

APPENDIX 4D

Half Year Report for the period ended 31 December 2008

Name of Entity: Macquarie DDR Trust

Results for announcement to the market

	6 months to 31 December 2008	6 months to 31 December 2007	Variance
	\$'000	\$'000	%
Total income *	(206,660)	17,612	(1,273%)
Profit (loss) from ordinary activities after tax attributable to members**	(220,885)	(6,392)	(3,356%)
Net Profit (loss) for the period attributable to members**	(220,885)	(6,392)	(3,356%)
Core Earnings***	41,846	46,067	(9.2%)
Distributions	Amount per unit		
<i>Current Period:</i>			
Interim distribution – Dec 08 qtr	0.00¢		
Total	0.00¢		
<i>Previous Corresponding Period:</i>			
Interim distribution – Sept 07 qtr	2.50¢		
Interim distribution – Dec 07 qtr	2.50¢		
Total	5.00¢		
Record date for determining entitlements to the distribution	N/A		

Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

* Total income has decreased by 1,273% primarily due to:

- a property valuation loss of \$228.5 million for the period (2007: loss of \$30.3 million);
- Realised and unrealised foreign exchange gains of \$0.3 million (2007: \$11.0 million). This movement in exchange gains has been driven by movements in USD:AUD foreign exchange rates in the period.; and
- A loss on sale of Independence Commons of \$5.6 million. In prior periods, the Trust recognised revaluation gains totalling \$16.2 million on this property. Therefore the Trust has made a \$10.6 million gain on this asset over the life of its investment.

** Profit for the period attributable to members has decreased by 3,356% and is primarily due to:

- The property valuation loss;
- Unrealised and realised derivative losses (incorporating unrealised derivative losses from the joint venture) of \$37.7 million (2007: \$ 23.6 million) due to movements in USD:AUD foreign exchange and US and Australian interest rates
- Unrealised and realised foreign exchange losses of \$55.3 million (2007: gain of 11.0 million);
- A loss on sale of Independence Commons of \$5.6 million; and
- A tax benefit of \$70.4 million (2007: tax expense of \$0.1 million). The movement in tax benefit is mainly due to \$76.9 million deferred tax benefit recognised in the period driven by property revaluations offset by \$6.1 million FIRPTA tax payment made on the sale of Independence Commons.

*** Core earnings represents the net profit of the Trust after adjusting for certain unrealised and non-cash items, reserve transfers and significant one off items that are not in the ordinary course of business. A reconciliation of Profit to Core earnings is provided in Note 8 of the financial statements. Core earnings have decreased by 9.2% due to asset sales, tenant bankruptcies and an increase in interest expense due to loan refinancing.

Refer to the attached Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement for further detail.

Details of Distributions

There were no distributions declared or paid for the 6 months ended 31 December 2008.

Refer attached financial statements (Directors Report and Note 9: Distributions Paid and Payable).

Details of Distribution Reinvestment Plan

The Trust has established a dividend reinvestment plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. In accordance with the DRP Rules, the directors suspended the Trusts' DRP commencing with the quarter ended 30 September 2006. The DRP was reinstated for the quarter ended 30 June 2008.

Net Tangible Assets

	Current period 31 Dec 2008	Previous corresponding Period 30 June 2008
Net tangible asset backing per unit*	\$0.92	\$0.93
Net tangible asset backing per unit after distribution*	\$0.92	\$0.91
Net tangible asset backing per unit after distribution, excluding deferred taxes	\$1.05	\$1.07

* Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie, all liabilities, preference shares, outside equity interests etc).

Control Gained or Lost over Entities during the Period

N/A

Details of Associates and Joint Venture entities

Refer attached financial statements (Note 11: Investments in Joint Venture Entities).

Accounting standards used by foreign entities

N/A

Qualification of audit/review

Not applicable as there is no audit dispute or qualification. Refer attached half year financial report for review report.

MACQUARIE DDR TRUST
ARSN 106 570 352
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MACQUARIE DDR TRUST
DIRECTORS' REPORT TO UNITHOLDERS

The directors of Macquarie DDR Management Limited (Manager), the responsible entity of Macquarie DDR Trust (Trust), present their report together with the financial report of the Trust for the half year ended 31 December 2008 (period).

1. Directors

The following persons have held office as directors of the Manager during the period and up to the date of this report:

W Richard Sheppard
Steven Guttman
Robert Joss
David Spruell
Scott Wolstein
Daniel Hurwitz
David Oakes
Mark Baillie
Stephen Girdis
Joan Allgood (alternate for Daniel Hurwitz and Scott Wolstein)
John Wright (alternate for W Richard Sheppard, Mark Baillie and Stephen Girdis).

2. Principal activities

The principal activity of the Trust during the period was property investment. There were no significant changes in the nature of the Trust's activities during the period.

3. Distributions

There were no distributions declared for the period ended 31 December 2008.

4. Review of operations and significant changes in the state of affairs

The performance of the Trust, as represented by the results of its operations for the period, was as follows:

	December 2008 \$'000	December 2007 \$'000
Share of net (loss)/profits from investments in joint venture entities	(207,111)	6,470
Total income	(206,660)	17,612
Loss for the period	(220,885)	(6,392)
Core earnings	41,846	46,067

The underlying operational performance of the Trust for the period has been profitable and is in line with management's expectations. The reported loss for the period has been impacted by unrealised losses on derivative financial instruments used in hedging interest rate and foreign exchange exposure for the period, write downs in the property valuations and unrealised foreign exchange movements.

During the period, the Trust sold one property in Kansas City, Missouri, for a price of US\$62 million (Trust's share US\$53 million). The Trust's interest in the property was 85.48%. The asset was acquired in November 2003 for US\$49.4 million (Trust's share US\$42.2 million).

During the period, the Trust announced that it was going to undertake a Strategic Review. The review commenced in January 2009 and will explore alternatives to maximise returns to unitholders. This may include the sale of assets, pools of assets or potentially entity level transactions.

The financial report for the Trust as at 31 December 2008 has been prepared on a going concern basis as the directors of the Manager, after reviewing the Trust's going concern status have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. Significant uncertainty, however, exists as to the Trust's ability to continue as a going concern as a result of the factors set out in Note 1b.

