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## MACQUARIE DDR TRUST

ARSN 106 570 352

ANNUAL REPORT 2008



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MACQUARIE



DEVELOPERS  
DIVERSIFIED  
REALTY

Macquarie DDR Trust owns interests in a high quality portfolio of 81 community shopping centres across 24 states in the US. The Trust's investment strategy is focused on attracting a diverse range of national discount retailers offering value and convenience shopping.

The Trust's tenant focused, active asset management approach aims to deliver high occupancy levels and a long-term, stable and growing income stream for investors.

The Trust is managed by Macquarie DDR Management Limited – a 50/50 joint venture between Macquarie Group Limited and Developers Diversified Realty (Developers Diversified) of the US. Developers Diversified is one of the largest managers of US retail real estate with US\$20 billion of assets under management.

This combination of Macquarie's funds management knowledge and Developers Diversified's expertise in managing real estate assets and fostering tenant relationships underpins the Trust's strategy.

The Trust is part of the suite of Australian real estate investment trusts (REITs) which are managed by entities within Macquarie Real Estate. Macquarie Real Estate is one of Australia's largest property funds management groups. As at 30 June 2008, more than \$31 billion of real estate assets are managed globally by Macquarie Real Estate and its associates with over 1,400 staff located in 31 locations across 15 countries.

US\$2.1b

Property assets

990

Leases with over 570 tenants

96.7%

Total portfolio leased rate

16.4m

Sq ft of gross lettable area (GLA)

## Key financial results

Operational	Year ended 30 June 2008	Year ended 30 June 2007
Number of properties in which the Trust has an interest	81	78
Average capitalisation rate	6.7%	6.3%
Leased rate	96.7%	98.5%
Financial		
Distributable earnings	\$91.2m	\$93.1m
Distributable earnings per unit	9.81 cents	10.03 cents
Distributions per unit	9.25 cents	10.00 cents
	As at 30 June 2008	As at 30 June 2007
Total assets (look-through)	\$2,361.5m	\$2,732.6m
Total debt (look-through)	\$1,286.9m	\$1,383.0m
Trust gearing (debt: total assets)	54.5%	50.6%
Interest cover ratio	2.50x	2.36x
Net tangible assets per unit (after distribution and excluding deferred tax liabilities)	\$1.07	\$1.39
Units on issue	929,460,855	929,460,855

All figures in Australian dollars unless otherwise specified.

We continued to concentrate on securing income by attracting and retaining a diverse range of quality tenants through proactive leasing activities.

Over the past 12 months, we continued to deliver against objectives set out in response to challenging credit markets and US economic conditions.

Our priorities focused on:

- strengthening the Trust's balance sheet;
- refinancing near-term debt expiries;
- improving debt covenants; and
- activities aimed at securing income streams.

We continued to concentrate on securing income by attracting and retaining a diverse range of quality tenants through proactive leasing activities. The success of these leasing activities enabled the Trust to achieve stable results and deliver cash distributions of 9.25 cents per unit for the year to 30 June 2008 (year).

During the year, leases were signed on 961,771 sq ft or 5.8% of the portfolio. This delivered an average rental rate growth of 9.2% and supported a high portfolio leased rate of 96.7%, with a weighted average lease term of seven years.

New leases completed on 268,506 sq ft during the year delivered an average rental increase of 26.3% and a weighted average lease term of 7.3 years. Importantly, the Trust's tenant retention rate remained high at approximately 65% and renewals accounted for 693,265 sq ft with an average rental increase of 7.2%.

In conjunction with our operational focus, we have also actively sought opportunities to reduce refinancing risk. The Trust successfully renegotiated and restructured a US\$340.5 million debt facility which represents approximately 23% of the Trust's debt during the year. This demonstrated a vote of confidence from lenders and reflects the quality of the portfolio. In addition, we have improved the head trust debt facility's loan-to-value ratio covenant from 60% to 65%.

We commenced negotiations to sell over US\$140 million of the Trust's assets, with all proceeds to be used to reduce debt.

#### Market comment

The constrained conditions across debt and equity markets have resulted in increased debt margin spreads which are reflected in our recent refinancings. The increase in debt margins reduced the number of property transactions completed in the past 12 months as financing became more difficult to obtain.

This factor is reflected in the US\$122.9 million decrease to overall book value of the Trust's properties over the six months to 30 June 2008.

The disruptions in the financial markets have also impacted Macquarie DDR's unit price which has moved with investor concerns over debt refinancing and gearing. In response, we initiated strategies aimed at improving the balance sheet and managing near-term debt expiries.

Despite the challenging US market conditions, the majority of the Trust's retail tenant base has benefited from consumers trading down to discount retailers – the largest segment in which it operates. Approximately 32% of the Trust's rental income is derived from discount retailers which historically, have been more resilient during periods of economic downturn relative to other retailers.

## Financial highlights

Distributable earnings of \$91.2 million representing 9.81 cents per unit

Total property assets of US\$2.1 billion (Trust share)

Net tangible assets of \$1.07 per unit (\$0.91 per unit including deferred tax liabilities)

## Operational highlights

Portfolio leased rate of 96.7% with weighted average lease term of 7.0 years

Average rental growth of 9.2% on new leases and renewals

Refinanced US\$340.5 million of debt facilities due to expire in FY09

Increased head Trust loan-to-value covenant from 60% to 65%

### Investment strategy

During the year, we focused our efforts on securing income streams through active portfolio and asset management. The Trust's core strategy is to invest in premium community shopping centres, with major retailers as tenants combined with prudent management of financial risks.

Through the active management of tenant relationships in conjunction with our joint venture partner, Developers Diversified, we aim to retain existing customers and attract quality tenants. These efforts are underpinned by the ability to offer quality properties for lease across the US in areas with favourable demographics.

### Capital management

We continue to utilise a foreign exchange hedging policy to help protect the Trust's US dollar denominated income streams from adverse movements in exchange rates. Given the recent strength of the Australian dollar, the Trust's 100% income hedge over four years at an average of US\$0.70 has been beneficial.

In light of current market conditions, the Trust has revised its policies on capital hedging and distribution payout ratios to:

- make earnings transparent with the focus on underlying property earnings;
- ensure distributions are sustainable and reflect core property earnings; and
- strengthen the Trust's position.

Foreign currency capital hedging policy changes allow for between 60% and 100% of the gross value of all assets to be hedged either by property level borrowings, foreign exchange currency forward contracts or cross currency swaps.

As a result of the new policy, the Trust closed out its foreign currency capital hedges in August 2008 realising a profit of approximately \$15 million for the benefit of unitholders.

We have also negotiated with the Trust's lenders to refinance debt facilities and restructure covenants to reduce risks and provide greater certainty. The debt facilities restructured during the year have improved the weighted average term to maturity to 3.3 years and the Trust maintains a diversity of funding sources.

Key priorities also include the reduction of gearing with non-core assets for disposal identified and sales under negotiation.

### Outlook

Looking ahead, we maintain a cautious outlook. The US markets and economy are likely to remain difficult in the near term and this may impact Macquarie DDR's performance. We will continue to focus on maintaining and building tenant relationships to drive and secure income streams by leveraging the expertise of Developers Diversified.

Two of the Trust's tenants, Linens 'n Things and Mervyns have filed for Chapter 11 bankruptcy (voluntary petition for bankruptcy protection). Should leasing of any of their spaces become necessary, we are confident of the leasing prospects of these sites as they are of high quality and in areas with strong demographics. In addition, the Trust through the joint venture has access to US\$8 million of security deposits and has drawn down and received an additional US\$25 million under the letter of credit established at acquisition to assist with any re-leasing expenses. At the date of preparing this report, both tenants are up-to-date with rental payments on all leases.

Over the next 12 months, the Trust will continue to focus on the active management of its risk profile via refinancing, diversifying and restructuring debt sources in conjunction with selective asset sales to provide balance sheet flexibility in the medium term.

The proceeds from asset sales and capital hedge unwinding will not be included in core earnings and will be used to further strengthen the balance sheet. Future distributions will be paid half yearly instead of quarterly from cash available from core earnings after ongoing capital maintenance needs have been met.

As a result of higher borrowing costs, lower occupancy and removal of cross currency hedge income, and subject to any unforeseen events, we are anticipating Trust core earnings of 8.0 cents per unit to 8.5 cents per unit for the 2009 financial year, with cash distributions for the same period of 6.0 cents per unit, in line with our new distribution policy.

Finally, we would like to confirm the Board appointment of Mr Luke Petherbridge as chief executive officer of the Trust. Mr Petherbridge joined the Trust as general manager in April 2008 and replaced Mr Simon Jones, the acting chief executive officer. Mr Jones will continue his involvement with the Trust through his role as co-head of Macquarie Real Estate Capital.

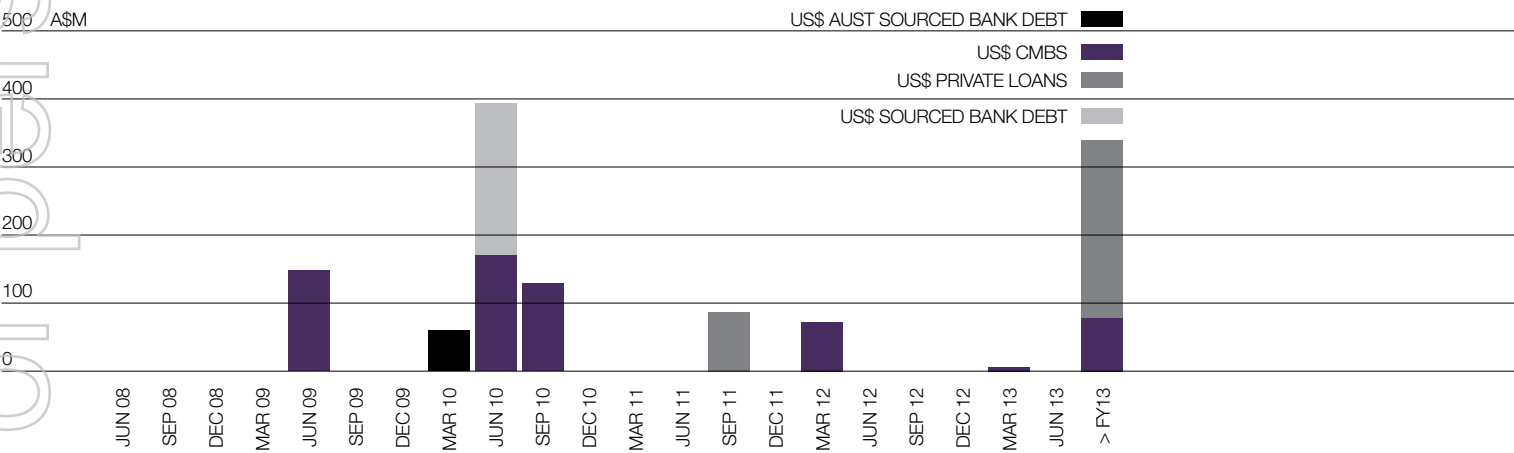


**Richard Sheppard**  
Chairman





Debt maturity profile <sup>(1)</sup>



<sup>(1)</sup> At 26 August 2008.



