

# DB RREEF RENTS Trust

annual report 2006



**DB RREEF**

Managed in partnership with Deutsche Bank 

# contents

key features and financial data	1
letter from the chair	2
chief executive officer's report	3
directors	6
corporate governance statement	8
financial report	15
independent auditor's report	32
registry information	34
investor information	36
directory	

FRONT COVER: 1–15 Rosebery Avenue, Rosebery NSW  
ABOVE: 343 George Street, Sydney NSW (Photo provided by Tyrone Branigan Productions)

DB RREEF RENTS Trust ARSN 112 705 852

Responsible Entity: DB RREEF Funds Management Limited ABN 24 060 920 783 AFSL No. 238163

# key features and financial data

	30 June 2006
<b>Security price (\$ per security)</b>	
High	104.60
Low	100.00
Closing price	104.00
Number of securities on issue	2,040,000
Number of security holders	1,295
Net assets (\$'000)	204,063
Net tangible assets per security (\$)	100.03
Total assets (\$'000)	207,894
Market capitalisation (\$'000)	212,160
<b>Distributions (\$ per security)</b>	
September 2005	2.07
December 2005	1.75
March 2006	1.71
June 2006	1.72
Total	7.25
Tax deferred percentage	90%
Distribution (\$'000)	14,786

- DB RREEF RENTS Trust (DB RREEF RENTS) securities are perpetual and have no maturity date;
- The distribution rate for DB RREEF RENTS is determined on the first business day of each quarter and until 1 July 2012 will be equal to the 90 day bank bill rate plus 1.3 percent per annum;
- Subject to the direction of DB RREEF Funds Management Limited as the Responsible Entity of DB RREEF Office Trust, DB RREEF Funds Management Limited as issuer of DB RREEF RENTS, may initiate exchange of DB RREEF RENTS into DB RREEF Trust stapled securities or repurchase DB RREEF RENTS for cash on or after the step-up date, being 1 July 2012, or earlier in certain circumstances;
- If DB RREEF RENTS are not exchanged or repurchased, the DB RREEF RENTS distribution margin will increase by a once off step-up of two percent per annum (ie. become 3.3 percent per annum) from the step-up date being 1 July 2012; and
- DB RREEF RENTS are listed on the Australian Stock Exchange with an ASX ticker code of DRRPA.

## dear investor



I am pleased to present the second annual report for DB RREEF RENTS Trust for the year ending 30 June 2006.

DB RREEF RENTS paid income distributions totalling \$7.25 per security for the year (\$14.8 million) with 90 percent of that income being tax advantaged.

The security price closed at \$104.00 on 30 June 2006 increasing the market capitalisation of DB RREEF RENTS to \$212 million over \$205 million at 30 June 2005. The net tangible asset (NTA) per security is \$100.03.

On behalf of the Board, I wish to thank you for your investment in DB RREEF RENTS and look forward to your support during 2006 and the years ahead.

Yours faithfully

A handwritten signature in dark ink, which appears to read "Chris Beare". The signature is written in a cursive, flowing style.

**Christopher T Beare**

Chair

15 September 2006



# chief executive officer's report

## WE ARE PLEASED TO PRESENT THE SECOND ANNUAL REPORT FOR DB RREEF RENTS TRUST FOR THE YEAR ENDED 30 JUNE 2006 AND THE FIRST FULL YEAR OF OPERATION.

DB RREEF RENTS was listed on the Australian Stock Exchange on 16 June 2005 (ASX:DRRPA) and is part of the DB RREEF Trust group (ASX:DRT). DB RREEF RENTS was created to enable investors to invest into a security that provides quarterly income payments at an attractive yield.

During the year Real-estate perpetual Exchangeable Step-up Securities, known as DB RREEF RENTS, paid quarterly distribution in arrears into each investor's nominated Australian bank account. The distribution rate for DB RREEF RENTS is determined on the first business day of each quarter. Until 1 July 2012, the distribution rate will be equal to the 90 day bank bill rate plus 1.3 percent per annum.

The distribution rate for the quarter ended 30 June 2006 was 6.8933 percent which equates to a distribution of \$1.72 per security and was paid on 17 July 2006. The total distributions paid for the year was \$7.25 per security. DB RREEF RENTS distributions to 30 June 2006 were 90 percent tax deferred.

Investors who held DB RREEF RENTS for the year received distributions outlined in the table below.

Quarter ending	Distribution rate (%)	Rate per RENTS (\$)
30 September 2005	6.9800	2.07
31 December 2005	6.9350	1.75
31 March 2006	6.9317	1.71
30 June 2006	6.8933	1.72
<b>Total</b>		<b>7.25</b>

Total income for the year was \$14.3 million and profit attributable to security holders was \$14.2 million. Distributions totalling \$14.8 million were paid to security holders for the year ended 30 June 2006. Total assets of DB RREEF RENTS as at 30 June 2006, was \$207.9 million and net assets were \$204.1 million or \$100.03 per security.

### DB RREEF Trust

DB RREEF RENTS is part of the DB RREEF group and all its assets are invested in a sub trust of DB RREEF Trust. In 2012 DB RREEF RENTS may be converted into DB RREEF Trust stapled securities. Consequently, it is the performance of DB RREEF that underlies the activities of the Trust.

DB RREEF Trust's portfolio as at 30 June 2006 comprised \$7.85 billion of direct property assets in Australia, New Zealand and the United States. The strength of DB RREEF Trust's property portfolio continued to improve over the year. Over 150,000 square metres of space was leased bringing the occupancy level to 96.1 percent and increased the average lease duration of the portfolio to 5.3 years. DB RREEF Trust has been actively managing and developing its portfolio with over one million square metres of lettable area currently under development.

DB RREEF Trust's net profit for the year was \$1,066 million, including a \$686.5 million revaluation of investments and a \$76.2 million unrealised gain on financial instruments and foreign exchange. Total property income was \$659.7 million, a 29.7 percent increase on the previous 12 months' property income.

DB RREEF Trust's total assets as at 30 June 2006 were \$8,288 million, an increase of 18.6 percent since 2005. The NTA per stapled security was \$1.53, which is an increase of 25 cents per security or 19.5 percent since 30 June 2005.

# chief executive officer's report (continued)

## DB RREEF RENTS structure

Real-estate perpetual Exchangeable Step-up Securities are fully paid preference units in DB RREEF RENTS Trust. DB RREEF RENTS are issued by DB RREEF Funds Management Limited as Responsible Entity of the Trust. The monies raised through the issue of DB RREEF RENTS were used to subscribe for preference units in DOT Commercial Trust, a sub trust of DB RREEF Office Trust which is part of the DB RREEF Trust stapled security. The proceeds of the subscription have been used within DB RREEF Trust to reduce senior debt.