**MACQUARIE DDR TRUST
DIRECTORS' REPORT TO UNITHOLDERS**

5. Value of assets

	December 2008 \$'000	June 2008 \$'000
Value of Trust assets	1,061,675	1,033,646

The value of the Trust's assets is derived using the basis set out in note 1 to the financial statements.

The current volatility in the global real estate markets and a significant reduction in the number of real estate transactions has meant there is less certainty with regards to investment property valuations and the assumptions applied to valuations inputs. Further details are provided in note 1(d).

6. Interests in the Trust

The movement in units of the Trust during the period is set out below:

	December 2008	June 2008
Units on issue at the beginning of the period	929,460,855	929,460,855
Units issued during the period	13,742,187	-
Units on issue at the end of the period	943,203,042	929,460,855

7. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

8. Events occurring after reporting date

Subsequent to the end of period, the Trust initiated a strategic review focusing on maximising unitholder value and reducing debt by realising the Trust's assets. As part of the Strategic Review process, the Trust has announced the following:

- The Trust has relaxed its policy of hedging long term future US dollar income generated by the Trust's assets. Accordingly, the Trust has entered into offsetting foreign exchange forward agreements for 96% of its currency income hedge exposures at an average spot rate of approximately US\$0.71;
- The Trust has entered into sale contracts for five of its Mervyns properties to Kohl's Department Store;
- The Trust has re-leased one of its Mervyns properties in Palmdale, California, to Forever 21; and
- The Trust has entered into sale contracts for one of its properties in Nashville, Tennessee, for US\$16 million (Trust's share US\$13.7 million).

9. Rounding of amounts to the nearest thousand dollars

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



Stephen Girdis
Director

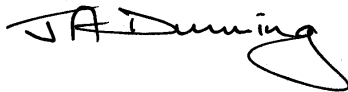
Sydney
19 February 2009

Auditor's Independence Declaration

As lead auditor for the review of Macquarie DDR Trust for the half year ended 31 December 2008, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie DDR Trust during the period.



J A Dunning
Partner
PricewaterhouseCoopers

Sydney
19 February 2009

MACQUARIE DDR TRUST
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	December 2008 \$'000	December 2007 \$'000
Income			
Share of net (loss)/profits from investments in joint venture entities:			
Net property income		90,716	83,405
Management fees	3	(6,014)	(6,079)
Finance costs		(43,594)	(36,460)
Loss on sale of property	11(ii)	(5,600)	-
Other income and expenses		(14,164)	(4,078)
Share of net profits from investments in joint venture entities before property valuation losses	11(ii)	21,344	36,788
Property valuation losses	11(ii)	(228,455)	(30,318)
Share of net (loss)/profits from investments in joint venture entities	11(ii)	(207,111)	6,470
Interest income		113	155
Unrealised foreign exchange gains		-	7,461
Realised foreign exchange gains		338	3,526
Total income		(206,660)	17,612
Expenses			
Finance costs		208	203
Interest expense		31	1,534
Unrealised foreign exchange losses		55,677	-
Net loss from derivative financial instruments	4	27,660	21,419
Other expenses	5	1,061	702
Total expenses		84,637	23,858
Loss before tax		(291,297)	(6,246)
US withholding tax expense		(411)	(2,457)
US capital gains tax benefit	6	70,823	2,311
Total tax benefit/(expense)		70,412	(146)
Loss for the period		(220,885)	(6,392)
Basic earnings per unit (cents)	8	(23.52)	(0.69)
Diluted earnings per unit (cents)	8	(23.52)	(0.69)
Total distributions in respect of the half year ended 31 December	9	-	46,474
Distribution per unit in respect of the half year ended 31 December (cents)	9	-	5.00

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

MACQUARIE DDR TRUST
BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	December 2008 \$'000	June 2008 \$'000
Current assets			
Cash and cash equivalents		1,335	533
Receivables		3	242
Derivative financial instruments	10	2,867	45,916
Other		58	14
Total current assets		4,263	46,705
Non-current assets			
Investments in joint venture entities:			
Investment properties and properties held for sale		2,710,132	2,235,707
Less: Share of borrowings		(1,683,946)	(1,286,351)
Add: Share of other net assets		31,226	3,321
Total investments in joint venture entities	11(i)	1,057,412	952,677
Derivative financial instruments	10	-	34,264
Total non-current assets		1,057,412	986,941
Total assets		1,061,675	1,033,646
Current liabilities			
Payables		382	6,006
Derivative financial instruments	10	55,502	13,682
Provisions	12	-	-
Total current liabilities		55,884	19,688
Non-current liabilities			
Interest bearing liabilities	13	1,369	569
Tax liabilities	14	123,830	147,780
Derivative financial instruments	10	11,653	-
Total non-current liabilities		136,852	148,349
Total liabilities		192,736	168,037
Net assets		868,939	865,609
Equity			
Contributed equity	15	945,040	939,657
Reserves	16	(49,924)	(288,507)
Undistributed income	17	(26,177)	214,459
Total equity		868,939	865,609

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

MACQUARIE DDR TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	December 2008 \$'000	December 2007 \$'000
Total equity at the beginning of the period		865,609	1,114,054
Loss for the period		(220,885)	(6,392)
Net income recognised directly in equity			
– Movement in fair value of effective net investment hedges	16	(77,923)	5,732
– Movement in effective cash flow hedges held by joint venture entities	16	(22,892)	(26,019)
– Foreign currency translation differences	16	339,398	(45,695)
		238,583	(65,982)
Total recognised income and expense for the period		17,698	(72,374)
Transactions with unitholders in their capacity as unitholders			
– Distributions reinvested less issue costs	15	5,383	-
– Distributions paid or payable	9	(19,751)	(46,474)
		(14,368)	(46,474)
Total equity at the end of the period		868,939	995,206