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#### Diverse and secure debt

The Trust's debt profile includes a diversity of funding sources with a weighted average term to maturity of 3.3 years, with no borrowings maturing until June 2009.

In August, we refinanced a debt facility of US\$340.5 million, originally maturing in December 2008, in two tranches for three to seven years. Currently, a US\$148 million (Trust share) debt facility is due to mature in June 2009 which is secured by 17 assets with a loan-to-value ratio at 30 June 2008 of approximately 50%. Management has commenced discussions with lenders with a view to refinancing this facility before maturity.

#### Gearing

As at 30 June 2008, debt to total assets was 54.5% and interest cover was 2.5 times interest expense. Importantly, the Trust was compliant with all lender covenants during the period.

The Trust has three gearing and interest coverage ratio covenants in place across its debt facilities and there are no market capitalisation covenants.

During the period, negotiations were entered into regarding US\$140 million of assets that were selected for disposal with any proceeds to be used for debt repayment.

#### Foreign exchange and interest rate management

Macquarie DDR's hedging policy provides the Trust with protection against future adverse movements in foreign exchange rates.

We continue to maintain hedged positions across the Trust's foreign income sources, with internationally sourced income hedged at 100% for over four years.

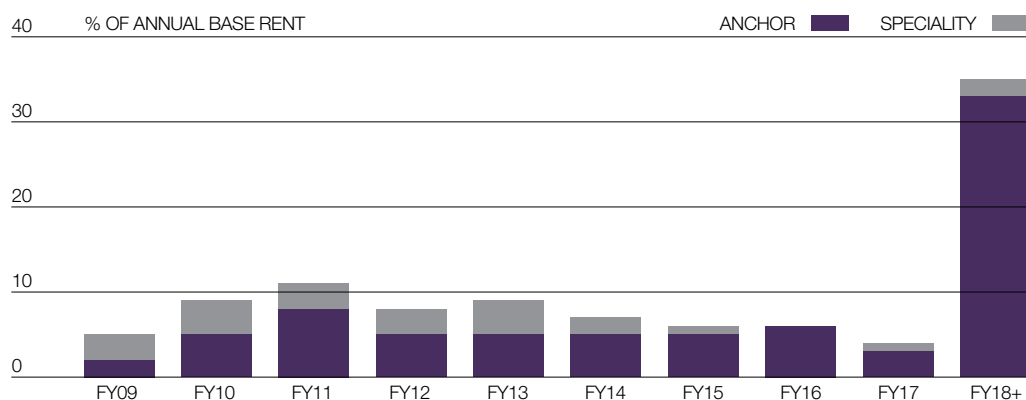
During the year, the Board changed the Trust's capital hedging policy. We are now targeting to hedge between 60% and 100% of total offshore assets. The reason for this change in strategy is to allocate more resources for reducing gearing levels. The closing of all of the Trust's capital hedges in August 2008 has realised a profit of approximately \$15 million which will be used to repay debt.

Management also unwound interest rate swaps which reduced the Trust's total fixed portion of debt to approximately 84% with a debt cost, including margins, of 5.7%. This reduction allows the Trust to take advantage of lower prevailing floating interest rates.

#### Equity management

Following a review of the Trust's capital management strategy, the Trust has reinstated the Distribution Reinvestment Plan (DRP) for the June 2008 quarter at a discount of 2.0% in order to conserve capital. This is considered to be a prudent action to retain cash in the Trust given the prevailing credit market conditions.

## Lease expiry profile



### Leasing update

The leasing results achieved during the year reflect the Trust's continued emphasis on securing long-term income streams across its diverse portfolio. Despite challenging market conditions, the Trust's overall leased rate fell marginally from 98.5% to 96.7% in the past 12 months.

During the 12 months to 30 June 2008, leases were signed on 961,771 sq ft or 5.8% of the total portfolio. The weighted average rental increase achieved was 9.2% on new leases and renewals with a portfolio weighted average term of seven years.

Key leasing transactions completed included 47 new leases for 286,506 sq ft with an average rental increase of 26.3%<sup>(1)</sup> and weighted average lease terms of 7.3 years. New leases included those with national retailers such as Marshalls and PETSMART.

The 122 renewals secured during the year covered 693,265 sq ft and delivered an average rental increase of 7.2% from prior rents with an average term of 4.1 years.

### Highlights for the 12 months

Strong tenant demand across the portfolio resulted in 961,771 sq ft of executed leases

The portfolio weighted average lease term remains healthy at 7.0 years with minimal short-term expiry

Strong tenant retention rate of approximately 65%

New leases and renewals provided a 9.2% upward rental reversion

Over 80% of annual base rent is derived from national retailers

5.3% of leases will expire in financial year 2009

Over the past year, the Trust continued to benefit from strong rental reversions from renewals and new leases.

These results highlight the resilience of the discount retailer sector in challenging retail conditions.

### Tenant update

Two of the Trust's tenants, Mervyns and Linens 'n Things, have filed for Chapter 11 bankruptcy protection to restructure their debt and business operations.

On 13 August 2008, Mervyns announced plans to close 26 of its 176 stores, of which eight of the stores to be closed are part of the Trust's portfolio contributing approximately 2.0% of annual base rent. As part of the original acquisition, a US\$25 million (US\$12.5 million, Trust share) letter of credit was established.

Mervyns remains up-to-date with all rental payments to the Trust. However, management decided to draw on the letter of credit to protect the Trust's interests. This action ensures that the joint venture receives its full entitlement and control of the US\$25 million. The additional funds will result in a financial benefit for the joint venture, either offsetting re-tenancing costs or providing additional liquidity.

<sup>(1)</sup> Excluding leases vacant for more than 12 months.





## COMMUNITY SHOPPING CENTRE FORMAT

The centres are often located near major highways and thoroughfares and have been specifically designed to offer consumers convenience and accessibility.

Community shopping centres are typically 'open air' complexes, surrounding a central carpark, with a number of retail 'boxes' housing a tenant. This format is uncommon in Australia, but has proven to be the most popular retail concept in the US. The centres are often located near major highways and thoroughfares and have been specifically designed to offer consumers convenience and accessibility.

### Top 10 tenants

Tenant	Category	GLA (sq ft)	% of Annual base rent
Mervyns	Discount	2,816,881	10.3%
TJX Companies	Apparel	769,958	4.5%
PETsMART	Pet supplies	453,549	3.7%
Kohl's	Department	891,780	3.5%
Best Buy	Electronics	408,861	3.0%
Wal-Mart	Discount	653,518	2.8%
Linens 'n Things	Houseware	322,653	2.4%
Bed Bath & Beyond	Houseware	306,534	2.2%
Dick's Sporting Goods	Sporting goods	304,920	2.0%
Schottenstein Stores	Shoes/furniture/apparel	245,655	2.0%

### A successful retail format

The retail 'boxes' are modestly fitted, have straightforward internal and external construction and design and generally have a single entrance and checkout. The simplicity in design results in lower operating and ongoing costs relative to traditional enclosed shopping mall formats.

The popularity of these shopping centres for both consumers and retailers is evident in their success. Shoppers enjoy the convenience of being able to drive up to a retailer's entrance, walk inside, make a purchase and leave with relative ease. Merchants are attracted to the low costs associated with the format which has gained popularity among discount retailers.

The success of the value and convenience shopping centre format is evident in the continued growth in merchandise sales for these outlets, compared with conventional and national department stores for general merchandise.

Typically, tenants have shown relatively low historic volatility and have generally gained market share in more challenging environments.