Security holders have the benefit of a subordinated guarantee from DB RREEF Funds Management Limited as the Responsible Entity of DB RREEF Diversified Trust, DB RREEF Industrial Trust, DB RREEF Office Trust and DB RREEF Operations Trust, the four trusts that comprise DB RREEF Trust (each a Guarantor). The Guarantors guarantee, on a subordinated basis, the obligations of the issuer and transferee (upon the exchange of any DB RREEF RENTS) to pay money which becomes due and payable to unitholders. If a distribution amount is not paid in full, while it is not cumulative, a "distribution stopper" will prevent DB RREEF Funds Management Limited as the Responsible Entity of DB RREEF Trust from paying any distribution or making any return of capital to holders of securities in DB RREEF Trust.

## DB RREEF RENTS holders' information

Holders of DB RREEF RENTS are entitled upon request to receive all notices of meetings of the DB RREEF Trust, and all other documents (including annual reports and financial statements of the DB RREEF Trust) at the same time or within a reasonable time, as DB RREEF Trust stapled security holders.

Other information required to be disclosed in relation to DB RREEF RENTS Trust and DB RREEF Stapled Trusts under the continuous disclosure obligations of the ASX Listing Rules may be obtained from the DB RREEF group's website [www.dbrreef.com](http://www.dbrreef.com).

If you have any queries in relation to your investment in DB RREEF RENTS, please contact our client service information line on 1800 819 675 or from outside Australia +61 2 8280 7126 or email to [enquiries.drt@dbrreef.com](mailto:enquiries.drt@dbrreef.com).



**Victor P Hoog Antink**  
Chief Executive Officer

15 September 2006





11 Talavera Road, Macquarie Park NSW

# directors



**Christopher T Beare** BSc, BE (Hons), MBA, PhD, FAICD

*Chair and Independent Director* Age 55

Chris Beare possesses a wealth of experience in technology, finance and investment. He joined investment bank Hambros Australia in 1991, becoming head of corporate finance in 1994 and joint Chief Executive in 1995, serving until Hambros was acquired by Société Générale in 1998. During that period Hambros was active in infrastructure, telecoms and media. Chris remained a director of SG Australia until 2002. From 1998, he helped form Radiata (a technology start-up spanning Sydney and Silicon Valley). As Chair and Chief Executive Officer, he then steered it to a successful sale to Cisco Systems in 2001. For four years prior to joining Hambros, Chris was Executive Director of the Melbourne-based Advent Management venture capital firm. Chris has been a director of a number of companies in the finance, infrastructure and technology sectors.

Chris is both the Chair and an Independent, Non-Executive Director of DB RREEF Funds Management Limited. He is also the Chair of the Board Nomination and Remuneration Committee and a member of the Board Treasury Policy Committee.



**Elizabeth A Alexander** AM BComm, FCA, FAICD, CPA

*Independent Director* Age 63

Elizabeth Alexander was formerly a partner with PricewaterhouseCoopers and is currently a Director of Boral Limited and CSL Limited, deputy chair of the Financial Reporting Council, and a member of the Takeovers Panel. Elizabeth's previous appointments include National Chair of the Australian Institute of Company Directors, National President of the Australian Society of Certified Practising Accountants and a member of the Australian Accounting Standards Board. Elizabeth is also Chair of a number of Board audit committees.

Elizabeth is an Independent, Non-Executive Director of DB RREEF Funds Management Limited and Chair of the Board Audit Committee.



**Barry R Brownjohn** BComm

*Independent Director* Age 55

Barry Brownjohn is a senior consultant with Pacific Road Corporate Finance where he focuses on advising companies on strategic acquisitions and divestments in the financial services and related technology sectors. He was formerly the Australian Managing Director of the Bank of America. While with the Bank of America, Barry held a range of senior management roles in various overseas locations. He is currently an Advisory Board Member of the South Australia Financing Authority, a Director of Citigroup Pty Limited and Bakers' Delight Holdings Limited. Barry's previous appointments include Chair of the International Banks and Securities Association and the Asia Pacific Managed Futures Association.

Barry is an Independent, Non-Executive Director of DB RREEF Funds Management Limited, is the Chair of the Board Treasury Policy Committee and a member of the Board Audit Committee.



**Stewart F Ewen** OAM FILE

*Independent Director* Age 57

Stewart Ewen has extensive property experience, commencing with the Hooker Corporation in 1966 where he worked throughout Australia and South East Asia. In 1983 he established Byvan Limited which, by 2000, managed \$8 billion in shopping centre assets in Australia, Asia and North America. In 1999, he sold his interest in Byvan to the Savills Group in London, remaining as Chair until 2001. As the major partner of NavyB Pty Ltd he has completed numerous residential and commercial property projects. He has also held the position of Managing Director of Enacon Ltd, and was instrumental in the establishment of Converting Technology Pty Ltd. Stewart has previously served as President of the Property Council of NSW and is a Director of the Cure Cancer Australia Foundation and Cell Bank Australia. Stewart is also a Director of CapitaCommercial Trust Management Limited, Singapore.

Stewart is an Independent, Non-Executive Director of DB RREEF Funds Management Limited and a member of the Board Nomination and Remuneration Committee.





**Andrew J Fay** BAg Econ (Hons), ASIA  
Alternate Director to Charles B Leitner III Age 41

Andrew Fay is Head of Deutsche Asset Management Australia Limited (DeAM), as well as its Chief Investment Officer for Australia. Andrew is dually responsible for the operation of DeAM's Australian business and the consistency of the investment process for all asset classes within Australia. Andrew joined DeAM in 1994 after six years with the investment division of AMP Global Investors. Andrew sits on the Investment and Financial Services Association (IFSA) Investment Board in Australia. Andrew holds an Honours degree in Agricultural Economics from the University of Sydney and has completed a graduate diploma with the Securities Institute of Australia.

Andrew is Deutsche Bank's nominated Alternate Director to Charles Leitner.



**Victor P Hoog Antink** BComm, MBA, FCA, FAPI, MAICD  
Executive Director Age 52

Victor Hoog Antink joined DB Real Estate after almost nine years at Westfield Holdings where he was the Director of Funds Management, responsible for both the Westfield Trust and the Westfield America Trust. Victor has a commerce degree from the University of Queensland, an MBA from the Harvard Business School, is a fellow of the Australian Property Institute, a fellow of the Institute of Chartered Accountants in Australia, and a member of the Institute of Company Directors. Victor has over 25 years' experience in property and finance and is the National President of the Property Council of Australia.

Victor is CEO and an Executive Director of DB RREEF Funds Management Limited and a member of the Board Treasury Policy Committee. Victor is a Deutsche Bank nominated Director.