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

MACQUARIE DDR TRUST
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	December 2008 \$'000	December 2007 \$'000
	Inflows/ (outflows)	Inflows/ (outflows)
Cash flows from operating activities		
Distributions received from investments in joint venture entities	21,133	123,540
Interest income received	113	155
Realised gains on derivative financial instruments	16,715	11,824
Other operating expenses paid	(978)	(864)
US withholding tax paid	(6,737)	(14,336)
Net cash flows from operating activities	30,246	120,319
Cash flows from investing activities		
Payments for investments in joint venture entities	(16,218)	(135)
Net cash flows from investing activities	(16,218)	(135)
Cash flows from financing activities		
Proceeds from borrowings	547	-
Repayment of borrowings	-	(70,652)
Equity issue costs paid	(11)	-
Finance costs	(244)	(2,841)
Distributions paid to unitholders	(14,357)	(46,474)
Net cash flows from financing activities	(14,065)	(119,967)
Net (decrease)/increase in cash and cash equivalents	(37)	217
Cash and cash equivalents at the beginning of the period	533	2,566
Effect of exchange rate changes on cash and cash equivalents	839	655
Cash and cash equivalents at the end of the period	1,335	3,438

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

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the half year ended 31 December 2008 are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2008 has been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standard AASB 134 (*Interim Financial Reporting*) and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by the Macquarie DDR Trust (Trust) during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Compliance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* ensures that the interim financial report complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34 *Interim Financial Reporting* as issued by the IASB.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments held at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust's accounting policies. Other than the estimation of fair values described in notes 1(d) and 1(h) and assumptions relating to deferred tax liabilities, 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) Going concern

The financial report for the Trust as at 31 December 2008 has been prepared on a going concern basis as the directors of the Manager, after reviewing the Trust's going concern status have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. Significant uncertainty, however, exists as to the Trust's ability to continue as a going concern as a result of the factors set out below. The review was undertaken as in the opinion of the directors of the Manager, the rapid and unanticipated dislocation on the global credit markets has significantly impacted the operations, financial position and outlook of the Trust.

On 10 December 2008, the Trust announced that it would undertake a Strategic Review with the objective of maximising unit holder value. Subsequent to 31 December 2008, the Trust has appointed advisers for the strategic review.

The process to be followed will include soliciting bids for corporate or entity acquisition transactions or for the acquisition of properties or portfolios of properties. It is possible that this could result in a proposal to acquire 100% of MDT units. Alternatively, it could result in the disposal of a large number or even the majority or all of MDT's properties. The Board will, with the assistance of its advisers, assess the bids which are received to determine the strategy which is in the best interest of unitholders.

In addition, the Strategic review will focus on the restructuring of the Trust's debt by renegotiating or refinancing its loan facilities.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies (continued)

(b) Going concern (continued)

There should be minimal disruption to the business and operations of MDT, during the process and management will continue its focus on strengthening MDT's balance sheet through refinancing upcoming debt maturities and selling properties where this will not unduly affect the review process.

Included in the Subsequent events note (note 22) are details on progress made to date on asset sales and other strategic initiatives.

The Trust paid no distribution at 31 December 2008 in order to retain operating capital and assist with the refinancing of debt facilities.

Ongoing risks

Ongoing risks to the Trust's future performance include:

(i) *Fair value risk on property investments*

The Trust measures investment properties at fair value. Given the Trust's short term debt obligations and the potential difficulty in refinancing these obligations, it is likely that the Trust may need to sell a significant portion of its property portfolio over the next 12 months. Upon sale the Trust may not realise the values recognised in the financial statements. Further details on the approach used to value investment properties are disclosed in Note 1(d).

(ii) *Ability to refinance debt facilities as they fall due and maintain debt covenants*

As disclosed in Note 13 of the financial statements, the Trust has US\$147.8 million (A\$208.9 million) due to be repaid in June 2009 and a further US\$576.6 million (A\$815 million) to be refinanced within the next 2 years. Management are negotiating with a number of lenders to arrange re-financing of these facilities. However, there is no certainty that the Trust will be able to arrange re-financing.

As at 31 December 2008, the Trust is in compliance with its debt and financial instruments covenants. If fair value of investments properties continue to fall and the Trust is unable to generate sufficient asset sales to repay debt or is unable to renegotiate debt covenants, or both, there is a high likelihood that debt covenants could be breached in 2009.

Breaching covenants would introduce the ability of the relevant lender to perform actions which could jeopardise the ability of the Trust to continue as a going concern.

The directors believe that there are reasonable grounds to expect that the Trust will be able to pay its debts as and when they become due and payable because of its potential to:

- Extend existing loan facilities and/or renegotiate existing loan covenants;
- Refinance existing facilities with new lenders;
- Sell investment properties; or
- Generate operating cash flows significantly in excess of interest obligations.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

(c) Investments in joint venture entities

The Trust's property investments are held through joint venture entities. The Trust exercises joint control over its joint venture entities but neither the Trust nor its joint venture partner has control in their own right, irrespective of their ownership interest.

Accordingly, investments in joint venture entities are accounted for using the equity method of accounting, after initially being recognised at cost. Under this method, the Trust's share of the profits or losses of each joint venture entity is recognised as income in the Income Statement, and its share of movements in reserves is recognised in the Balance Sheet.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies (continued)

(d) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

At each reporting date, the fair values of the investment properties are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager. Fair value is determined assuming a long term investment period. Specific circumstances of the owner are not taken into account.

The factors taken into account in assessing internal valuations may include:

- Assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence; and
- Comparisons to valuation professionals performing valuation assignments across the market.

The approach adopted for valuing the investment property portfolio at 31 December 2008 was consistent with that adopted at previous reporting periods and was as follows:

- If the most recent independent valuation was more than 3 years old, a new external valuation was obtained; and
- Internal valuations were performed by Macquarie Asset Services Limited on all other properties primarily using net operating income and a capitalisation rate as assessed by using market research reports and the valuations that were undertaken by the external valuers where appropriate. If this internal valuation significantly differed from the current book value of the property, an external valuation was also obtained for this property.

Due to the volatility in the real estate markets, application of the policy has resulted in all investment properties being independently valued no earlier than December 2007 with 52% independently valued at 31 December 2008.

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regards to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

The carrying amount of investment properties recorded in the Balance Sheet includes components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

As the fair value method has been adopted for investment properties, the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies (continued)

(e) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Trust may designate certain derivatives as either hedges of net investments in foreign operations (net investment hedges) or hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges).