## PROPERTY PORTFOLIO

Property	Book value (US\$m)	Total owned GLA (sq ft, '000)	Net property income (US\$'000)	% of the Trust total income (%)	Implied cap rate (%)	Leased (%)	Weighted average lease expiry (years)
Mervyns Assets	447.2	2,816.9	31,260	11.3	7.1	100.0	12.2
Shoppers' World, Boston, Massachusetts	241.7	778.5	13,356	8.2	5.8	100.0	4.0
Woodfield Village Green, Chicago, Illinois	139.8	508.8	7,993	4.9	6.0	97.9	4.6
Riverdale Village, Coon Rapids, Minnesota	139.7	778.1	8,662	5.3	6.3	99.0	10.8
Cheektowaga Properties, Buffalo, New York	113.0	907.6	8,220	5.1	7.8	96.3	6.5
The Plaza's at Great Northern, Cleveland, Ohio	105.2	628.2	7,208	4.4	7.0	90.2	5.1
Clarence Properties, Buffalo, New York	94.1	884.2	6,300	3.9	7.3	94.2	6.5
Connecticut Commons, Hartford, Connecticut	91.0	566.5	6,100	3.8	6.8	98.8	9.6
New Hartford Consumer Square, Utica, New York	83.0	508.1	5,166	3.2	6.8	100.0	7.7
Fairfax Towne Center, Washington DC, Virginia	77.9	253.4	3,951	2.4	6.0	99.1	5.2
Perimeter Point, Atlanta, Georgia	72.0	352.3	4,631	2.9	7.0	100.0	4.7
Belden Park Crossings, Canton, Ohio	70.0	478.1	4,833	3.0	6.9	98.5	4.1
Independence Commons, Kansas City, Missouri	66.0	386.1	4,700	2.9	7.4	99.1	5.4
Towne Center Prado, Atlanta, Georgia	57.5	326.7	3,669	2.3	6.8	96.3	4.3
Fayetteville Properties, Fayetteville, Arkansas	56.6	399.7	3,620	2.2	6.7	90.1	5.1
Merriam Town Center, Kansas City, Kansas	55.2	351.2	3,949	2.4	7.0	98.8	7.2
Carillon Place, Naples, Florida	50.5	267.8	3,038	1.9	6.0	100.0	3.5
Market Place at Brown Deer, Milwaukee, Wisconsin	45.2	410.1	2,981	1.8	7.1	99.1	5.3
Lake Brandon Plaza and Village, Tampa, Florida	43.7	290.1	2,898	1.8	6.6	99.4	7.5
Township Marketplace, Pittsburgh, Pennsylvania	40.9	298.6	2,406	1.5	6.3	92.7	8.2
Pioneer Hills, Denver, Colorado	38.1	139.5	2,148	1.3	6.3	89.2	6.5
Midway Marketplace, St Paul, Minnesota	38.0	324.4	2,590	1.6	6.8	100.0	8.4
Harbison Court, Columbia, South Carolina	37.3	257.6	2,633	1.6	7.3	94.5	3.9
Grandville Marketplace, Grand Rapids, Michigan	35.9	216.9	2,492	1.5	7.0	98.9	6.3
Cool Springs Pointe, Brentwood, Tennessee	35.8	201.4	2,448	1.5	6.8	100.0	4.3
Lakepointe Crossing, Dallas, Texas	34.8	324.6	2,868	1.8	7.5	83.6	3.6
The Marketplace at Town Center, Mesquite, Texas	34.3	178.9	2,323	1.5	6.5	100.0	6.1
River Hills Shopping Center, Asheville, North Carolina	28.6	191.0	2,012	1.2	7.0	100.0	6.3
FlatAcres MarketCenter, Parker, Colorado	26.0	133.0	1,755	1.1	6.3	100.0	5.5
MacArthur Marketplace, Irving, Texas	25.0	248.8	1,833	1.1	6.4	100.0	8.0
Riverchase Promenade, Birmingham, Alabama	24.0	120.1	1,611	1.0	6.9	98.2	4.6
Parker Pavillions, Denver, Colorado	23.6	96.2	1,206	0.7	6.8	77.4	5.7



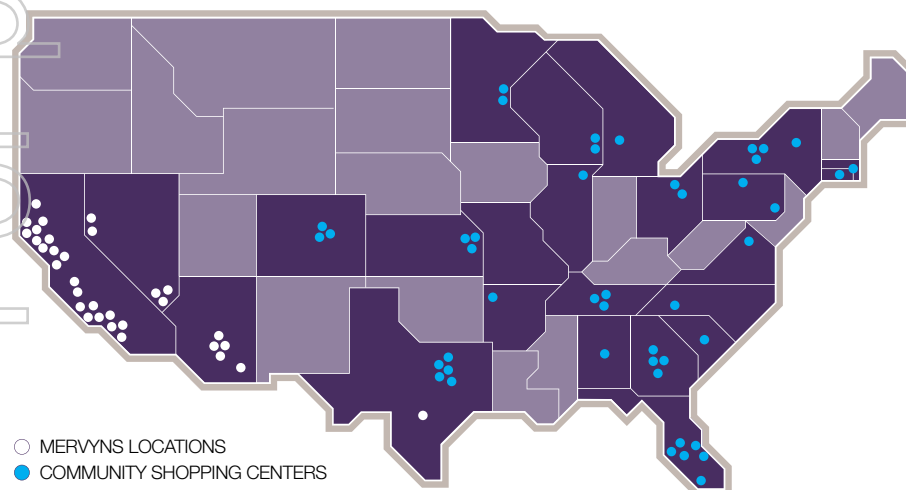
Property	Book value (US\$m)	Total owned GLA (sq ft, '000)	Net property income (US\$'000)	% of the Trust total income (%)	Implied cap rate (%)	Leased (%)	Weighted average lease expiry (years)
Lake Walden Square, Plant City, Florida	22.9	261.9	734	0.5	4.7	58.3	3.9
Turner Hill Marketplace, Shops at Turner Hill, Lithonia, Georgia	22.6	163.7	1,331	0.9	7.2	98.7	5.2
The Marketplace, Nashville, Tennessee	22.2	167.8	1,571	1.0	7.0	98.3	8.6
Shoppers World of Brookfield, Brookfield, Wisconsin	20.2	182.7	1,480	0.9	7.0	100.0	2.4
Batavia Properties, Rochester, New York	19.6	182.4	1,445	0.9	8.3	95.3	5.4
McKinney Marketplace, McKinney, Texas	17.5	119.0	1,059	0.7	6.7	95.5	8.8
Towne Center, Nashville, Tennessee	16.8	108.0	1,289	0.8	6.3	100.0	2.5
Erie Marketplace, Erie, Pennsylvania	14.2	113.0	972	0.6	6.8	100.0	4.2
Winter Park Palms, Winter Park, Florida	14.0	108.9	827	0.5	5.5	81.9	2.1
Piedmont Plaza, Apopka, Florida	13.1	148.1	855	0.5	7.6	89.6	7.5
McDonough Marketplace, Atlanta, Georgia	12.4	53.2	834	0.5	7.1	100.0	4.7
Overland Pointe Marketplace, Overland Park, Kansas	11.7	83.0	673	0.4	6.7	98.3	5.0
Frisco Marketplace, Frisco, Texas	8.7	107.5	638	0.4	7.4	100.0	7.4
<b>Total/Average</b>	<b>2,687.2</b>	<b>16,422.2</b>	<b>174,567</b>	<b>100.0</b>	<b>6.7</b>	<b>96.7</b>	<b>7.0</b>

All figures represent 100% of each property in which the Trust holds an interest.

#### A diverse portfolio of quality assets

The 81 high quality properties in which the Trust has interests, valued at US\$2.1 billion, span across 24 US states. The Trust derives over 80% of its annual base rent from national discount retailers which represent the majority of its tenant base.

#### Location of properties



#### Revaluations

Revaluations were undertaken on all 81 properties in the Trust's portfolio during the year. As stated in our policy, we aim to independently revalue every asset over three years. Due to the current dislocation experienced in the real estate market, we have taken the prudent step to increase the proportion of the portfolio independently valued during 2008. As a result, independent valuations were undertaken on 29 properties in December 2007 and 22 properties in June 2008, representing over 70% of the Trust's portfolio by value. The remaining properties during each period were revalued by directors based on market evidence. These independent and director valuations have resulted in a US\$122.9 million, or 4.4% decrease compared to the overall book value at 31 December 2007.

The movement in the total portfolio value is the result of a 1.1% increase attributable to income growth and a decrease of 5.7% attributable to capitalisation rates softening from 6.3% to 6.7%, reflecting reduced demand for retail real estate.

Continued rental reversions and the maintenance of a high-leased rate for the Trust's portfolio have supported asset prices.

Our Board comprises some of the most highly regarded people in the property and business community in Australia and the US.

**1 Richard Sheppard**  
Chairman

*Appointed 8 October 2003*

Richard has been deputy managing director of Macquarie Group Limited since 1996 and since 2007 has been managing director and chief executive officer of Macquarie Bank Limited. Richard is chairman of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. He is a director of the Australian Financial Markets Association, Cure Cancer Australia Foundation and the Bradman Foundation. He is also a member of the Australian Government's Financial Sector Advisory Council. Richard has a BEc (1st Class Hons) from the University of Sydney.

**2 Steven Guttman**  
Independent Director

*Appointed 12 January 2004*

Steven has extensive real estate experience with specific expertise in community shopping centres and mixed-use urban property acquisition, development and management in the US. He retired in January 2003 as chairman and CEO of Federal Realty Investment Trust following a 30 year career, 20 years of which he served as CEO. Additionally, in 1998 Steven founded Storage Deluxe Management Corporation, a US based owner, developer and manager of self storage properties. Since 1973, Steven has been a member of the National Association of Real Estate Investment Trusts, having served on its board of governors, executive committee and also as chairman in 1997-98, and continues as ex-officio member of its board. He has been an active member of the International Council of Shopping Centers since 1972, having served as a state director and also as a trustee. He is currently on the executive committee of the Center Pompidou Foundation and also co-chairman of Miami Art Museum's international committee and on the board of advisors of the George Washington University Law School. Steven has a BA from the University of Pittsburgh, a Juris Doctorate from George Washington University, both with honours, and is a member of Macquarie DDR's audit committee.



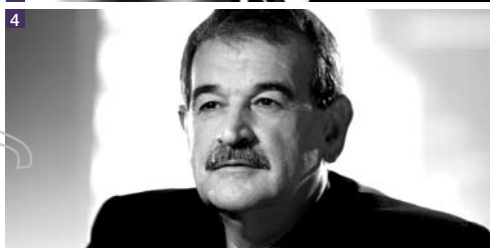
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### 3 Robert Joss

Independent Director

*Appointed 19 August 2004*

In addition to relevant Australian and American corporate expertise, Bob brings to the board extensive experience in finance and banking, and is a recognised industry leader in management effectiveness and leadership. A former chief executive officer and managing director of Westpac (1993–1999), Bob is currently the Phillip H. Knight Professor and Dean of the Stanford University Graduate School of Business. He has served as a White House Fellow, a US Treasury official, vice chairman of Wells Fargo Bank and chairman of the Australian Bankers Association. He is currently a director of Wells Fargo & Company, Agilent Technologies Inc, the Bay Area Council and is a member of Macquarie DDR's audit committee. Bob has a BEc (highest honours) from the University of Washington, Sloan Program Fellow, Stanford University and has an MBA Stanford University and a PhD Stanford University.

### 4 David Spruell

Independent Director

*Appointed 12 January 2004*

David has more than 37 years experience in investment management and financial services in both the UK and Australia. He held a number of senior roles at Prudential in Australia including head of Investment Management and chief executive of Prudential's Investment Dealer group. He was an executive director of Prudential (Australia) as well as a number of its subsidiaries. He was CEO of Allianz Asset Management Australia and was a director of many of the subsidiaries of Allianz Australia Limited. David is chairperson of the Workers Compensation Insurance Fund Investment Board in New South Wales and a non-executive director of Orchard Funds Limited, Orchard Property Limited and Rabo Financial Advisors Limited. He is a fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia. David has a BCom (Hons) from the University of Birmingham and is chairman of Macquarie DDR's audit committee.