**Charles B Leitner III** BA  
Executive Director Age 47

Charles Leitner is the Global Head of RREEF, the global real estate and infrastructure investment operation of Deutsche Asset Management, which manages Euros €56.2 billion of real estate investments worldwide. With 23 years' real estate investment experience, Charles joined RREEF in 1988 and became a partner in the firm in 1996. In 2001 he assumed overall responsibility for RREEF's US property acquisition business and in 2004 was appointed Global Head of RREEF. Based in New York, Charles graduated from the University of Pennsylvania with a BA in Urban Studies/Regional Science. He is a member of the Urban Land Institute, the Real Estate Roundtable and the National Association of Office and Industrial Parks.

Charles is an Executive Director of DB RREEF Funds Management Limited and is a Deutsche Bank nominated Director.



**Brian E Scullin** BEc  
Non-Executive Director Age 55

Following a career in government and politics in Canberra, Brian Scullin was appointed the inaugural Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. He joined Bankers Trust in Australia in 1993 and held a number of senior positions, becoming President of Japan Bankers Trust in 1997. In 1999 he was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management and retired from this position in 2002. Brian is a panel member of the Financial Industry Complaints Service Limited and a Director of State Super Financial Services Limited.

Brian is a Non-Executive Director of DB RREEF Funds Management Limited, Chair of the Board Risk and Compliance Committee and is a member of the Board Nomination and Remuneration Committee. Brian is a Deutsche Bank nominated Director.

# corporate governance statement

DB RREEF Funds Management Limited (DB RREEF Funds Management) is the Responsible Entity of DB RREEF RENTS Trust. DB RREEF Funds Management is also the Responsible Entity of each of the four trusts that comprise the DB RREEF Trust, three property syndicates and is the investment manager for two private client property mandates. DB RREEF Funds Management is also the investment manager of the Deutsche Wholesale Property Fund (DWPF) appointed by DB Real Estate Australia Limited, the Responsible Entity of DWPF. The above trusts, syndicates and client mandates are collectively referred to in this corporate governance statement as the Trusts.

## the governance framework

The corporate governance framework is designed to support the strategic objectives of each of its Trusts by defining accountability and creating control systems appropriate to mitigate the risks inherent in the day-to-day operations of the Trusts.

To achieve this objective, the Group has implemented a corporate governance framework that meets each of the ASX Principles of Good Corporate Governance (ASX Principles). The Group has prepared a reconciliation of the ASX Principles against its own governance framework. This reconciliation can be found on the web page [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## principle 1. a solid foundation for oversight and management

The Group is committed to maintaining, through both the Executive management and the Board, a balance of skills, experience and independence appropriate to the nature and extent of its operations.

The governance framework enables the Board to provide strategic guidance, while exercising effective oversight of management. The framework also defines the roles and responsibilities of the Board and management in order to facilitate Board and management accountability and ensure a balance of authority. The Board, management committees and committee structure are detailed at [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

DB RREEF Funds Management is a wholly owned subsidiary of DB RREEF Holdings Pty Limited (DB RREEF Holdings). DB RREEF Holdings is 50 percent owned by DB RREEF Operations Trust (DB RREEF Operations) and 50 percent owned by First Australian Property Group Holdings Pty Limited, a subsidiary of Deutsche Bank AG (Deutsche Bank). DB RREEF Funds Management and DB RREEF Holdings share a common Board of Directors.

The shareholders of DB RREEF Holdings, namely DB RREEF Funds Management as Responsible Entity of DB RREEF Operations and First Australian Property Group Holdings Pty Ltd entered into a Shareholders' Deed on 1 October 2004 (Deed). The Deed prescribes the composition of the Boards of DB RREEF Funds Management and DB RREEF Holdings (see Principle 2) and requires the agreement of the shareholders regarding the management of personnel in the Human Resources, Internal Audit, Legal and Compliance functions. Further, the Deed prescribes a number of matters that require an ordinary resolution of shareholders, rather than a resolution of the Board. The Board has considered the provisions of the Deed and concluded that the Deed does not compromise the ability of the Board to act independently and is in the best interests of investors.

## 1.1 role of the board

The Board is responsible for ensuring that the fiduciary and statutory obligations of each Trust to its investors are met, and that such duties have priority over all other duties including the interests of shareholders.

Having regard to these responsibilities, the Board ensures that:

- compliance with its fiduciary and statutory obligations are met;
- conflict identification and management practices are in place;
- the goals of the Group and each Trust are clearly established, and that strategies are in place for their achievement;
- budgets are in place and performance is monitored;
- each Trust's financial statements are true and fair and otherwise conform with law;
- appropriate risk management, internal control and regulatory compliance policies are in place; and
- management adheres to high standards of ethics and corporate governance.

In addition, the Board is responsible for appointing and removing the Chief Executive Officer (CEO), ratifying the appointment of the Chief Financial Officer (CFO), Chief Operating Officer (COO) and Company Secretary, and monitoring the performance of the senior management team. The Board also carries ultimate responsibility for the approval of property acquisitions, divestments and major developments. A copy of the Board Terms of Reference is available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## 1.2 role of management

The day-to-day management of each of the Trusts rests in the hands of the management team. To assist this team in the direction, implementation and monitoring of its plans and strategies, a number of management committees have been established and responsibilities delegated. The management committees include:

- Executive Committee
- Investment Committee
- Portfolio Review Committee
- Capital Markets Committee

Other management committees have been set up to assist the Board and details of these committees are available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## principle 2. structuring the board to add value

### 2.1 structure of the board

The composition of the Board reflects the duties and responsibilities it discharges as the representative of investors, and in setting each Trust's strategy and overseeing its implementation.

The qualifications for Board membership are the ability and competence to make appropriate business recommendations and decisions, an entrepreneurial talent for contributing to the creation of investor value, relevant experience in the industry sector, high ethical standards, sound practical sense and a total commitment to the fiduciary and statutory obligations to further the interests of investors and achieve each Trust's objectives.

The Board currently comprises seven members, four of whom are independent and three of whom are appointed by Deutsche Bank, including the CEO.

The members of the Board as at the date of this Annual Report are detailed in the Directors section of this Annual Report and details of the Alternate Director who resigned during the year are set out in the Directors' Report.

## 2.2 director independence

Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. Independent Directors are active in areas which enable them to relate to the strategies of the company and to make a meaningful contribution to the Board's deliberations. The Board regularly assesses the independence of its Independent Directors, in light of interests disclosed to it.