The Trust documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(ii) Net investment hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in the foreign currency translation reserve. This amount will be reclassified into the Income Statement on disposal of the foreign operations. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

(iii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item impacts the Income Statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Notwithstanding the accounting outcome, the Manager considers that these derivative contracts are appropriate and effective in offsetting the economic foreign exchange and interest rate exposures of the Trust.

(f) Income tax

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders, by way of cash or reinvestment.

Macquarie DDR US Trust Inc. and Macquarie DDR US Trust II Inc. (US REITs), joint venture entities of the Trust, have been elected to be taxed as Real Estate Investment Trusts (REITs) under US federal taxation law, and on this basis, will generally not be subject to US income taxes on that portion of the US REITs' taxable income or capital gains that are distributable to the US REITs' shareholders, provided that the US REITs comply with the requirements of the US Internal Revenue Code of 1986 and maintain their REIT status.

The US REITs may ultimately realise a capital gain or loss on disposal, which may attract a US income tax liability if the proceeds from disposal are not reinvested in a qualifying asset. If the capital gain is realised, it may give rise to a foreign tax credit, which would be available to unitholders. A deferred tax liability is recognised based on the temporary difference between the carrying amount of the assets in the Balance Sheet and their associated tax cost bases.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies (continued)

(g) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the Trust operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

Transactions of foreign equity accounted joint venture entities are measured using the currency of the primary economic environment in which those entities operate. Assets and liabilities of foreign equity accounted joint venture entities are translated at exchange rates ruling at balance date while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign equity accounted joint venture entities are taken directly to the foreign currency translation reserve. At 31 December 2008, the spot rate used was A\$1.00 = US\$0.7074 (30 June 2008: A\$1.00 = US\$0.9582). The average spot rate during the period ended 31 December 2008 was A\$1.00 = US\$0.7704 (31 December 2007: A\$1.00 = US\$0.8748).

(h) Fair value estimation

The fair value of financial assets and financial liabilities must be determined for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the Balance Sheet date. The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Balance Sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

(i) Rounding

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 the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. Summary of significant accounting policies (continued)

(j) New standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Trust for accounting years beginning on or after 1 July 2009 or later periods, which the Trust has not yet adopted. These include:

(i) AASB 8 Operating Segments (effective from 1 July 2009)

This standard will require the entity to adopt the 'management approach' to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures from that used in preparing the financial statements, in which case reconciliations of certain items will be required.

(ii) AASB 101 Presentation of Financial Statements and amending standards AASB 2007-08 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

This standard introduces the notion of the 'complete set of financial statements' and changes the presentation of financial statements so owner changes in equity are disclosed separately from non-owner changes in equity. All non-owner changes in equity ('comprehensive income') will be presented either in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income), instead of being presented in the statement of changes in equity. Additional disclosure will be made of the income tax relating to each component of other comprehensive income, and the titles of the financial statements will change although their use will not be mandatory ('balance sheet' becomes 'statement of financial position'; 'income statement' becomes part of the 'statement of comprehensive income', unless a separate income statement is provided; 'cash flow statement' becomes 'statement of cash flows').

(iii) AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements (effective from 1 July 2009)

These standards amend the accounting for certain aspects of business combinations and changes in ownership interests in subsidiaries. Changes include:

- transaction costs are recognised as an expense at the acquisition date, unless the cost relates to issuing debt or equity securities;
- contingent consideration is measured at fair value at the acquisition date (allowing for a 12-month period post-acquisition to affirm fair values) without regard to the probability of having to make a future payment, and all subsequent changes in fair value are recognised in profit;
- changes in control are considered significant economic events, thereby requiring:
 - previous ownership interests to be remeasured to their fair value (and the gain/loss recognised in profit) when control is gained (i.e. becomes a subsidiary); and
 - retained ownership interests to be remeasured to their fair value (and the gain/loss recognised in profit) when control is lost (i.e. divestment of a subsidiary);
- changes in a parent's ownership interest in a subsidiary that do not result in a loss of control (e.g. dilutionary gains) are recognised directly in equity.

(iv) AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

This standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to align with IFRS terminology. In addition, the requirement to classify all financial assets and liabilities classified as held for trading as current assets and liabilities will be removed.

(v) AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

This standard removes the option to expense all borrowing costs and will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the Trust as the Trust already capitalises borrowing costs in relation to qualifying assets.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

2. Trust formation

The Trust was established on 29 September 2003. The operations of the Trust commenced with the purchase of property investments in the United States on 21 November 2003, through its joint venture entities. On 10 October 2005, the Manager executed a supplemental deed poll to amend the Trust Constitution. The amendments removed the 80-year life of the Trust, to enable the units on issue to be classified as equity under Australian Accounting Standards.

3. Management fee

The Manager is a wholly owned subsidiary of Macquarie DDR Management LLC, a company incorporated in Delaware and ultimately owned 50% by Macquarie Bank Limited and 50% by Developers Diversified Realty (DDR). The Manager's registered office is Level 10, 135 King Street, Sydney NSW 2000 and principal place of business is 1 Martin Place, Sydney NSW 2000.

Under the terms of the Trust Constitution, the Manager is entitled to receive the following remuneration from the Trust, comprising a base fee and a performance fee:

(a) Base fee

The base fee is calculated at 0.45% per annum of the Trust's interest in the fair market value of the properties and any other assets in the US LLCs.

The base fee is calculated six monthly and is paid quarterly in arrears with the first quarterly payment being a part payment on account for the six-month period.

(b) Performance fee

In addition to the base fee, the Manager is entitled to a performance fee, payable in Trust units and/or shares in the US REITs (REIT Performance Shares) or in cash in certain circumstances, where the performance of the Trust in any six-month period ending 30 June or 31 December exceeds that of the S&P/ASX 200 Property Accumulation Index (Index).

If the Trust's performance during the six-month period is higher than the percentage increase in the Index for the relevant period, then the Manager is entitled to new Trust units or REIT Performance Shares with a total value equal to:

- (i) 5% of the total Increased Unitholder Value from outperformance; plus
- (ii) 15% of the Increased Unitholder Value above 2% nominal outperformance per annum (1% per half year).

