revaluation of investments	(14,312)	(6,992)
Distributions received credited against investments	14,312	624
Change in operating assets and liabilities		
Decrease in receivables	584	-
Increase in payables	60	5
<b>Net cash inflow from operating activities</b>	<b>14,801</b>	<b>624</b>

**Note 17. Earnings per unit**

	<b>2006</b>	2005
	<b>cents</b>	cents
<b>(a) Basic earnings unit</b>		
Basic earnings per ordinary unit	-	-
Basic earnings per preference unit	693.97	342.50
<b>(b) Diluted earnings per unit</b>		
Diluted earnings per ordinary unit	-	-
Diluted earnings per preference unit	693.97	342.50

**(c) Reconciliation of earnings used in calculating earnings per unit**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Profit attributable to ordinary unitholders of the Trust used in the calculation of basic and diluted earnings per unit	-	-
Profit attributable to preference unitholders of the Trust used in the calculation of basic and diluted earnings per unit	14,157	6,987

**(d) Weighted average number of units used as a denominator**

	<b>2006</b>	2005
	<b>No. of units</b>	No. of units
Weighted average number of ordinary units outstanding used in the calculation of basic and diluted earnings per unit	1	1
Weighted average number of preference units outstanding used in the calculation of basic and diluted earnings per unit	2,040,000	2,040,000



**DB RREEF RENTS TRUST  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2006**

The directors of DB RREEF Funds Management Limited as Responsible Entity of DB RREEF RENTS Trust ("the Trust") declare that the financial statements and notes set out on pages 6 to 23:

- (i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the Trust's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001;
- (b) there are reasonable grounds to believe that the Trust will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 27 January 2005 during the year ended 30 June 2006.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



Christopher T Beare  
Chair  
Sydney  
22 August 2006

## Independent audit report to the unitholders of DB RREEF RENTS Trust

### Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of DB RREEF RENTS for the financial year ended 30 June 2006 included on DB RREEF RENTS Trust's web site. The directors of DB RREEF Funds Management Limited (the Responsible Entity of the Trust) are responsible for the integrity of the DB RREEF RENTS Trust's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### Audit opinion

In our opinion, the financial report of DB RREEF RENTS Trust:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of DB RREEF RENTS Trust as at 30 June 2006 and of the results of its performance for the year ended on that date, and
- is presented in accordance with *Corporations Act 2001* in Australia, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for DB RREEF RENTS Trust (the Trust) for the year ended 30 June 2006.

The directors of DB RREEF Funds Management Limited are responsible for the preparation and true and fair presentation of the financial report 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 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

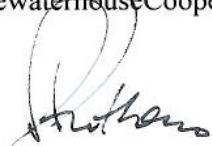
Our audit did not involve an analysis of the prudence of business decisions made by the directors of the Responsible Entity or management.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



PricewaterhouseCoopers



DA Prothero  
Partner

Sydney  
22 August 2006