### 5 Scott Wolstein

Director

*Appointed 8 October 2003*

Scott has been the chief executive officer and a director of Developers Diversified Realty since its listing in 1992. He has been chairman of the board of directors of the company since May 1997. Prior to the organisation of the company, Scott was a principal and executive officer of Developers Diversified Group ("DDG"), the company's predecessor. He graduated cum laude from both the Wharton School at the University of Pennsylvania and the University of Michigan Law School. Following law school, Scott was associated with the law firm of Thompson Hine. He is currently a member of the board of governors and executive committee of the National Association of Real Estate Investment Trusts (NAREIT); board of directors of the Real Estate Roundtable; board of trustees of Hathaway Brown School; board of trustees for Case Western Reserve University; board of directors for United Way of Greater Cleveland; board of directors of University Hospitals Health Systems; board member of the Greater Cleveland Partnership; board member of the Cleveland Development Advisors; and member of the executive committee and board of trustees of the Zell-Lurie Wharton Real Estate Center. He is also a current member of the Urban Land Institute, PREA, and the World's President Organization. Scott is a four-time recipient of the Realty Stock Review's Outstanding CEO Award.

### 6 David Oakes

Director

*Appointed 10 December 2007*

David joined Developers Diversified Realty as executive vice president of finance and chief investment officer in April 2007. He actively oversees the company's capital markets, public finance and investment initiatives. He also provides strategic oversight to Developers Diversified's investor relations activities and represents the company in communications with the financial and investment communities. Prior to joining Developers Diversified, David served as senior vice president and portfolio manager at Cohen & Steers Capital Management, where he oversaw the firm's global and international real estate securities portfolios for the oldest and largest dedicated real estate securities fund manager. Previously he worked as a research analyst in global investment research at Goldman Sachs, where he covered U.S. REITs. David earned his bachelor's degree at Washington University of St. Louis and is a Chartered Financial Analyst (CFA). He is a member of the Urban Land Institute (ULI), the International Council of Shopping Centers (ICSC) and National Association of Real Estate Investment Trusts (NAREIT).

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**7 Daniel Hurwitz**  
Director  
*Appointed 8 October 2003*

Daniel was appointed president and chief operating officer of Developers Diversified Realty in May 2007. He previously served as senior executive vice president and chief investment officer since May 2005, and as executive vice president of Developers Diversified Realty from June 1999 through April 2005. Daniel's experience in real estate development has been built over the many years he has worked in the industry. He was senior vice president and director of real estate and corporate development for Boscov's Department Stores, Inc, a privately held department store company in Reading, Pennsylvania and prior to that, development director for the Shopco Group, a New York based developer and acquirer of regional and super regional shopping malls. Daniel is a member of the board of directors of Boscov's Department Store Inc.; a member of the board of trustees of U-Store-It, Inc. (NYSE: YSI); and a member of the Developers Diversified/Sonae Sierra Brazil Advisory Committee that oversees all venture activities in Brazil. Professionally, he is a member of International Council of Shopping Centers (ICSC) serves on ICSC's board of trustees and co-chairs the ICSC's Open Air Centers Committee. Daniel is also a member of the Urban Land Institute (ULI). He has served on the board of the Colgate University Alumni Corporation, Colgate University Maroon Council, Berks County Food Bank and Children's Aid Society, the Children's Museum of Cleveland and the Reading Jewish Community Center and has a BA from Colgate University.

**8 Mark Baillie**  
Director  
*Appointed 19 August 2002*

After spending five years in the United States founding and building Macquarie Real Estate's North American real estate funds management business, Mark is now based in Macquarie's London office to focus on Macquarie Real Estate's European expansion. Mark is an executive director of Macquarie Group Limited and head of Real Estate, Europe and North America. He is a director of Macquarie Office Management Limited, manager of Macquarie Office Trust, and alternate director of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. He is a former chairman of the Association of Foreign Investors in Real Estate and a member of the Real Estate Roundtable, both US based organisations. Mark is a chartered accountant and has a BCom from the University of New South Wales.





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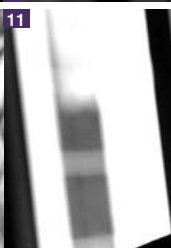
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**9 Stephen Girdis**  
Director

*Appointed 18 March 2005*

Stephen is global head of Macquarie Real Estate Group, and one of the leaders in the establishment and growth of a range of successful property trusts. He joined Macquarie Group Limited in 1987 and is an executive director, and has worked in all aspects of the real estate business. He is also chairman of Macquarie Prime REIT. His former directorships include many of Macquarie Real Estate's unlisted real estate funds and listed real estate investment trusts including M3 Capital Partners LLC and Goodman Group. Stephen has more than 25 years experience in chartered accounting, property finance, funds management and investment banking. Stephen has a BCom from the University of New South Wales.

**10 Joan Allgood**

Alternate Director for Daniel Hurwitz and Scott Wolstein

*Appointed 12 January 2004*

As executive vice president of corporate transactions and governance and secretary of Developers Diversified Realty, Joan's responsibilities include the execution of the company's external growth strategy through management of the closing process for mergers, acquisitions and dispositions, and the compliance with corporate governance policies and practices. She also serves as corporate secretary to Developers Diversified's board of directors. Joan was Developers Diversified's senior vice president and general counsel from 1999 to 2005, vice president and general counsel from 1993 when the company was organised as a public company, and general counsel of its predecessor entities since 1987. She was promoted to executive vice president in 2005. Joan practised law with Thompson Hine from 1983 to 1987 and has a BA from the Denison University and a Juris Doctorate from Case Western Reserve University. She is a member of International Council of Shopping Centers, American College of Real Estate Lawyers, the American Bar Association & the Ohio Bar Association.

**11 John Wright**

Alternate Director for Richard Sheppard, Mark Baillie and Stephen Girdis and Company Secretary

*Appointed 18 March 2005*

John brings extensive industry experience and operational funds management skills to the board. He is an executive director of Macquarie Group Limited and has been responsible for the administration of the Trust since its inception. John is a director of Macquarie Leisure Management Limited, manager of Macquarie Leisure Trust and Macquarie Leisure Operations Limited and alternate director of Macquarie Direct Property Management Limited, manager of several unlisted property trusts. He was an alternate director of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. John has more than 30 years experience in chartered accounting, investment banking and funds management. John is a chartered accountant and has a BEc from the University of Sydney.

**12 Kara Nicholls**

Company Secretary

Kara Nicholls was appointed to the position of secretary on 4 April 2006. With over 10 years experience in real estate and equity capital markets, Kara brings extensive knowledge of listing rules, compliance, corporate governance and administration to the board. Kara is company secretary of a majority of entities within Macquarie's Real Estate Capital division, including the management companies of all the listed real estate investment trusts. Prior to joining Macquarie in 2003, Kara spent six years at the Australian Securities Exchange (ASX). Kara is a chartered secretary and a member of the Australian Institute of Company Directors. She holds a BBus from the University of Technology Sydney and is a fellow of Chartered Secretaries Australia.

### Corporate governance in Macquarie managed funds

Macquarie's expertise in managing fund assets and sourcing new value-adding opportunities is a key attraction for investors in Macquarie Managed Funds (Funds). Macquarie recognises that investors have entrusted their investments to us because of the Macquarie association and management experience. Macquarie has set expectations for Funds which include an appropriate corporate governance framework.

While Macquarie exercises general oversight of its funds management subsidiaries, decision-making relating to transactions by Funds is the responsibility of and made by the directors of the responsible entities of, and companies within, the Funds.

### Related party transactions with Macquarie and Developers Diversified Realty

Macquarie and Developers Diversified Realty (Developers Diversified), as part of their existing businesses, are able to offer various resources in areas in which the Trust may seek professional services. Macquarie DDR Management Limited (Manager) has access to the resources available within Macquarie.

The resources provided by Macquarie are in accordance with a resources agreement, as amended from time to time, to assist the Manager to fulfil its duties and include the provision of services by senior executives such as the chief executive officer (CEO), chief financial officer (CFO), compliance manager and company secretary. Macquarie will also appoint appropriately skilled executive and independent directors and will monitor their performance to ensure that the Trust continues to be managed appropriately.

Related party transactions with Macquarie Group and Developers Diversified entities are clearly identified and governed by rules such as being tested by reference to market standards or agreed guidelines or being benchmarked to independent third parties.

Examples of areas in which Macquarie and Developers Diversified may provide resources or services are: equity underwriting, property due diligence, property management, property agency services including facility management, leasing, property sales and acquisition, project management, debt arrangement, accounting, and corporate, development management and property compliance.

In the course of normal activity, Macquarie and Developers Diversified may have an interest in properties owned or acquired by the Trust.

Amounts payable to a related party are subject to approval or ratification by the Board with the interested directors abstaining.

### ASX corporate governance principles and recommendations

In August 2007, the Australian Securities Exchange's (ASX) Corporate Governance Council amended its Corporate Governance Principles and Best Practice Recommendations (ASX principles).

The ASX principles are not prescriptive. Listed entities are required to disclose the extent of their compliance and to explain why if they have not adopted a recommendation.

Other than where specifically stated to the contrary, the corporate governance structure as described below complies with the amended ASX principles.

For information on the Trust's corporate governance, please visit [www.macquarie.com.au/mdt](http://www.macquarie.com.au/mdt)

Under the *Corporations Act 2001 (Cth)* (Corporations Act) and the general law of trusts, the Manager has a duty to manage the Trust in the best interests of members. The Corporations Act requires the Manager to, among other duties, act honestly, act in accordance with a duty of care and diligence and, if there is a conflict between the members' interests and its own interests, give priority to the members' interests.

To conduct its activities, the Manager holds an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC). To retain its AFSL, the Manager must comply with specific requirements. These include maintaining a required minimum level of solvency and properly training and supervising its employees and agents.

Under the Corporations Act, the Manager must administer the Trust in accordance with a written constitution and must also prepare and lodge with ASIC a detailed compliance plan.