Directors identified as independent:

- are not substantial shareholders of the company, or an officer of, or otherwise associated directly with a substantial shareholder of the company;
- have not been, within the last three years, employed in an executive capacity by the company, Deutsche Bank or any other group member, or been a Director after ceasing to hold such employment;
- have not been, within the last three years, a principal of a material professional adviser or a material consultant to the company, Deutsche Bank or any other group member, or an employee associated with a service provider;
- have not been a material supplier or customer of the company, Deutsche Bank or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- have no material contractual relationship with the company, Deutsche Bank or any other group member, other than as a Director of the company;
- have not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company;
- are free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the company; and
- are free from family ties or cross-directorships that may compromise Director independence.

For the purpose of assessing independence, the Board has determined that affiliation with a business which accounts for greater than 2.5 percent of the Group's, or the supplier's revenue would be, as a category, material.

Independent Directors hold office for three years, following their first appointment (or, if appointed by the Board between annual meetings, from the date of the Annual General Meeting immediately succeeding this appointment). It is not generally expected that an Independent Director would hold office for more than ten years, or be nominated for more than three consecutive terms, whichever is the longer. For a description of the procedure for the selection and appointment of new Directors to the Board please refer to [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

Although the Board is advised by internal Legal Counsel and the Company Secretary, Independent Directors are encouraged to take independent professional advice, at the Group's expense, as required. Independent Directors also confer regularly, outside Board meetings, without the involvement of management and Executive Directors.

## 2.3 role of the chair

The Chair is an Independent Director, and is responsible for the leadership of the Board, for the efficient organisation and conduct of the Board's functions, and for the briefing of Directors in relation to issues arising pertinent to the Board. The Board has also clearly defined, and the Chair monitors, the responsibilities of the CEO.

## 2.4 board nomination and remuneration committee

A Board Nomination and Remuneration Committee has been established by the Board to assist in the fulfilment of its responsibilities, by overseeing all aspects of Director and Executive remuneration, performance evaluation and Board nominations. It comprises two Independent Directors (one of whom is the Chair) and two Deutsche Bank appointed members.

The members of the Board Nomination and Remuneration Committee are as follows:

Committee member	Status
Christopher T Beare (Chair)	Independent Director
Stewart F Ewen (OAM)	Independent Director
Brian E Scullin	Deutsche Bank appointed Non-Executive Director
Patricia A Daniels	Deutsche Bank appointed Member

The Committee's nomination and remuneration responsibilities are set out in its Terms of Reference which is available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

The Board Nomination and Remuneration Committee composition of two Independent Directors, one of whom is the Chair, one Deutsche Bank appointed Non-Executive Director and one Deutsche Bank appointed member is in line with the ASX Principles. However, it differs from the ASX Principles commentary and guidance in that it does not comprise a majority of Independent Directors. This departure reflects the unique shareholding of DB RREEF Funds Management, being 50 percent owned by DB RREEF and 50 percent owned by Deutsche Bank and enables Deutsche Bank to bring to deliberations its experience as a global financial institution, as well as recognising the materiality of its shareholding. The Board

# corporate governance statement (continued)

has considered this departure from ASX guidelines and has determined that the departure does not compromise the objectives of the Committee.

Reporting to the Executive Committee and the Board Nomination and Remuneration Committee, the management Compensation Committee oversees the development and implementation of all human resource management systems, including compensation and recruitment, and advises the Board Nomination and Remuneration Committee.

## principle 3. promoting ethical and responsible decision-making

### 3.1 code of conduct

To ensure the satisfaction of statutory and fiduciary obligations to each of its investor groups and to maintain confidence in its integrity, the Board has implemented a series of clearly articulated compliance policies and procedures by which it requires all employees to abide. Policies relating to employee conduct are summarised in the Employee Code of Conduct, and assist employees in ensuring that their conduct meets the highest ethical and professional standards.

The Code of Conduct includes standards relating to:

- acting efficiently, honestly and fairly at all times;
- acting with due skill and competence;
- complying with the law and internal group policies;
- reporting possible inappropriate activity and breaches;
- acting in accordance with the responsibilities of managers and supervisors, if applicable;
- managing potential conflicts of interest;
- handling information and property appropriately;
- misuse of the group's assets or position within the group;
- creating and maintaining correct records;
- communicating with clients and public appropriately;
- being aware of market conduct requirements; and
- ensuring employment matters are addressed.

All employees receive regular Code of Conduct training, other compulsory training, including anti-money laundering and routine refresher training. The Employee Code of Conduct is available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

### 3.2 insider trading and trading in DB RREEF securities

The Group has implemented a trading policy that sets out the requirements applying to Directors and employees who wish to trade or invest in any of the Group's financial products for their personal account or on behalf of an associate.

The principle objectives of the trading policy are to:

- avoid insider trading;
- avoid conflicts of interest with the Trusts, the Group or its investors;
- ensure that the interests of the Trusts and investors take priority over those of the Group and its employees;

- impose limitations on short term trading and on highly speculative deals;
- discourage staff members from engaging in periodic trading on a scale that would distract them from their responsibilities to the Trusts, the Group and investors; and
- raise awareness and minimise any potential breach of the prohibitions on insider trading in the Corporations Act.

The policy specifies any Director or employee who wishes to trade in any Trust must obtain written approval before entering into any trade. Approval will not be given during defined blackout periods. These periods commence at the end of the Trusts' half-year or full-year reporting periods and end on the day the Trusts' results are announced.

In addition, if Compliance or the Chief Executive Officer considers that there is the potential that inside information may be held or the potential that a significant conflict of interest could arise, additional blackout periods may be imposed on Directors and employees at any time.

A summary of the Employee Trading policy is available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## principle 4. safeguarding the integrity of financial reporting

### 4.1 review and authorisation

The Group has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of each Trust's financial position.

This structure includes:

- the establishment of a Board Audit Committee to review the financial statements of each entity and review the independence and competence of the external auditor; and
- semi-annual management representations to the Board Audit Committee, affirming the veracity of each entity's financial statements.

### 4.2 board audit committee

A Board Audit Committee has been established by the Board, including only Directors who are financially literate and have an understanding of the industry in which the Group operates, and one or more of whom have financial expertise. The Board Audit Committee currently comprises two Independent Directors, including the Chair and one Deutsche Bank appointed Director. The Board Audit Committee operates under formal Terms of Reference, has access to management, and internal and external auditors without management present, and has the right and opportunity to seek explanations and additional information. In addition, the external auditor is invited to attend all Board Audit Committee meetings. The Committee may also obtain independent professional advice in the satisfaction of its duties at the cost of the Group. The Committee meets as frequently as required to undertake its role effectively and not less than four times per annum.