The Increased Unitholder Value is measured as the market capitalisation of the Trust at the commencement of the relevant period, multiplied by the nominal percentage outperformance of the Trust relative to the Index for that period.

The performance fee is calculated and payable, if entitled, each half year at December and June. The first performance fee period was from 26 November 2003 to 30 June 2004. Units and/or REIT Performance Shares issued in satisfaction of the performance fee (if any) are subject to an annual cap, whereby total base and performance fees paid in any one year must not exceed 80 basis points of the Trust's interest in the fair market value of the properties and other assets in the US LLCs (Cap Calculation Assets). Where REIT Performance Shares are issued, the annual cap is calculated using the US dollar value of the Cap Calculation Assets. Any performance fees which have been unable to be satisfied by the issue of units and/or REIT Performance Shares because of the operation of the cap, will be able to be issued on the three-year anniversary of the end of the period in which they were earned, or any time thereafter if the accumulated performance of the Trust for the three-year (or longer) period exceeds the benchmark return for the same period. Any unpaid fees will continue to be paid up to 80 basis points in any future period.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

3. Management fee (continued)

(c) Management fee calculation

The Manager's total fee for the financial year is detailed as follows:

	December 2008 \$'000	December 2007 \$'000
Base fee	6,014	6,079
Performance fee	-	-
	6,014	6,079

No performance fee was earned by the Manager during the period. In the calculation of the performance fee, outperformance will be assessed on a cumulative basis and accordingly, underperformance for the period from 26 November 2003 to 31 December 2008 will need to be recovered before the Manager is entitled to any future performance fees.

4. Net loss from derivative financial instruments

	December 2008 \$'000	December 2007 \$'000
Loss on derivative financial instruments – unrealised	(48,409)	(33,827)
Gain on capital hedging derivative financial instruments – realised	15,675	1,635
Gain on income hedging derivative financial instruments – realised	6,784	9,531
Loss on other derivative financial instruments – realised	(1,710)	1,242
	(27,660)	(21,419)

5. Other expenses

	December 2008 \$'000	December 2007 \$'000
Accounting fees	109	83
Audit committee fees – independent directors	14	11
Audit fees	159	143
Bank fees	3	5
Compliance fees – independent directors	45	30
Custodian fees	29	30
Insurance	27	29
Legal fees	8	71
Postage and printing costs	30	20
Registry fees	64	57
Stock exchange costs	28	36
Taxation fees	5	5
Travel	205	55
Unitholder communications costs	163	37
Other	172	90
	1,061	702

Expenses have been paid in accordance with the Trust Constitution.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
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6. US capital gains tax benefit

	December 2008 \$'000	December 2007 \$'000
US capital gains tax from sale of property - realised	(6,107)	-
US capital gains tax benefit - unrealised	76,930	2,311
	70,823	2,311

Capital gains on the future sales of the Trust's investments are subject to US withholding tax pursuant to the Foreign Investment in Real Property Tax Act, at a withholding tax rate of 35%. All deferred tax movements are recorded through the Income Statement. Refer to note 14 and 1(f).

7. Remuneration of auditor

During the period, the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

	December 2008 \$'000	December 2007 \$'000
Audit services	159	143
Taxation services	5	5
	164	148

In addition to the above fees, PricewaterhouseCoopers, US Firm, earned A\$179,380 (2007: A\$199,563) in connection with the audit of the Trust's joint venture entities and A\$140,191 (2007: A\$47,054) in connection with tax services for the Trust's joint venture entities. These amounts represent the fees charged to the joint venture entities. The Trust's share of the fees is recorded as part of profit from joint ventures accounted for using the equity method.

8. Earnings per unit

	December 2008	December 2007
Basic earnings per unit (cents)	(23.52)	(0.69)
Diluted earnings per unit (cents)	(23.52)	(0.69)
Core earnings per unit (cents)	4.46	4.95
Earnings used in the calculation of basic and diluted earnings per unit (\$'000)	(220,885)	(6,392)
Earnings used in the calculation of core earnings per unit (refer to calculation in table below) (\$'000)	41,846	46,067
Weighted average number of units used in the calculation of basic, diluted and normalised earnings per unit ('000)*	938,946	929,461

* Weighted average number of units is calculated from the date of issue of the units.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

8. Earnings per unit (continued)

Calculation of core earnings

The Manager does not consider it appropriate to use profit under Australian Accounting Standards to determine distributions to unitholders. The table below outlines the Manager's adjustments to profit under Australian Accounting Standards to determine the amount the Manager believes should be available for distribution for the current period.

Core earnings is a financial measure that is not prescribed by Australian Accounting Standards and represents the net profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers and significant one off items that are not in the ordinary course of business. Per the Trust Constitution, the adjustments and therefore the amount distributed to unitholders is at the discretion of the Manager. The Manager will use the core earnings less maintenance capital expenditure as a guide to assessing an appropriate distribution to declare.

The adjustments made to profit under Australian Accounting Standards in order to solely determine distributable earnings may change from time to time depending on future changes to accounting standards and the Manager's assessment as to whether non-recurring or infrequent items (such as realised gains on the sale of properties) will be distributed to unitholders.

	Note	December 2008 \$'000	December 2007 \$'000
Loss per Income Statement		(220,885)	(6,392)
<i>Unrealised items:</i>			
Property valuation losses	17(iii)	228,455	30,318
Unrealised losses on derivative financial instruments	17(iv)	58,404	35,869
Unrealised foreign exchange losses/(gains)	17(v)	55,677	(7,461)
US capital gains tax benefit	17(v)	(76,930)	(2,311)
<i>Non-cash items:</i>			
Amortisation of borrowing costs*	17(v)	840	949
Straight lining of fixed rent increases	17(v)	253	(1,574)
Distributable earnings		45,814	49,398
<i>One off items:</i>			
Realised gain on cancellation of capital hedge	4	(15,675)	-
Realised loss in the period on sale of investment property	11(ii)	5,600	-
US capital gains tax expense paid on sale of investment property	6	6,107	-
Realised foreign exchange gain on transfer of debt**		-	(3,331)
Core earnings		41,846	46,067

* The amortisation of borrowing costs relates to costs that were fully expensed prior to a change in accounting policy on 1 July 2005. At that time, the previously expensed costs were reversed in opening undistributed income and are now amortised in the Income Statement over the term of the respective borrowing. This subsequent amortisation expense has been reversed in calculating distributable earnings for subsequent periods.