The constitutions of the Trust and of the Manager govern, among other things, how the Trust must operate, the rights of members, and how remuneration of the Manager is calculated. The compliance plan sets out the mechanisms in place to ensure compliance with the constitutions and the Corporations Act.

### Corporate governance statement

Macquarie DDR Trust (Trust) is managed by Macquarie DDR Management Limited resourced by the Real Estate Capital (REC) division of Macquarie Group Limited (Macquarie).

Macquarie DDR Management Limited as manager of the Trust considers that most of the recommendations contained in the ASX principles are relevant.

**Several of the recommendations are either not relevant to the Trust or the Manager has decided not to implement them. These are:**

- **ASX Recommendation 1.2 and 1.3 as the Manager has not disclosed the process for evaluating the performance of senior executives as the Trust does not have employees;**
- **ASX Recommendation 2.1, 2.2, 2.4 and 2.6 as a majority of the Board are not independent, the chairman is not an independent director and the Manager has not established a nomination committee; and**
- **ASX Recommendation 8.1 and 8.3 as the Manager has not established a remuneration committee.**

## The Trust

### Nature of the Trust

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

### Role of the Manager

The board of the Manager (Board) is committed to achieving sound corporate governance practices.

### Principle 1

#### Lay solid foundations for management and oversight

The Board charter details the composition, roles and responsibilities of the Board and their relationship with management to accomplish the Board's primary role of promoting the long term health and prosperity of the Trust.

- The Board charter is available on our website.

As set out in the Board charter, the Board may delegate authority to Board committees and approve delegations to management. The management delegations of authority typically enable implementation of decisions such as capital expenditure, due diligence and aspects of property acquisitions and disposals. (ASX Recommendation 1.1)

#### Conflicts of interest

The Board has guidelines for declaring and dealing with potential conflicts of interest which include:

- Board members declaring their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- Board members with a material personal interest in a matter not being present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and

- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Board has also established protocols for identifying, managing and highlighting conflicts.

Procedures have been put in place to resolve any conflicts that may arise from related party transactions.

The Manager will not enter into transactions with a member of Macquarie or where Macquarie has an interest (other than its role as Manager) unless that transaction has been approved, in accordance with the constitutions, or by a majority of the independent and Developers Diversified directors. Where a proposed transaction involves a member of Developers Diversified, that transaction must be approved, in accordance with the constitutions, or by a majority of the independent and Macquarie directors. Where a proposed transaction involves the Trust and the Manager, that transaction must be approved, in accordance with the constitutions, or by a majority of the independent directors. In this context, 'transactions' may include approvals, consents, waivers and agreements.

In addition, directors are under a fiduciary duty to act in the best interests of members in relation to decisions when they are voting as a member of the Board. Further, the ASX Listing Rules may require member approval in relation to the acquisition and disposal of assets or transactions with persons in a position of influence.

Directors and staff of the Manager, Macquarie and Developers Diversified are expected to act with integrity and honesty.

## Performance of key executives

The Trust has no employees. As resources are provided by Macquarie, evaluating performance of key executives is not applicable. (ASX Recommendation 1.2 and 1.3)

**This represents a departure from ASX Recommendation 1.2 and 1.3 as the Manager has not disclosed the process for evaluating the performance of senior executives as the Trust does not have employees.**

Macquarie profit share allocations are variable and can comprise a high proportion of total remuneration in the case of superior performance.

Whilst there is no set formula to determine profit share allocation, factors which are taken into account include operational performance of underlying assets, effective capital management, maintenance of reputation, leadership, management and total return for investors.

Macquarie will evaluate semi-annually the performance of key executives. Both qualitative and quantitative measures are used, consistent with the dimensions for review of executive directors.

### Principle 2

#### Structure the board to add value

The Board charter reflects the objectives, roles and responsibilities of the Board.

The Board considers that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- understand the business of the Trust and the environment in which it operates so as to be able to agree with management the objectives, goals and strategic direction which will maximise investor value; and
- assess the performance of management in meeting those objectives and goals.

**Appointment criteria**

The following guidelines apply to director selection and nomination.

Candidates for directorship must possess:

- integrity;
- particular expertise (sector and functional) and the degree to which they complement the existing Board;
- reputation and standing in the market; and
- in the case of prospective independent directors, independence from Macquarie and Developers Diversified.

A letter of appointment is issued to new independent directors to ensure they are advised of their responsibilities and are aware of the resources the Manager can provide.

In accordance with the above criteria, all nominations of independent directors to the Board are approved by Macquarie or Developers Diversified. Macquarie and Developers Diversified nominate executives to the Board.

Membership of the Board is set out below. Details of each individual director's background are set out in the directors' report. (ASX Recommendation 2.6)

The Manager's Constitution provides that the maximum number of directors shall be nine unless amended by a resolution of members. The number of directors necessary to constitute a quorum at a Board meeting varies depending on the nature of the decision.

**Independent directors**

Macquarie, Developers Diversified and the Manager recognise that independent directors are important in assuring investors that the Board is properly fulfilling its role and is diligent in holding management accountable.

**This represents a departure from ASX recommendation 2.1 as a majority of the Board is not independent.**

Macquarie, Developers Diversified and the Manager believe that independence is essentially a state of mind evidenced by an ability to constructively challenge and independently contribute to the work of the Board. The importance of independence, determined by objective criteria, is acknowledged as being desirable to protect investor interests and optimise the financial performance of the Trust and returns to investors.

The independence of directors is assessed annually in accordance with the Macquarie Group Managed Funds definition of independent director.

A director will be considered independent if not a member of management and if he/she meets the following criteria (to the satisfaction of Macquarie):

- must be appointed in a non-executive capacity and therefore must not be a director, officer or employee of any Macquarie Group entity;
- must not be a substantial shareholder of Macquarie or the Fund, or a company holding more than 5% of the voting securities of Macquarie or the Fund;

Current Board composition	Board membership	Date of appointment
Richard Sheppard	Executive Chairman	8 October 2003
Steven Guttman	Independent Director	12 January 2004
Robert Joss	Independent Director	19 August 2004
David Spruell	Independent Director	12 January 2004
Scott Wolstein	Director	8 October 2003
David Oakes	Director	10 December 2007
Daniel Hurwitz	Director	8 October 2003
Mark Baillie	Director	19 August 2002
Stephen Girdis	Director	18 March 2005
Joan Allgood	Alternate Director for Scott Wolstein and Daniel Hurwitz	12 January 2004
John Wright	Alternate Director for Richard Sheppard, Stephen Girdis and Mark Baillie	18 March 2005



- must not be an officer of, or otherwise associated directly or indirectly with, a shareholder holding more than 5% of the voting securities of Macquarie or the Fund (other than the responsible entity of the relevant Fund);
  - must not, within the last three years, have been employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another Macquarie Group entity, or a director of any such entity after ceasing to hold any such employment;
  - must not be and has not within the last three years been a principal or employee of a professional adviser whose billings to the Fund, the Macquarie Group or other Funds over the previous full year, in aggregate, exceed 5% of the adviser's total revenues over that period. A director on the Fund board who is or within the last three years has been a principal, director or employee of a professional adviser must not participate in any consideration of the possible appointment of that firm as professional adviser to a Fund and must not participate in the provision of any service by that firm to the relevant Fund, another Fund, or the Macquarie Group more generally;
  - must not be a 'significant supplier' or 'significant customer' of the Fund, the Macquarie Group or other Funds, or an officer of or otherwise associated directly or indirectly with, a significant supplier or customer. A 'significant supplier' is defined as one whose aggregate revenues over the previous full year from the Fund, the Macquarie Group and other Funds exceed 5% of the supplier's total revenue over that period. A 'significant customer' is one whose amounts payable to the Fund, the Macquarie Group and other Funds exceed 5% of the customer's total operating costs;
  - must not, other than as a director of a Fund board, have any contractual relationship with any member of the Macquarie Group that is material to that director;
  - must not be a director on more than two Fund boards;
  - must not have served for a term exceeding 12 years, subject to any approved transitional provisions relevant to service prior to 2003; and
  - must not have any other interest or relationship that could interfere with the director's ability to act in the best interests of investors in the Fund and independently of the Macquarie Group.
- Exemptions:
- Where an individual may not meet one or more of the above criteria, Macquarie's board corporate governance committee may make a specific determination that in the particular overall circumstances of that individual, the fact that all of the above criteria have not been met is unlikely to prevent the individual from exercising independent judgement on the relevant board(s); and that the individual should be considered by the Macquarie Group to be an independent director on the relevant board(s). Even if this determination is made, the Australian Prudential Regulation Authority, ASX and any other relevant regulatory requirements will still apply.
- Macquarie and the Manager have determined that each of the independent directors satisfies all of the above criteria and brings an independent mind to their duties as a director. The criteria used to assess independence, including the materiality thresholds referred to above, are reviewed from time to time.

The independence of each independent director is monitored by the Manager. Directors may be required to provide information to enable assessment of the ongoing independence. Independent directors are requested to confirm in writing their continuing status as an independent director annually. (ASX Recommendation 2.6)

#### Chairman

Macquarie contributes significantly to the ongoing success of the Trust through the provision of resources. Macquarie and Developers Diversified believe that it is appropriate that a Macquarie executive acts as chairman.

Richard Sheppard is an executive director of Macquarie, managing director and chief executive officer of Macquarie Bank Limited and has been appointed chairman of the Manager. Luke Petherbridge acts as chief executive officer of the Trust.

Richard Sheppard does not satisfy the independence criteria in the ASX principles. However, for the reasons set out below Macquarie, Developers Diversified and the Manager believe that Richard Sheppard is the most appropriate person to act as chairman and, measures outlined below provide an appropriate check on executive power. (ASX Recommendation 2.2 and 2.6)

**This represents a departure from ASX Recommendation 2.2 and 2.6 as the chairman is not an independent director.**

Given the Trust's diverse, complex and highly specialised activities, it is important that the Board is chaired by someone with a deep understanding of its operations. Richard Sheppard's experience is highly regarded and assists with ensuring that management provides the Board with adequate information to facilitate effective decision-making. His wide experience enables him to provide support and advice to the CEO while respecting executive responsibility.

Macquarie, the Manager and Developers Diversified consider it to be in the best interests of investors for Richard Sheppard to continue to act as chairman.