The membership of the Board Audit Committee is as follows:

Committee member	Status
Elizabeth A Alexander (Chair)	Independent Director
Barry R Brownjohn	Independent Director
Brian E Scullin	Deutsche Bank appointed Non-Executive Director

The Board Audit Committee also has responsibility for approval of the engagement of the external auditor to perform any non-audit service for a fee greater than \$100,000. The external auditor will not provide services that have the potential to impair the independence of their audit role. Generally such services include those where the external auditor:

- participates in activities that are normally undertaken by management;
- is remunerated on a “success fee” basis;
- may be required to review or audit their own work, including:
  - the preparation of accounting records;
  - the design and implementation of technology systems;
  - conducting valuation, actuarial or legal services;
  - promoting, dealing in or underwriting securities; or
  - providing internal audit services.

The Board Audit Committee’s Terms of Reference, the Committee’s procedure for the selection and appointment of the external auditor and for the rotation of external audit engagement partners are available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## principle 5. timely and balanced disclosure

### 5.1 continuous disclosure

To promote the timely and balanced disclosure of all material matters that impact the Trusts, the Board has put in place mechanisms designed to ensure compliance with ASX Listing Rules and ASIC’s disclosure requirements such that:

- all investors have equal and timely access to material information, including the financial situation, performance, ownership and governance of the Trusts; and
- all announcements are factual and presented in a clear and balanced way.

To achieve this objective the Group has the following policies in place:

- Continuous Disclosure and Analyst Briefing Policy, which includes consideration of:
  - the type of information that requires disclosure;
  - internal notification and decision-making concerning its disclosure obligations;
  - the delegation of responsibility to ensure that the Group complies with its disclosure obligations and to identify the employee responsible for determining what will be disclosed;
  - measures designed to avoid the emergence of a false market in any Trust’s securities; and
  - external communications such as analysts briefings and responses to investor queries.

- The Employee Code of Conduct which includes consideration of:
  - media contact and comment; and
  - safeguarding the confidentiality of corporate information to avoid premature disclosure.

The Group has also established a segregated Compliance function to assist management in the promotion of an effective compliance culture. Compliance responsibilities include the provision of compliance advice, the drafting and updating of relevant compliance policies and procedures, conducting compliance training and monitoring adherence to key compliance policies and procedures.

For a description of these Policies please refer to the Employee Code of Conduct and the Continuous Disclosure and Analyst Briefings Policy – which are both available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## principle 6. respecting the rights of security holders

### 6.1 annual general meeting

The Group respects the rights of investors and to facilitate the effective exercise of those rights the Board has committed to the conduct of an annual general meeting for DB RREEF.

Each annual general meeting will seek to:

- supplement effective communication with investors;
- provide investors ready access to balanced and understandable information about their fund; and
- increase the opportunities for investor participation.

Investors of DB RREEF will also ratify the appointment of Independent Directors as outlined in Section 2.2 of this statement.

### 6.2 communications with investors

In addition to conducting an AGM, the Group has designed a communication strategy to promote effective communication and encourage participation with each Trust’s investors. This strategy includes:

- the placement of all relevant announcements made to investors and the market, and related information, on the DB RREEF website;
- the practice of teleconferencing analyst and media briefings and general meetings, and posting a transcript of and/or presentation materials on the DB RREEF website;
- placing the full text of notices of meetings and explanatory material on the DB RREEF website; and
- providing information about historic press releases/ announcements and historic financial data on the DB RREEF website.

### 6.3 audit attendance at AGM

The Group will request the external auditor of the Trust to attend each annual general meeting and be available to answer investor questions about the conduct of the audits of both the Trusts’ financial records and their Compliance Plans and the preparation and content of the auditor’s report.

# corporate governance statement (continued)

## principle 7. recognising and managing risk

### 7.1 risk management

The Group has designed a system of risk oversight, management and internal control to identify, assess, monitor and manage risk, and to keep investors informed of material changes in each Trust's risk profile. This system includes the establishment of a Board Risk and Compliance Committee.

### 7.2 board risk and compliance committee

Although not required by ASIC due to the appointment of a majority independent Board, the Board has established a Board Risk and Compliance Committee to review risk and compliance matters and monitor the Group's conformance with the requirements of the Managed Investments Act, as specified in Section 601JC of the Corporations Act. The Committee includes only members who are familiar with the requirements of the Managed Investments Act and have extensive risk and compliance experience. The Committee is also encouraged to obtain independent professional advice in the satisfaction of its duties at the cost of the Group.

The Committee currently comprises five members, three of whom are external members (ie. members that satisfy the requirements of Section 601JB(2) of the Corporations Act) and two of whom are executives of the Group. The scope of the Committee includes all Trusts, including the Group's investment mandates. The Committee reports to the Responsible Entity any breach of the Corporations Act or breach of the provisions contained in any Trust's Constitution, and further reports to ASIC if the Committee is of the view that the Responsible Entity has not taken appropriate action to deal with a matter reported to it.

The membership of the Board Risk and Compliance Committee is as follows:

Committee member	Status
Brian Scullin (Chair)	Independent Member
Peter Carrigy-Ryan	Independent Member
Andy Esteban	Independent Member
Tanya Cox	Executive Member and Chair of the Risk Management Committee
John Easy	Executive Member and Chair of the Compliance and Internal Audit Committee

In addition to its responsibilities under the Act, the Board Risk and Compliance Committee is responsible for oversight of the DB RREEF Funds Management risk management system, including its internal compliance and control environment. The Committee's Terms of Reference are available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

To enable the Board Risk and Compliance Committee to effectively fulfil its obligations, two management committees have been established to monitor the effectiveness of the Group's risk management, internal compliance and control systems. These management committees are the Compliance and Internal Audit Committee and the Risk Management Committee.

### 7.3 management representations

In addition to the operation of the above management committees, the Chief Executive Officer makes the following representations in relation to risk management:

- at least quarterly to the Head of Compliance, regarding conformance with compliance policies and procedures. Any exceptions are reported by Compliance to the Board Risk and Compliance Committee quarterly; and
- on a semi-annual basis to the Board Audit Committee regarding the veracity of the company's financial statements.

### 7.4 board treasury policy committee

The Board has established a Board Treasury Policy Committee to review and recommend for approval financial risk management policies and hedging and funding strategies, and to monitor overall financial risk management exposures. The Board Treasury Policy Committee includes only members who are familiar with financial risk management concepts. The scope of the Committee includes all Trusts.

The membership of the Board Treasury Policy Committee is as follows:

Committee member	Status
Barry R Brownjohn (Chair)	Independent Director
Christopher T Beare	Independent Director
Adviser	Independent Member
Victor P Hoog Antink	Chief Executive Officer and Executive Director
Peter C Roberts	Executive Member and Chair of the Capital Markets Committee

The Committee's Terms of Reference are available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

To assist the Board Treasury Policy Committee in effectively fulfilling its obligations a management Capital Markets Committee has been established.