** The trust transferred a portion of its interest bearing liabilities to US REIT I during the prior period resulting in a realised gain of \$3.3 million.

9. Distributions paid and payable

	Distribution cents per unit	Total amount \$'000
Distributions for the quarter ended:		
30 June 2008	2.125	19,751
30 June 2007	2.50	23,237
30 September 2007	2.50	23,237
31 December 2007*	2.50	23,237

* The distribution of 2.50 cents per unit for the quarter ended 31 December 2007 was not declared prior to 31 December 2007.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
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10. Derivative financial instruments

	December 2008 \$'000	June 2008 \$'000
Assets		
Current		
Forward foreign exchange contracts	2,867	11,650
Cross currency swaps	-	34,266
	2,867	45,916
Non-current		
Forward foreign exchange contracts	-	34,264
	-	34,264
Liabilities		
Current		
Forward foreign exchange contracts	2,485	-
Callable interest rate swaps	53,017	13,682
	55,502	13,682
Non-current		
Forward foreign exchange contracts	11,653	-
	11,653	-

Forward foreign exchange contracts

The Trust has entered into forward foreign exchange contracts to sell US dollars and receive Australian dollars at an average exchange rate of A\$1.00 = US\$0.7094 (30 June 2008: A\$1.00 = US\$0.6975). The last of these forward contracts matures in August 2013.

A portion of the forward contracts qualifies for hedge accounting of net investment in foreign operations. Accordingly, changes in the fair value of these contracts (to the extent effective) are recorded in the foreign currency translation reserve. The forward contracts that do not qualify for hedge accounting have changes in fair value recorded in the Income Statement. Accordingly, \$78 million of the change in fair values of forward contracts is recorded in the foreign currency translation reserve, and the remaining change in fair values of forward contracts is recognised in the Income Statement.

Subsequent to 31 December 2008, the Trust has entered into offsetting foreign exchange forward agreements for 96% of its currency income hedge exposures at an average spot rate of approximately US\$0.71.

Cross currency swaps

During the period, the Trust cancelled its cross currency swaps resulting in a realised gain of \$15 million.

Callable interest rate swaps

The Trust has entered into interest rate swap agreements totalling US\$200 million (30 June 2008: US\$200 million) that entitle the Trust to receive interest at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The counterparties have the option to cancel these swaps at the end of each quarter. The interest rate swap contracts mature from August 2014 through to October 2017. Subsequent to the end of the period, the counterparties have not taken up their options to cancel these swaps.

At 31 December 2008, the fixed interest rate varies from 4.38% to 4.67% per annum (30 June 2008: 4.38% to 4.67% per annum).

The interest rate swap contracts do not qualify for hedge accounting and accordingly changes in the fair value of these contracts are recorded in the Income Statement. Notwithstanding the accounting outcome, the Manager considers that these contracts are appropriate and effective in hedging the interest rate exposures of the Trust.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

11. Investments in joint venture entities

The Trust has investments in joint venture entities with Developers Diversified Realty. The Trust exercises joint control over the joint venture entities, but neither the Trust nor its joint venture partner has control in their own right, irrespective of their ownership interest. The investments are accounted for in the financial statements using the equity method of accounting (refer to note 1(c)). Information relating to the joint venture entities is detailed below.

Joint venture entities	Country of incorporation	Principal activity	Ownership interest	
			2008 %	2007 %
Macquarie DDR US Trust Inc. (US REIT I)	United States	Property investment	97.32	97.32
DDR Macquarie Fund LLC (US LLC)	United States	Property investment	*85.48	*85.48
Macquarie DDR US Trust II Inc. (US REIT II)	United States	Property investment	99.90	99.89
DDR MDT MV LLC (MV LLC)	United States	Property investment	*49.95	*49.94
DDR MDT PS LLC (PS LLC)	United States	Property investment	*90.24	*90.23

* Represents indirect interest held through US REITs.

(i) *Carrying amount of investments in joint venture entities*

	Note	December 2008 \$'000	June 2008 \$'000
Carrying amount at the beginning of the period		952,677	1,345,553
Additions during the period		16,218	135
Share of net profit before property valuation losses	11(ii)	21,344	73,224
Share of property valuation losses	11(ii)	(228,455)	(140,696)
Movement in share of cash flow hedge reserve		(22,892)	(27,842)
Distributions paid and payable for the period		(21,133)	(71,344)
Return of capital		-	(83,120)
Exchange rate differences on translation		339,653	(143,233)
Carrying amount at the end of the period		1,057,412	952,677

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

11. Investments in joint venture entities (continued)

(ii) *Results attributable to joint venture entities (Trust's share)*

	Half year ended 31 December 2008 \$'000	Year ended 30 June 2008 \$'000	Half year ended 31 December 2007 \$'000
Property income			
Property income	128,101	226,156	116,684
Property expenses	(37,385)	(66,564)	(33,279)
	<u>90,716</u>	<u>159,592</u>	<u>83,405</u>
Management fees			
Management base fee	(6,014)	(11,491)	(6,079)
Management performance fee	-	-	-
	<u>(6,014)</u>	<u>(11,491)</u>	<u>(6,079)</u>
Finance costs			
Interest expense	(40,216)	(65,411)	(34,836)
Borrowing establishment costs	(3,378)	(3,147)	(1,624)
	<u>(43,594)</u>	<u>(68,558)</u>	<u>(36,460)</u>
Loss on sale of property			
Loss on sale of property*	(5,600)	-	-
	<u>(5,600)</u>	<u>-</u>	<u>-</u>
Other income and expenses			
Interest income	424	485	366
Derivative financial instrument loss	(9,995)	(2,195)	(2,042)
Other operating expenses	(4,593)	(4,609)	(2,402)
Total other income and expenses	<u>(14,164)</u>	<u>(6,319)</u>	<u>(4,078)</u>
Share of net profits from investments in joint venture entities before property valuation losses	21,344	73,224	36,788
Property valuation losses			
Revaluation of investment properties	13,141	25,209	20,256
Devaluation of investment properties	(241,849)	(163,036)	(49,000)
Revaluation of investment properties – adjustment for straight lining of fixed rent increases	253	(2,869)	(1,574)
Total property valuation losses	(228,455)	(140,696)	(30,318)
Share of net (loss)/profits from investments in joint venture entities	(207,111)	(67,472)	6,470