The Manager has also adopted a number of practices to regulate the division of responsibilities between the Board and management, and the accountability of management to the Board, including:

- separate individuals perform the roles of chairman and CEO; (ASX Recommendation 2.3)
- the appointment of a lead independent director to act as a conduit for issues that the independent directors may have as a group;
- having independent directors on the Board;
- the independent directors meet at least once per year in the absence of management with the lead independent director chairing such meetings;
- the delegation of certain responsibilities to Board committees, a number of which the chairman is not a member. The Board audit committee charter states that the chairman of the Board shall not be eligible to be chairman; and
- the ability of directors to seek independent professional advice for Trust related matters, at the Manager's expense, subject to the estimated costs being approved by the chairman in advance as being reasonable. (ASX Recommendation 2.6)

#### Board committees

One standing Board committee has been established to assist in the execution of the Board's responsibilities. All Board members are free to attend any meeting of any Board committee.

Membership of the audit committee is outlined on page 22 in this statement.

Attendance at Board and committee meetings is set out on page 31 in the directors' report. (ASX Recommendation 2.6)

The audit committee has a charter which includes a description of its duties and responsibilities. The audit committee charter is available in the Corporate Governance section of the Trust's website. (ASX Recommendation 2.6)

The Board may establish other committees.

#### Nomination of directors and Board renewal

The Manager has decided not to establish a nomination committee as Macquarie and Developers Diversified are able to effectively manage the selection and appointment of new directors using their own resources.

**This represents a departure from ASX Recommendation 2.4 as the Manager has not established a nomination committee.**

The Board recognises that it is important that it undergoes a regular process of renewal via changes in membership. Independent directors are appointed for terms that will not exceed 12 years.

#### Performance of the Board

Directors are encouraged to pursue continuing education to update and improve their skills and knowledge.

The performance of the Board has been assessed this year in accordance with the process described below. (ASX Recommendation 2.6)

The process for conducting the Board's performance review consists of the chairman offering to conduct individual interviews with each of the independent directors. Prior to that, the independent directors complete a written performance evaluation and are able to make other comments or raise any issue that they have relating to the Board's or a Board committee's operation. Performance evaluations are completed at least annually. (ASX Recommendation 2.5)

The audit committee undertakes a periodic review of its composition in accordance with its charter which requires at least annual review. The audit committee undertook a review of its composition and performance during the year. (ASX Recommendation 2.5 and 2.6)

Macquarie executives on the Board, the CEO, CFO, compliance manager, company secretary and other Macquarie employees are subject to regular performance evaluations. The evaluation measures performance against set and qualitative indicators and is part of Macquarie's semi-annual performance evaluation process. Individuals' contribution to the performance of the Trust is a significant factor in determining promotion and remuneration.

Developers Diversified executives are also subject to a performance appraisal process.

Macquarie and Developers Diversified, as the ultimate shareholders of the Manager, have the power to appoint and remove any nominated director, at any time. Given the potential performance based remuneration of the Manager, an incentive exists for Macquarie and Developers Diversified to appoint appropriately qualified, skilled and experienced directors.

- The director performance evaluation guidelines are available on our website.

#### Principle 3

##### Promote ethical and responsible decision-making

Macquarie, Developers Diversified, the Board and management are committed to the Trust continuing to be a good corporate citizen. The Manager has a robust framework of policies, underpinned by Macquarie's goals and values, relevant to environmental, social and governance (ESG) responsibilities. A statement setting out Macquarie's position on ESG issues is available on Macquarie's website.

The Manager's code of ethics and conduct and the policies discussed below set the standards for dealing with obligations to external stakeholders.

### Code of ethics and conduct

The code of ethics and conduct (Code) adopted by the Board incorporates Macquarie's goals and values as well as additional principles and standards relevant to funds management activities.

The Code is intended to help directors and staff to understand their responsibilities to uphold the goals and values to which the Manager aspires and to conduct business in accordance with applicable laws and regulations. Importantly, the Code is reflected in and supported by a broad range of Macquarie's policies and procedures that apply.

The Code is periodically reviewed and any necessary amendments will be approved by the Board.

The Code is also reflected in, and supported by, a broad range of Macquarie's internal policies and procedures. It includes a requirement to conduct business in accordance with applicable laws and regulations in the jurisdictions in which it operates, and in a way that enhances its reputation in those markets. (ASX Recommendation 3.1)

- A copy of the code of ethics and conduct is available on our website.

### Macquarie's integrity officer

To strengthen Macquarie's commitment to conducting its business activities in accordance with the highest ethical standards, Macquarie has appointed executive directors, Michael Price and James Hodgkinson, as integrity officers. (ASX Recommendation 3.1)

In acknowledgement of the expanding international nature of Macquarie's business, regional integrity officers and regional integrity support officers have been appointed in Asia, Europe and the Americas.

The integrity officers serve as an independent point of contact to allow directors and staff to raise concerns about integrity related issues. The integrity officers report directly to the managing director of Macquarie and provide a regular report on the activities of the integrity office to Macquarie's board corporate governance committee.

The role of the integrity officers is to:

- develop and implement strategies in the Australian and international offices to assist Macquarie to properly address issues of integrity in the conduct of its business;
- educate, advise and counsel management and staff regarding integrity issues;
- devise and introduce systems to ensure that claims of integrity breaches and any integrity related concerns are dealt with impartially, promptly and confidentially; and
- ensure that the rights of all parties are respected and maintained at all times.

Macquarie has established whistleblower policies in accordance with the legislative requirements and best practice recommendations in each of the jurisdictions in which it operates. The policies aim to provide a working environment that enables employees to voice genuine concerns in relation to:

- a breach of relevant legislation;
- a breach of Macquarie's goals and values;
- financial malpractice or impropriety or fraud;
- failure to comply with legal obligations;
- danger to health and safety or the environment;
- criminal activity; and
- attempts to conceal any of the above.

### Corporate citizenship

Macquarie invests continually in the development and training of its staff, including through a venture with a leading world educational institution. Macquarie also contributes to the communities in which it operates through the work of the Macquarie Group Foundation and by supporting staff in their philanthropic and volunteering endeavours.

### Staff dealing

The Manager's trading policy (Policy) is a subset of Macquarie's personal dealing policy and aims to identify the principles by which the personal investment interests of staff are balanced against the Manager's responsibility to ensure that the personal dealing and investment activities of its directors and staff are conducted appropriately.

- The trading policy is available on our website. (ASX Recommendation 3.2 and 3.3)

The Policy applies to directors and staff (all full and part-time employees and contractors engaged). It also applies generally to 'associates' of staff and directors, which include persons or entities over whom a staff member or director has investment control (such as spouses, dependent children, self-managed super funds and private and family-controlled companies and trusts).

One of the key aspects of the Policy is that it requires directors, staff and their associates to pre-clear trading.

The Policy reinforces the Corporations Act prohibition on trading while in possession of inside information. As an additional safeguard, embargoes on trading are periodically applied when price-sensitive information exists. In addition, embargoes will be placed on securities three weeks prior to the date of the half year and full year results announcements. In all cases, directors and staff are prohibited from trading while they possess material non-public price-sensitive information.

All trading by staff and their associates must be approved in advance by a co-head of REC division or their delegate.

Trading by directors and their associates must be pre-cleared. Approval must be obtained from either a co-head of REC division or their delegate or the company secretary of the Manager prior to placing an order or entering into financing arrangements, including a margin loan, over the Trust's securities.

Employees of Macquarie are not permitted to take net short positions in Macquarie shares or any funds.

#### Principle 4

##### **Safeguard integrity in financial reporting**

###### *Financial reporting*

The Board has responsibility for the integrity of financial reporting. To assist the Board in fulfilling their responsibility, the processes discussed below have been adopted. The processes are aimed at providing assurance that the financial statements and related notes are complete, are in accordance with applicable accounting standards and provide a true and fair view.

###### *Financial assurance*

The Board audit committee (BAC) is comprised of three independent directors. (ASX Recommendation 4.1 and 4.2)

Details of each individual director's background are set out on pages 27 to 31 in the directors' report. Attendance at BAC meetings is set out in the directors' report on page 31. (ASX Recommendation 4.4)

The BAC is made up of the following members:

- David Spruell – chairman and lead independent director;
- Steven Guttman – independent director; and
- Robert Joss – independent director.

The main objective of the BAC is to assist the Board in fulfilling their responsibility for overseeing the review of any matters affecting financial reporting and compliance including:

- exercising oversight over accuracy and completeness of the financial statements with legislative and other mandatory professional reporting requirements;
- making informed decisions regarding accounting policies, practices and disclosures; and
- reviewing the scope and results of external audits.

The responsibilities of the BAC are set out in its charter.

- The audit committee charter is available on our website. (ASX Recommendation 4.3)

The BAC meets at least three times a year, with additional meetings as required. It also meets privately with the external auditor at least annually in separate sessions excluding management to discuss any matters that the BAC or the parties believe should be discussed privately.

The BAC has unlimited access to the external auditor, the compliance manager, company secretary and senior management. The BAC also has the power to institute and oversee special investigations and to consult with independent experts.

#### CEO and CFO declaration

The CEO and the CFO provide the Board with written confirmation that the financial statements present a true and fair view, in all material respects, of the Trust's financial condition and operational results and are in accordance with relevant accounting standards.

#### Auditor independence

The BAC is responsible for overseeing the external audit.

Macquarie and the Manager have policies on auditor independence that apply to services supplied by the external auditor and their related firms. A copy of Macquarie's external auditor policy statement is available on Macquarie's website.

Under the Manager's policy the external audit engagement partner and review partner must be rotated every five years. The Trust's lead audit engagement partner will rotate at the conclusion of the 2011 financial reporting period.

- The auditor independence policy is available on our website. (ASX Recommendation 4.4)

#### Principle 5

##### **Make timely and balanced disclosure**

The Manager believes that investors, regulators, ratings agencies and the investment community generally, should be informed of all material business events and risks that influence the Trust in a factual, timely and widely available manner.

The Manager has a continuous disclosure committee. This committee is responsible for ensuring the Trust meets its disclosure obligations under ASX Listing Rule 3.1.

Investors can obtain up to date information on the Trust's various activities from its website.

- The continuous disclosure guidelines are available on our website.