## principle 8. encouraging enhanced performance

The Board is committed to enhancing both its own and management's effectiveness. To achieve this objective the Group has implemented a training regime to facilitate performance by education for Directors and employees. The Group has also implemented a comprehensive performance evaluation program for its employees to ensure the effectiveness of its education and training programs. The Board Nomination and Remuneration Committee has implemented an annual performance evaluation program for the Board.

### 8.1 board education and performance evaluation

The Group is subject to various regulatory and legal obligations, arising from:

- the Corporations Act (including specifically the provisions of the Managed Investments Act);
- the Australian Stock Exchange listing rules and governance requirements;

- the requirements of an Australian Financial Services Licence holder; and
- The Group's governance and compliance framework.

To ensure that Directors have the most current information to meet the above obligations to discharge their responsibilities effectively and to allow new Directors to participate fully and actively in Board decision-making at the earliest opportunity, Board members receive:

- a Director's Information Pack, including corporate governance framework, committee structures, membership and terms of reference, governing documents, Directors and Officers insurance details, current annual reports and Trust constitutions;
- a Director's induction briefing, including explanation of each Trust's financial, strategic, operational and risk management position; and
- Director training, where required, including Corporations Act (general duties of a Director, Managed Investment Act duties of a Director), Australian Stock Exchange (governance and listing rules), Australian Financial Services Licence (authorisations, financial and general requirements) and Governance and Compliance Framework (compliance plan, compliance policies and procedures, monitoring program).

Directors are also encouraged to:

- take independent professional advice, at the Group's expense;
- seek additional information from management; and
- directly access the Company Secretary, General Counsel and Head of Compliance.

The Board Nomination and Remuneration Committee is also responsible for ensuring the effectiveness of the induction process and overseeing the annual performance evaluation of the Board, its committees and individual Directors.

A description of the process for the performance evaluation of the Board is available on our website at [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

## 8.2 employee education and performance evaluation

The Code of Conduct requires all employees to undertake and maintain a specific type and/or amount of training determined by their job function (eg. to meet licence requirements, to meet the requirements of ASIC Policy Statement PS146 and PS164 or to meet specific industry or professional body accreditation requirements). Managers and supervisors also have a responsibility to ensure that employees reporting to them have undertaken the required training.

In addition, employees deemed "advisers" are required to have in place an annual training plan and to undertake a specified number of hours' training per annum. Employees who provide financial product advice to retail investors are also required to become accredited pursuant to ASIC Policy Statement PS146.

Specific minimum compulsory compliance training is provided or co-ordinated by Compliance for all employees and adherence to the training regime is monitored by the Executive Committee.

To foster continuous improvement and to ensure the effectiveness of its education and training programs, the Group conducts an annual performance evaluation of all employees.

## 8.3 employee performance evaluation

Each year the Board ensures that the goals of the Group are clearly established and that strategies are in place for the achievement of those goals. Goals are reviewed periodically to ensure they remain consistent with the Group's priorities and the changing nature of its business. These goals become the performance targets for the CEO and Executive Committee. Performance against these goals is reviewed annually by the Board Nomination and Remuneration Committee and is taken into account in the remuneration review of Executive Committee members.

Cascading goals and objectives are established for all other employees and their performance is reviewed annually by the Executive Committee. Remuneration and incentive payments are considered by the Compensation Committee and recommended to the Board Nomination and Remuneration Committee, based on the achievement of approved performance objectives and market comparatives.

## principle 9. remunerating fairly and responsibly

Details of the Group's remuneration framework for Non-Executive Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in this Annual Report.

## principle 10. recognising the legitimate interests of stakeholders

### 10.1 stakeholder interests

The Group is aware that the creation of value through the better management of natural, human, social, financial and other resources is essential to the development of its reputation, and acknowledges the interests of its stakeholders including investors, employees, tenants, bankers/financiers and the broader community, in the further pursuit of this objective.

To address these objectives the Group has in place a Directors' Code of Conduct, which addresses Directors' duties and responsibilities, conflicts of interest, use and confidentiality of information and Director independence. The Director's Code of Conduct is available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance).

### website

You will find in this Corporate Governance Statement numerous references to information and documents available on [www.dbrreef.com/governance](http://www.dbrreef.com/governance) or follow the links to Investments and then Governance). The governance web page includes a full description of the Group's Governance Framework along with various Committee Terms of Reference, Policies and Codes of Conduct, along with a reconciliation to the ASX Principles.



Governor Phillip Tower and Governor Macquarie Tower Office Complex, 1 Farrer Place, Sydney NSW  
(Photo provided by Hamilton Lund of Visual Eyes International)



# financial report

DB RREEF RENTS TRUST (ARSN 112 705 852)  
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

directors' report	16
auditor's independence declaration	19
financial statements	
income statement	20
balance sheet	20
statement of changes in equity	21
cash flow statement	21
notes to the financial statements	22
directors' declaration	31
independent auditor's report	32

# directors' report

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:

Directors	Appointed	Resigned
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:

Name	Title	Qualification date of other key management personnel during the 12 months ended 30 June 2006
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 Financial 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 to 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 this 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 form 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.

# directors' report (continued)

## 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' Report are in accordance with the advice received from the Board Audit Committee.

### 15.3 audit independence declaration

A copy of the Auditor's 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

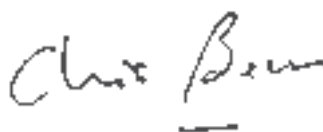
The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements 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.

## 18. 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

FOR THE YEAR ENDED 30 JUNE 2006



## Auditor's Independence Declaration

PricewaterhouseCoopers  
ABN 52 780 433 757

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

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.

A handwritten signature in black ink, appearing to read 'DA Prothero'.

DA Prothero

Partner  
PricewaterhouseCoopers

Sydney

22 August 2006

Liability limited by a scheme approved under Professional Standards Legislation

# income statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note(s)	2006 \$'000	27 Jan 2005 to 30 Jun 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>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	17	–	–
Diluted earnings per unit	17	–	–

1 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.

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

# balance sheet

AS AT 30 JUNE 2006

	Note(s)	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.

# statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2006

	Note(s)	2006 \$'000	27 Jan 2005 to 30 Jun 2005 \$'000
<b>Total equity at the beginning of the year</b>		204,873	–
<b>Profit</b>		<b>14,157</b>	<b>6,987</b>
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>	<b>197,886</b>
<b>Total equity at the end of the year</b>		<b>204,063</b>	<b>204,873</b>

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

# cash flow statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note(s)	2006 \$'000	27 Jan 2005 to 30 Jun 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>	<b>16</b>	<b>14,801</b>	<b>624</b>
<b>Cash flows from investing activities</b>			
Payments for investments in unit trusts		–	(197,634)
<b>Net cash outflow from investing activities</b>		<b>–</b>	<b>(197,634)</b>
<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>		<b>(11,531)</b>	<b>197,634</b>
<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		624	–
<b>Cash and cash equivalents at the end of the year</b>		<b>3,894</b>	<b>624</b>

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

# notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2006

## 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 change 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 in 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 percent 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.