* During the period, the entity sold one property for US\$62 million (approximately \$95 million). The Trust's interest in the property was 85.48%. A loss was recorded in the period of \$6.6 million (Trust's share \$5.6 million). Revaluations totalling \$19 million (Trust's share \$16.2 million) were recorded on the property in prior periods, so consequently a gain of \$12.4 million (Trust's share \$10.6 million) was realised over the term of the Trust's investment.

The joint venture entities have no contingent liabilities or capital commitments at 31 December 2008.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

11. Investments in joint venture entities (continued)

(iii) *Share of joint venture entities' assets and liabilities*

	December	June
	2008	2008
	\$'000	\$'000
Current assets		
Cash and restricted cash*	61,022	6,793
Property held for sale	43,872	132,048
Other	35,345	37,995
Total current assets	140,239	176,836
Non-current assets		
Investment properties	2,666,260	2,103,659
Total non-current assets	2,666,260	2,103,659
Total assets	2,806,499	2,280,495
Current liabilities		
Derivative financial instruments	36,587	19,491
Current interest bearing liabilities	202,092	454,385
Other	28,554	21,976
Total current liabilities	267,233	495,852
Non-current liabilities		
Non-current interest bearing liabilities	1,481,854	831,966
Total non-current liabilities	1,481,854	831,966
Total liabilities	1,749,087	1,327,818
Net assets	1,057,412	952,677

* Restricted cash (\$45.8 million) is funds released from the Mervyns Letter of Credit placed in a lender's controlled account to be applied against fitout costs to re-lease the property.

12. Provisions

	December	June
	2008	2008
	\$'000	\$'000
Distribution		
Opening balance	-	-
Distributions declared	19,751	89,462
Paid during the period	(14,357)	(89,462)
Distributions reinvested	(5,394)	-
Closing balance	-	-

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
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13. Interest bearing liabilities

	December 2008 \$'000	June 2008 \$'000
Non-current		
Bank loan	1,661	808
Less: Unamortised transaction costs	(292)	(239)
	1,369	569

At 31 December 2008, total interest bearing liabilities on a 'look through' basis were \$1,692 million (30 June 2008: \$1,291 million) with total facility limit of \$1,711 million (30 June 2008: \$1,346 million) as shown on the table below. Included in the total facility of \$1,711 million, the Trust had access to a US\$50 million facility (30 June 2008: US\$100 million) to be used by the Trust, US REIT I or US REIT II.

The bank loan is secured by proceeds of the distribution reinvestment plan (DRP) as calculated in the DRP Underwriting Deed. It bears a US dollar floating interest rate and is repayable in full at the end of its funding period unless a new drawdown request is made. As at 31 December 2008, the weighted average interest rate on the bank loan was 2.34% per annum (30 June 2008: 3.65% per annum).

The table below shows the debt maturity profile of the Trust on a 'look through' basis:

	December 2008 \$'000	June 2008 \$'000
Less than 1 year	208,946	458,045
1 to 2 years	815,043	500,594
2 to 3 years	78,933	134,720
3 to 4 years	102,715	75,834
4 to 5 years	121,389	6,746
more than 5 years	365,435	114,880
	1,692,461	1,290,819
Borrowing costs to be amortised	(7,146)	(3,899)
	1,685,315	1,286,920

14. Tax liabilities

	December 2008 \$'000	June 2008 \$'000
Non-current		
US capital gains tax deferred tax liability	123,830	147,780
	123,830	147,780

Capital gains on the future sales of the Trust's investments are subject to US withholding tax pursuant to the Foreign Investment in Real Property Tax Act, at a withholding tax rate of 35%. If the capital gain is not distributed, but the proceeds from the disposal are reinvested in a qualifying asset, the tax payable can be deferred and 'rolled over' into the tax cost base of the qualifying asset. Refer to note 1(f). All deferred tax movements are recorded through the Income Statement. The movements in the deferred tax balance relate to movements in investment property valuations.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
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15. Contributed equity

			December 2008 \$'000	June 2008 \$'000
<i>No. of units</i>	<i>Details</i>	<i>Date of income entitlement</i>		
929,460,855	Units on issue	30 June 2007		939,657
929,460,855	Units on issue	30 June 2008	939,657	939,657
13,742,187	DRP issue*		5,394	
	Equity issue costs		(11)	
943,203,042	Units on issue	31 December 2008	945,040	939,657

* The DRP units were issued on 26 August 2008 but were entitled to income from 1 July 2008.

As stipulated in the Trust Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Trust.

Distribution reinvestment plan

The Trust has established a DRP under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. In accordance with the DRP Rules, the directors of the Manager suspended the Trusts' DRP commencing with the quarter ended 30 September 2006. The DRP was reinstated from the quarter ended 30 June 2008.

16. Reserves

	December 2008 \$'000	June 2008 \$'000
Foreign currency translation reserve		
Opening balance	(266,151)	(143,209)
Translation of foreign operations*	339,398	(143,130)
Movement in fair value of effective net investment hedges	(77,923)	20,188
Closing balance	(4,676)	(266,151)
Capital reserve		
Opening balance	(3,212)	(3,212)
Closing balance	(3,212)	(3,212)
Cash flow hedge reserve		
Opening balance	(19,144)	8,698
Movement in effective cash flow hedges held by joint venture entities	(22,892)	(27,842)
Closing balance	(42,036)	(19,144)
Total reserves	(49,924)	(288,507)

* The total foreign exchange movement of \$339.4 million on foreign operations includes \$339.7 million relating to the translation of the investments in joint venture entities offset by \$0.3 million relating to interest bearing liabilities denominated in US dollars.