It is the Manager's policy that any price-sensitive material for public announcement, including annual and interim profit announcements, release of financial reports, presentations to investors and analysts that contain new, price-sensitive information not previously released will be:

- lodged with the ASX as soon as practical and before external disclosure elsewhere; and
- placed on the website as soon as practical after receipt of confirmation of lodgement from the ASX.

#### Principle 6

##### Respect the rights of shareholders

###### *Communications*

(ASX Recommendation 6.1 and 6.2)

It is the Manager's policy that all external communications will:

- be factual and subject to internal vetting and authorisation before issue;
- not omit material information; and
- be timely and expressed in a clear and objective manner.

The Manager is dedicated to the provision and delivery of timely and relevant information to investors.

Investors may choose to receive an annual report, half yearly update and other investor communication electronically or in hard copy.

The Trust's website contains recent material ASX announcements, media releases, past and current communications to investors and answers to frequently asked questions. Analyst and investor forum presentations may be released to the ASX and where appropriate are posted on the Trust's website.

Investors may also register on our website to receive copies of significant announcements by email.

- The investor communications guidelines are available on our website.

#### Annual meetings

Annual meetings may be convened in November or December. The Trust is not required under the Corporations Act to hold an annual meeting. If there is no formal business to be considered, the Trust may hold an informal briefing.

The external auditor will be invited to attend any annual meeting and will be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

For formal meetings, an explanatory memorandum including the proposed motions is included with, and forms part of, the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid ordinary units are eligible to vote (members). The notice of meeting is mailed out and placed on the Trust's website.

Unless specifically stated in a notice of meeting, all holders of fully paid ordinary units are eligible to vote on all resolutions. If members cannot attend formal meetings, they may lodge a proxy in accordance with the Corporations Act. Proxy forms can be delivered, mailed or sent by facsimile.

Members are encouraged to attend the meeting or, if unable to attend, to vote on the motions proposed by appointing a proxy. The proxy form included with a notice of meeting will seek to clearly explain how the proxy form is to be completed and submitted.

The formal addresses at general meetings may be webcast for the benefit of those investors unable to attend in person.

#### Principle 7

##### Recognise and manage risk

###### *Identifying significant business risks*

There are many risks in the markets in which the Trust operates. A range of factors, some of which are beyond the Manager's control, can influence performance. The Board has in place limits and a range of policies and procedures to monitor risk in its activities. These limits, policies and procedures are periodically reviewed by the Board. (ASX Recommendation 7.2)

###### *Risk management framework*

The Board is committed to focusing appropriate attention on the risk management framework and the particular significance of risk to performance.

Risks managed include:

- market, regulatory and reporting risks;
- financial risks (such as liquidity, interest rate, tax, valuation, currency, investment and credit);
- legal risks (such as contract enforceability, covenants and litigation);
- operational risks (such as people, processes, infrastructure, technology and systems);
- occupational health and safety OH&S risks;
- reputation risks (such as investor relations and media management); and
- strategic risk.

The compliance manager is invited to attend quarterly Board meetings. A quarterly risk and compliance report is provided to the Board, relating to the operation of the Trust which includes whether there have been any breaches of the Corporations Act, Constitution, AFSL or any other relevant requirement for the period. This report also summarises complaints received, responses and their status for the period.

- A copy of the risk management framework is available on our website.

**CEO and CFO declaration**

The CEO and the CFO provide the Board with written confirmation that:

- their statement given to the Board on the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Manager's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received the CEO and CFO declaration described above for this financial year. (ASX Recommendation 7.3 and 7.4)

The CEO has reported to the Board on the effectiveness of the management of material business risks faced for the year ended 30 June 2008. (ASX Recommendation 7.2 and 7.4)

**Principle 8****Remunerate fairly and responsibly*****Disclosure of remuneration***

The Manager is entitled to be paid base and performance fees in accordance with the Constitution.

All executives involved in management of the Trust are employees of Macquarie and are not remunerated by the Trust or the Manager. As the Trust has no employees, remuneration of executive directors and senior executives associated with the Trust is managed by Macquarie.

As neither the Trust nor the Manager pays any remuneration to executives of the Manager, the Manager considers that the requirement to disclose its remuneration policies and to establish a remuneration committee are not relevant to the Trust. There are no equity based executive remuneration schemes in operation.

**This represents a departure from the ASX Recommendation 8.1 and 8.3 as the Manager has not established a remuneration committee.**

Please see page 42 for details on calculation of the Manager's fees.

**Macquarie's executive director and senior executive remuneration**

Macquarie's remuneration policies and practices in relation to executive directors and senior executives are as disclosed in Macquarie's remuneration report (see pages 56 to 110 of Macquarie's 2008 annual report).

Macquarie considers that disclosure in its annual report of the structure and objectives of the remuneration policies, and their relationship to the Trust's performance, allows investors to understand the costs and benefits of those policies and the link between remuneration paid to executive directors and key executives and Trust performance. (ASX Recommendation 8.2)

The Manager's trading policy prohibits directors and staff from entering into a transaction that is designed or intended to hedge their exposure to an invested security.

- The trading policy is available on our website. (ASX Recommendation 8.3)

**Independent director remuneration**

To the extent to which the remuneration of independent directors relates to activities that are specifically required by external regulators, the Trust will pay this remuneration. This includes fees paid for compliance activities and service on the audit committee.

During the year, Messrs Spruell, Guttman and Joss were paid an amount of \$30,000 each for compliance activities on behalf of the Trust. Messrs Spruell, Guttman and Joss were paid \$12,000, \$8,000 and \$8,000 respectively for audit activities during the year as members of the audit committee.

Independent directors' remuneration is reviewed from time to time in consultation with external consultants to ensure that their remuneration reflects the services expected to be performed.

All other directors' fees paid to independent directors that do not specifically relate to the Trust are paid by the Manager.

Independent directors are not granted options nor receive bonus payments. There are no termination payments to independent directors on their retirement from office other than payments accruing from superannuation contributions. (ASX Recommendation 8.2 and 8.3)

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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 year ended 30 June 2008.

#### 1 Directors

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

W Richard Sheppard  
 Steven Guttman  
 Robert Joss  
 David Spruell  
 Scott Wolstein  
 David Jacobstein (resigned 10 December 2007)  
 David Oakes (appointed 10 December 2007)  
 Daniel Hurwitz  
 Mark Baillie  
 Stephen Girdis  
 Joan Allgood (alternate for Daniel Hurwitz,  
 David Jacobstein and Scott Wolstein – ceased  
 to act as alternate director for David Jacobstein  
 10 December 2007)  
 John Wright (alternate for W Richard Sheppard,  
 Mark Baillie and Stephen Girdis).

#### 2 Principal activities

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

#### 3 Distributions

The distribution of income for the year ended 30 June 2008 was 9.25 cents per unit. Interim distributions of 2.50 cents per unit were paid in October 2007 and February 2008 and an interim distribution of 2.125 cents per unit in April 2008. A final distribution for the year ended 30 June 2008 of 2.125 cents per unit will be paid in August 2008. A provision has not been recognised in the financial statements at 30 June 2008 as the distribution had not been declared at the reporting date.

#### 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 year, was as follows:

	2008 \$'000	2007 \$'000
Share of net (loss)/profit from investments in joint venture entities	(67,472)	236,541
Total income	(34,090)	269,918
(Loss)/profit	(8,199)	185,255

During the year, the Trust acquired three retail properties in Florida, United States, for a total purchase price of US\$49.8 million. The Trust's interest in these properties at 30 June 2008 was 85%.

#### 5 Value of assets

Value of Trust assets	1,033,646	1,410,968
-----------------------	-----------	-----------

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

#### 6 Interests in the Trust

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

	2008	2007
Units on issue at the beginning of the year	929,460,855	920,159,012
Units issued during the year	—	9,301,843
Units on issue at the end of the year	929,460,855	929,460,855



7 Information on current directors

**W Richard Sheppard**

*Appointed 8 October 2003*

*Age: 59*

Richard has been deputy managing director of Macquarie Group Limited since 1996 and since 2007 has been managing director and chief executive officer of Macquarie Bank Limited. He is a director of the Australian Financial Markets Association, Cure Cancer Australia Foundation and the Bradman Foundation. He is also a member of the Australian Government's Financial Sector Advisory Council. Richard has a BEc (1st Class Hons) from the University of Sydney.

*Current listed directorships*

Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust (chairman since 2007).

*Former listed directorships in last three years*

Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust (director in 2007) Macquarie Private Capital Group (director from 2005-2008).

<i>Special responsibilities</i>	Chairman
<i>Interest in units of the Trust</i>	1,012,000

**Steven Guttman**

*Appointed 12 January 2004*

*Age: 61*

Steven has extensive real estate experience with specific expertise in community shopping centres and mixed-use urban property acquisition, development and management in the US. He retired in January 2003 as chairman and CEO of Federal Realty Investment Trust following a 30 year career with the company, 20 years of which he served as CEO. Additionally, in 1998 Steven founded Storage Deluxe Management Corporation, a US based owner, developer and manager of self storage properties. Since 1973, Steven has been a member of the National Association of Real Estate Investment Trusts, having served on its board of governors, executive committee and also as chairman in 1997-98, and continues as ex-officio member of its board. He has been an active member of the International Council of Shopping Centers since 1972, having served as a state director and also as a trustee. He is currently on the executive committee of the Center Pompidou Foundation and also co-chairman of Miami Art Museum's international committee and on the board of advisors of the George Washington University Law School. Steven has a BA from the University of Pittsburgh, a Juris Doctorate from George Washington University, both with honours, and is a member of Macquarie DDR's audit committee.

*Current listed directorships*

None

*Former listed directorships in last three years*

None

<i>Special responsibilities</i>	Member of audit committee
<i>Interest in units of the Trust</i>	60,000

7 Information on current directors (cont.)

**Robert Joss**

*Appointed 19 August 2004*

*Age: 67*

In addition to relevant Australian and American corporate expertise, Bob brings to the board extensive experience in finance and banking, and is a recognised industry leader in management effectiveness and leadership. A former chief executive officer and managing director of Westpac (1993-1999), Bob is currently the Phillip H. Knight Professor and Dean of the Stanford University Graduate School of Business. He has served as a White House Fellow, a US Treasury official, vice chairman of Wells Fargo Bank and chairman of the Australian Bankers Association. He is currently a director of Wells Fargo & Company, Agilent Technologies Inc, the Bay Area Council and is a member of Macquarie DDR's audit committee. Bob has a BEc (highest honours) from the University of Washington, Sloan Program Fellow, Stanford University and has an MBA Stanford University and a PhD Stanford University.