### (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 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 uncollectable, 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 are 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 & Investments 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.

# notes to the financial statements (continued)

## note 2. audit and advisory fees

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

Note(s)	2006 (\$)	27 Jan 2005 to 30 Jun 2005 (\$)
PwC Australia audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	10,000	5,200
<b>Total remuneration for audit services</b>	<b>10,000</b>	<b>5,200</b>

### (b) taxation services

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

### (c) advisory services

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

## note 3. current assets – receivables

	2006 \$'000	2005 \$'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

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

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 unitholders, this distribution must be paid in preference to any distribution declared to ordinary unitholders. 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 1,000 votes on a poll.

## note 5. current liabilities – payables

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

## note 6. current liabilities – provisions

### provision for distribution

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

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

### (a) value of units on issue

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

### (b) number of units on issue

	2006 Number of units	2005 Number of units
Opening balance as at 1 July 2005	2,040,001	–
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>	<b>2,040,001</b>

### 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 two percent 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.

# notes to the financial statements (continued)

## 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 10. financial risk management

### (a) credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Trust does not have a material exposure to any counterparties, which are expected to be affected similarly by changes in economic or other conditions.

#### On-balance sheet financial instruments

The credit risk on financial assets of the Trust, which have been recognised in the Balance Sheet, is the carrying amount.

### (b) market risk

Market risk is the risk that the value of the Trust's investment portfolio will fluctuate as a result of changes in valuations. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

#### On-balance sheet financial instruments

The net fair value of cash and non-interest bearing monetary financial assets and liabilities approximate their carrying value.

### (c) liquidity risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments.

#### (d) cash flow and interest rate risk

Cash flow risk is the risk that the future cash flows will fluctuate. Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Trust's exposure to interest rate risk and the weighted average effective interest rate (for each class of financial asset and financial liability, and each maturity bracket including floating rate financial assets and liabilities) are set out in the tables below:

##### 30 June 2006

		Fixed interest maturing in:						
	Floating interest rate \$'000	1 year or less \$'000	Over 1 and less than 2 years \$'000	Over 2 and less than 3 years \$'000	Over 3 and less than 4 years \$'000	Over 4 and less than 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Financial assets</b>								
Cash and cash equivalents	3,894	–	–	–	–	–	–	3,894
Receivables	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3,894</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,894</b>
Weighted average interest rate	5.37%							
<b>Financial liabilities</b>								
Payables	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Weighted average interest rate	–							
<b>Net financial assets</b>	<b>3,894</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,894</b>

##### 30 June 2005

		Fixed interest maturing in:						
	Floating interest rate \$'000	1 year or less \$'000	Over 1 and less than 2 years \$'000	Over 2 and less than 3 years \$'000	Over 3 and less than 4 years \$'000	Over 4 and less than 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Financial assets</b>								
Cash and cash equivalents	624	–	–	–	–	–	–	624
Receivables	–	–	–	–	–	–	–	–
<b>Total</b>	<b>624</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>624</b>
Weighted average interest rate	5.35%							
<b>Financial liabilities</b>								
Payables	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Weighted average interest rate	–							
<b>Net financial assets</b>	<b>624</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>624</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.



# notes to the financial statements (continued)

## 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 percent of DB RREEF Holdings Pty Limited (DRH), which is the 100 percent 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:

	2006 \$'000	2005 \$'000
Underwriting fees paid and payable to Deutsche Bank AG	–	3,356

### 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:

Directors	Appointed	Resigned
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 OAM FILE <sup>1, 4</sup>		
A J Fay BAg Econ (Hons), ASIA (Alternate to C B Leitner)	30 January 2006	
V P Hoog Antink BComm, MBA, FCA, FAPI, MAICD <sup>5</sup>		
C B Leitner BA		
S A Mays BSc (Hons), MSc, MBA (Alternate to C B Leitner)		30 January 2006
B E Scullin BEc <sup>2, 3, 4</sup>		

1 Independent Director.

2 Audit Committee Member.

3 Compliance Committee Member.

4 Remuneration Committee.

5 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:

Name	Position	Qualification date of other key management personnel during the 12 months ended 30 June 2006
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 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 to 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 to net cash inflow from operating activities

	2006 \$'000	2005 \$'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>

# notes to the financial statements (continued)

## note 17. earnings per unit

### (a) basic earnings per unit

	2006 cents	2005 cents
Basic earnings per ordinary unit	–	–
Basic earnings per preference unit	693.97	342.50

### (b) diluted earnings per unit

	2006 cents	2005 cents
Diluted earnings per ordinary unit	–	–
Diluted earnings per preference unit	693.97	342.50

### (c) reconciliation of earnings used in calculating earnings per unit

	2006 \$'000	2005 \$'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

	2006 Number of units	2005 Number 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

# 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 20 to 30:

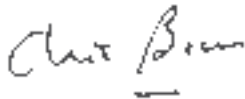
- (i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the Trust's financial position as at 30 June 2006 and of its performance, 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 its 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

PricewaterhouseCoopers  
ABN 52 780 433 757

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

### 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.

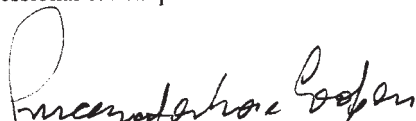
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