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

17. Undistributed income

	Note	December 2008 \$'000	December 2007 \$'000
(i) Summary of undistributed income			
Undistributed income – realised items	17(ii)	71,700	30,652
Undistributed income – investment property revaluations	17(iii)	78,719	433,768
Undistributed income – unrealised derivative revaluations	17(iv)	(54,921)	(13,061)
Undistributed income – other unrealised items	17(v)	(121,675)	(192,105)
Total undistributed income		(26,177)	259,254
(ii) Undistributed income – realised items			
Opening balance		29,421	27,728
Distributable earnings	8	45,814	49,398
Property revaluation of sold property	11(ii)	16,216	-
Available for distribution		91,451	77,126
Distributions paid and payable	9	(19,751)	(46,474)
Closing balance		71,700	30,652
(iii) Undistributed income – investment property revaluations			
Opening balance		323,390	464,086
Transfer of property revaluation of sold property - realised	11(ii)	(16,216)	-
Revaluation (decrement)/increment on investment properties in joint venture entities	11(ii)	(228,455)	(30,318)
Closing balance		78,719	433,768
(iv) Undistributed income – unrealised derivative revaluations			
Opening balance		3,483	22,808
Unrealised loss from derivative financial instruments recorded in equity accounted income	11(ii)	(9,995)	(2,042)
Unrealised loss on derivative financial instruments	4	(48,409)	(33,827)
Closing balance		(54,921)	(13,061)
(v) Undistributed income – other unrealised items			
Opening balance		(141,835)	(202,502)
Movement in deferred tax liability		76,930	2,311
Amortisation of borrowing costs		(840)	(949)
Straight lining of fixed rent increases	11(ii)	(253)	1,574
Unrealised foreign exchange (losses)/gains		(55,677)	7,461
Closing balance		(121,675)	(192,105)
Total undistributed income		(26,177)	259,254

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

18. Net tangible assets

	December 2008 \$'000	June 2008 \$'000
Total assets	1,061,675	1,033,646
Less: Total liabilities	(192,736)	(168,037)
Net tangible assets	868,939	865,609
Total number of units on issue	943,203,042	929,460,855
Net tangible asset backing per unit	\$0.92	\$0.93
Net tangible asset backing per unit after distribution	\$0.92	\$0.91
Net tangible asset backing per unit after distribution and excluding deferred tax liability	\$1.05	\$1.07

19. Segment information

Primary segment – business

The Trust is a listed property trust that invests in the retail property market.

Secondary segment – geographical

The Trust has investments in retail properties located in the United States and investments in other assets in Australia.

	United States December 2008 \$'000	Australia December 2008 \$'000	Total December 2008 \$'000	United States December 2007 \$'000	Australia December 2007 \$'000	Total December 2007 \$'000
Share of net profits from investments in joint venture entities	(207,111)	-	(207,111)	6,470	-	6,470
Total income	(207,111)	451	(206,660)	6,470	11,142	17,612
US capital gains tax benefit	70,823	-	70,823	2,311	-	2,311
Loss	(136,699)	(84,186)	(220,885)	6,324	(12,716)	(6,392)

	United States December 2008 \$'000	Australia December 2008 \$'000	Total December 2008 \$'000	United States June 2008 \$'000	Australia June 2008 \$'000	Total June 2008 \$'000
Total assets	1,057,412	4,263	1,061,675	952,919	80,727	1,033,646
Total liabilities	123,830	68,906	192,736	148,833	19,204	168,037
Asset disposal	(85,131)	-	(85,131)	-	-	-
Asset acquisitions	7,698	-	7,698	58,105	-	58,105

MACQUARIE DDR TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

20. Commitments and contingent liabilities

The Trust has no commitments or contingent liabilities at the end of the financial year.

21. Significant contract terms and conditions

If the Manager is removed as responsible entity of the Trust, or there is a change in control of DDR or the US REITs or other defined events occur, then DDR or the US REITs may exercise its pre-emptive right to acquire the properties of the Trust at fair market value.

22. Events occurring after reporting date

Subsequent to the end of period, the Trust initiated a strategic review focusing on maximising unitholder value and reducing debt by realising the Trust's assets. As part of the Strategic Review process, the Trust has announced the following:

- The Trust has relaxed its policy of hedging long term future US dollar income generated by the Trust's assets. Accordingly, the Trust has entered into offsetting foreign exchange forward agreements for 96% of its currency income hedge exposures at an average spot rate of approximately US\$0.71;
- The Trust has entered into sale contracts for five of its Mervyns properties to Kohl's Department Store;
- The Trust has re-leased one of its Mervyns properties in Palmdale, California, to Forever 21; and
- The Trust has entered into sale contracts for one of its properties in Nashville, Tennessee, for US\$16 million (Trust's share US\$13.7 million).

MACQUARIE DDR TRUST
DIRECTORS' DECLARATION TO UNITHOLDERS

In the opinion of the directors of Macquarie DDR Management Limited:

- (a) the financial statements and notes set out on pages 4 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the period ended on that date; and
- (b) Whilst there is significant uncertainty as to whether the Trust can continue as a going concern as outlined in Note 1b, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Stephen Girdis
Director

Sydney
19 February 2009

Independent auditor's review report to the unitholders of Macquarie DDR Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie DDR Trust (the Trust), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Macquarie DDR Trust.

Directors' responsibility for the half-year financial report

The directors of the Macquarie DDR Management (the responsible entity) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie DDR Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macquarie DDR Trust is not in accordance with the *Corporations Act 2001* including:

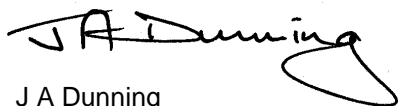
- (a) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion we draw attention to the basis of preparation of the financial report set out in Note 1(b). The matters described in Note 1(b) indicate the existence of a significant uncertainty whether Macquarie DDR Trust will continue as a going concern and, therefore, whether it will realise its assets and its liabilities in the normal course of business and at the amounts stated in the financial report.



PricewaterhouseCoopers



J A Dunning
Partner

Sydney
19 February 2009