# registry information

## top 20 security holders as at 31 August 2006

Rank	Investor	Current balance	Percentage of issued capital (%)
1	J P Morgan Nominees Australia Limited	385,738	18.91
2	MLEQ Nominees Pty Limited <Unpaid1 A/C>	331,510	16.25
3	Pan Australian Nominees Pty Limited	164,344	8.06
4	Cogent Nominees Pty Limited <SMP Accounts>	110,875	5.44
5	RBC Dexia Investor Services Australia Nominees Pty Limited <Jbenip A/C>	102,720	5.04
6	Merrill Lynch (Australia) Nominees Pty Limited	62,452	3.06
7	Tynong Pastoral Co Pty Ltd <Tynong Pastoral Unit A/C>	50,000	2.45
8	Goldman Sachs JBWere Capital Markets Ltd <Hybrid Portfolio A/C>	49,195	2.41
9	ANZ Nominees Limited <Cash Income A/C>	48,304	2.37
10	Citicorp Nominees Pty Limited <CFSIL Cwltb Spec 5 A/c>	41,360	2.03
11	UBS Wealth Management Australia Nominees Pty Ltd	32,200	1.58
12	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	30,413	1.49
13	Australian Executor Trustees Limited <No 1 Account>	23,530	1.15
14	Citicorp Nominees Pty Limited	21,977	1.08
15	Mr John Edward Mytton Barnes	20,000	0.98
15	Ginger Max (Australia) Pty Ltd	20,000	0.98
16	Brencorp No 11 Pty Limited	15,000	0.74
17	Cogent Nominees Pty Limited	12,500	0.61
18	Champames Pty Limited <The James Family A/C>	10,000	0.49
18	Ms Danita Rae Lowes	10,000	0.49
<b>Total for top 20:</b>		<b>1,542,118</b>	<b>75.59</b>
<b>All other investors</b>		<b>497,882</b>	<b>24.41</b>
<b>Total</b>		<b>2,040,000</b>	<b>100</b>

## substantial holders as at 31 August 2006

The names of substantial holders who at 31 August 2006 have notified the Responsible Entity in accordance with section 671B of the *Corporations Act 2001* are:

Name	Number of stapled securities	Percentage voting (%)
Deutsche Bank AG and its related bodies corporate	165,544	8.11
AMP limited	110,000	5.39
Challenger Financial Services Group Limited	397,060	19.46

## class of securities

DB RREEF RENTS Trust has one class of security trading on the ASX with 1,298 investors holding 2,040,000 securities at 31 August 2006.

### spread of security holders

Range	Investors	Securities	Percentage of issued capital (%)
1 – 1,000	1,198	289,680	14.20
1,001 – 5,000	76	171,509	8.41
5,001 – 10,000	6	56,693	2.78
10,001 – 100,000	13	426,931	20.93
100,001 and over	5	1,095,187	53.69
<b>Total</b>	<b>1,298</b>	<b>2,040,000</b>	<b>100.00</b>

### non marketable parcels

At 31 August 2006 no investors held less than a marketable parcel of five securities (\$104.00 on 31 August 2006).

### voting rights

At meetings of DB RREEF RENTS security holders (in the event a meeting of DB RREEF RENTS security holders is called), on a show of hands, each security holder has one vote and on a poll, each security holder has one vote for each dollar of the value of the total interests they have in the Trust, for which they are eligible to vote as DB RREEF RENTS security holders.

### the number and class of securities that are restricted or subject to voluntary escrow

There are nil securities which are subject to voluntary escrow.

### on-market buy-back

The trust has no on-market buy-back currently in place.

# investor information

## security registry

If you have administrative inquiries, such as change of address, you can either contact Link Market Services Limited on 1800 819 675 or update your account details via the website at [www.dbrreef.com](http://www.dbrreef.com).

## enquiries, obtaining information or making a complaint

The Group has processes in place to deal with security holder questions and complaints. If you have any questions, complaints, or wish to obtain information regarding the stapled securities, please contact our client service information line on 1800 819 675 or from outside Australia +61 2 8280 7126 or email to [enquiries.drt@dbrreef.com](mailto:enquiries.drt@dbrreef.com).

## website

Our website can be accessed at [www.dbrreef.com](http://www.dbrreef.com). You will be able to find information such as annual and half year reports, distribution histories, newsletters and presentations about the Trust, including the same information on DB RREEF Trust. ASX announcements and press releases are also available on the site.

## stock exchange listing

DB RREEF RENTS are listed on ASX and their ticker code is (ASX: DRRPA).

## payment of distribution

With respect to your distributions, you can only have your distribution paid directly into your nominated Australian bank, building society or credit union account.

## annual tax statement

After the end of a financial year you will receive a tax statement. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return. The tax statement for the year ended 30 June 2006 was mailed to security holders on 15 August 2006.

## distribution timetable

Distribution period	Announcement date	Ex-distribution date	Record date	Anticipated payment date
1 July 2006 to 30 September 2006	21 Sep 2006	26 Sep 2006	30 Sep 2006	17 Oct 2006
1 October to 31 December 2006	19 Dec 2006	22 Dec 2006	30 Dec 2006	17 Jan 2007
1 January 2007 to 31 March 2007	22 Mar 2007	27 Mar 2007	31 Mar 2007	17 Apr 2007
1 April 2007 to 30 June 2007	21 Jun 2007	26 Jun 2007	30 Jun 2007	17 Jul 2007

## distribution timetable for the June 2007 distribution year

The distribution timetable below indicates the anticipated distribution, banking and mailing dates for the year to June 2007. Security holders should note that these dates are indicative only and may change.

DB RREEF RENTS distribution periods will end on 30 September, 31 December, 31 March and 30 June each year and the distribution payments will be paid no later than 11 business days later. DB RREEF RENTS distribution rate will be set on the first business day of each quarter.

## complaints handling

The Group is a member of the Financial Industry Complaints Service Limited (FICS). This is an independent dispute resolution service and may be contacted through:

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007

Phone: 1300 780 808  
Fax: +61 3 9621 2291

DB RREEF RENTS Trust  
ARSN 112 705 852

## responsible entity

DB RREEF Funds Management Limited  
ABN 24 060 920 783

## registered office of responsible entity

Level 9, 343 George Street  
Sydney NSW 2000

PO Box R1822  
Royal Exchange NSW 1225

Phone: +61 2 9017 1100  
Fax: +61 2 9017 1101

## directors of the responsible entity

Christopher T Beare, Chair  
Elizabeth A Alexander AM  
Barry R Brownjohn  
Stewart F Ewen OAM  
Victor P Hoog Antink  
Charles B Leitner III (Alternate Andrew J Fay)  
Brian E Scullin

## secretaries of the responsible entity

Tanya L Cox  
John C Easy

## investor enquiries

Email: [enquiries.drt@dbrrreef.com](mailto:enquiries.drt@dbrrreef.com)  
Freecall: 1800 819 675  
Phone: +61 2 9017 1100  
Website: [www.dbrrreef.com/rents](http://www.dbrrreef.com/rents)

## auditors

PricewaterhouseCoopers  
Chartered Accountants  
201 Sussex Street  
Sydney NSW 2000

## security registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 2000

Phone: +61 2 8280 7126  
Freecall: 1800 819 675  
Fax: +61 2 9261 8489

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

For inquiries regarding your holding you can either contact the Security Registry, or access your holding details via the web at [www.dbrrreef.com/rents](http://www.dbrrreef.com/rents) and follow the links.

Listed on the Australian Stock Exchange ASX Code: DRRPA

InfoLine 1800 819 675 Monday to Friday between 8.30am and 5.30pm (Sydney time).