*Current listed directorships*

None

*Former listed directorships in last three years*

Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust (director from 2004-2007)

*Special responsibilities* Member of audit committee

*Interest in units of the Trust* 250,000

**David Spruell**

*Appointed 12 January 2004*

*Age: 59*

David has more than 37 years experience in investment management and financial services in both the UK and Australia. He held a number of senior roles at Prudential in Australia including head of Investment Management and chief executive of Prudential's Investment Dealer group. He was an executive director of Prudential (Australia) as well as a number of its subsidiaries. He was CEO of Allianz Asset Management Australia and was a director of many of the subsidiaries of Allianz Australia Limited. David is chairperson of the Workers Compensation Insurance Fund Investment Board in New South Wales and a non-executive director of Orchard Funds Limited, Orchard Property Limited and Rabo Financial Advisors Limited. He is a fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia. David has a BCom (Hons) from the University of Birmingham and is chairman of Macquarie DDR's audit committee.

*Current listed directorships*

Orchard Property Limited, manager of Orchard Industrial Property Fund

*Former listed directorships in last three years:*

None

*Special responsibilities* Chairman of audit committee

*Interest in units of the Trust* 230,561

**Scott Wolstein**

*Appointed 8 October 2003*

*Age: 56*

Mr Wolstein has been the chief executive officer and a director of Developers Diversified Realty since its listing in 1992. Mr Wolstein has been chairman of the board of directors of the company since May 1997. Prior to the organisation of the company, Mr Wolstein was a principal and executive officer of Developers Diversified Group ("DDG"), the company's predecessor. He graduated cum laude from both the Wharton School at the University of Pennsylvania and the University of Michigan Law School. Following law school, Mr Wolstein was associated with the law firm of Thompson Hine. Mr Wolstein is currently a member of the board of governors and executive committee of the National Association of Real Estate Investment Trusts (NAREIT); board of directors of the Real Estate Roundtable; board of trustees of Hathaway Brown School; board of trustees for Case Western Reserve University; board of directors for United Way of Greater Cleveland; board of directors of University Hospitals Health Systems; board member of the Greater Cleveland Partnership; board member of the Cleveland Development Advisors; and member of the executive committee and board of trustees of the Zell-Lurie Wharton Real Estate Center. He is also a current member of the Urban Land Institute, PREA, and the World's President Organization. Mr Wolstein is a four-time recipient of the Realty Stock Review's Outstanding CEO Award.

*Current listed directorships*

None

*Former listed directorships in last three years*

None

*Interest in units of the Trust* 100,000

7 Information on current directors (cont.)

**David Oakes**

*Appointed 10 December 2007*

*Age: 30*

Mr Oakes joined Developers Diversified Realty as executive vice president of finance and chief investment officer in April 2007. He actively oversees the company's capital markets, public finance and investment initiatives. He also provides strategic oversight to Developers Diversified's investor relations activities and represents the company in communications with the financial and investment communities. Prior to joining Developers Diversified, he served as senior vice president and portfolio manager at Cohen & Steers Capital Management, where he oversaw the firm's global and international real estate securities portfolios for the oldest and largest dedicated real estate securities fund manager. Previously he worked as a research analyst in global investment research at Goldman Sachs, where he covered U.S. REITs. Mr Oakes earned his bachelor's degree at Washington University of St. Louis and is a Chartered Financial Analyst (CFA). He is a member of the Urban Land Institute (ULI), the International Council of Shopping Centers (ICSC) and National Association of Real Estate Investment Trusts (NAREIT).

*Current listed directorships*

None

*Former listed directorships in last three years*

None

*Interest in units of the Trust*

—

**Daniel Hurwitz**

*Appointed 8 October 2003*

*Age: 44*

Mr Hurwitz was appointed president and chief operating officer of Developers Diversified Realty in May 2007. He previously served as senior executive vice president and chief investment officer since May 2005, and as executive vice president of Developers Diversified Realty from June 1999 through April 2005. Mr Hurwitz's experience in real estate development has been built over the many years he has worked in the industry. He was senior vice president and director of real estate and corporate development for Boscov's Department Stores, Inc, a privately held department store company in Reading, Pennsylvania and prior to that, development director for the Shopco Group, a New York based developer and acquirer of regional and super regional shopping malls. Mr Hurwitz is a member of the board of directors of Boscov's Department Store Inc.; a member of the board of trustees of U-Store-It, Inc. (NYSE: YSI); and a member of the Developers Diversified/Sonae Sierra Brazil Advisory Committee that oversees all venture activities in Brazil. Professionally, he is a member of International Council of Shopping Centers (ICSC) serves on ICSC's board of trustees and co-chairs the ICSC's Open Air Centers Committee. He is also a member of the Urban Land Institute (ULI). He has also served on the board of the Colgate University Alumni Corporation, Colgate University Maroon Council, Berks County Food Bank and Children's Aid Society, the Children's Museum of Cleveland and the Reading Jewish Community Center and has a BA from Colgate University.

*Current listed directorships*

None

*Former listed directorships in last three years*

None

*Interest in units of the Trust*

—

7 Information on current directors (cont.)

**Mark Baillie**

*Appointed 19 August 2002*

*Age: 45*

After spending five years in the US founding and building Macquarie Real Estate's North American real estate funds management business, Mark is now based in Macquarie's London office to focus on Macquarie Real Estate's European expansion. Mark is an executive director of Macquarie Group Limited and head of real estate, Europe and North America. He is a former chairman of the Association of Foreign Investors in Real Estate and a member of the Real Estate Roundtable, both US based organisations. Mark is a chartered accountant and has a BCom from the University of New South Wales.

*Current listed directorships*

Macquarie Office Management Limited, manager of Macquarie Office Trust (director since 2007)  
Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust (alternate director since 2006).

*Former listed directorships in last three years*

Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust (director from 2002-2007).

*Interest in units of the Trust* 450,000

**Stephen Girdis**

*Appointed 18 March 2005*

*Age: 47*

Stephen is global head of Macquarie Real Estate Group, and one of the leaders in the establishment and growth of a range of successful property trusts. He joined Macquarie Group Limited in 1987 and has worked in all aspects of the real estate business and is an executive director of Macquarie Group Limited. He is also chairman of Macquarie Prime REIT. His former directorships include many of Macquarie Real Estate's unlisted real estate funds and listed real estate investment trusts including M3 Capital Partners LLC, Macquarie Office Management Limited, manager of Macquarie Office Trust, Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. Stephen has more than 25 years experience in chartered accounting, property finance, funds management and investment banking. Stephen has a BCom from the University of New South Wales.

*Current listed directorships*

None

*Former listed directorships in last three years*

Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust (director from 2005-2007)  
Macquarie Global Property Funds Limited (director from 2004-2008)  
Goodman Group (director from 2003-2008).

*Interest in units of the Trust* 239,662

**Joan Allgood** (alternate)

*Appointed 12 January 2004*

*Age: 56*

As executive vice president of corporate transactions and governance and secretary of Developers Diversified Realty, Joan's responsibilities include the execution of the company's external growth strategy through management of the closing process for mergers, acquisitions and dispositions, and the compliance with corporate governance policies and practices. She also serves as corporate secretary to Developers Diversified's board of directors. Joan was Developers Diversified's senior vice president and general counsel from 1999 to 2005, vice president and general counsel from 1993 when the company was organised as a public company, and general counsel of its predecessor entities since 1987. She was promoted to executive vice president in 2005. Joan practised law with Thompson Hine from 1983 to 1987 and has a BA from the Denison University and a Juris Doctorate from Case Western Reserve University. She is a member of International Council of Shopping Centers, American College of Real Estate Lawyers, the American Bar Association & the Ohio Bar Association.

*Current listed directorships*

None

*Former listed directorships in last three years*

None

*Interest in units of the Trust* —



## 7 Information on current directors (cont.)

### **John Wright** (alternate)

*Appointed 18 March 2005*

*Age: 55*

John brings extensive industry experience and operational funds management skills to the board. He is an executive director of Macquarie Group Limited and has been responsible for the administration of the Trust since its inception. John is an alternate director of Macquarie Direct Property Management Limited, manager of several unlisted property trusts. John has more than 30 years experience in chartered accounting, investment banking and funds management. John is a chartered accountant and has a BEc from the University of Sydney.

### *Current listed directorships*

Macquarie Leisure Management Limited, manager of Macquarie Leisure Trust (director since May 2007) and Macquarie Leisure Operations Limited (director since May 2007), together forming the Macquarie Leisure Trust Group.

### *Former listed directorships in last three years*

Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust (alternate director from 2005-2007) Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust (alternate director from 2005-2006).

*Special responsibilities* Company Secretary

*Interest in units of the Trust* 20,000

## 8 Meetings of directors

	Full meetings of directors		Meetings of audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended
W Richard Sheppard	5	5	—	—
Mark Baillie	5	5	—	—
Stephen Girdis	5	5	—	—
Steven Guttman	5	4	3	3
Daniel Hurwitz	5	3	—	—
David Jacobstein	2	1	—	—
David Oakes	3	3	—	—
Robert Joss	5	5	3	3
David Spruell	5	5	3	3
Scott Wolstein	5	4	—	—
Joan Allgood (alternate)	3	2	—	—
John Wright (alternate)	—	—	—	—

## 9 Company secretaries

The company secretaries are John Wright and Kara Nicholls.

John Wright was appointed to the position of company secretary on 19 August 2002. John was also appointed an alternate director of the Manager on 18 March 2005 and his experience is included at section 7 of this directors' report.

Kara Nicholls was appointed to the position of secretary on 4 April 2006. With over 10 years experience in real estate and equity capital markets, Kara brings extensive knowledge of listing rules, compliance, corporate governance and administration to the board. Kara is company secretary for a number of entities within Macquarie's Real Estate Capital division, including the management companies of all the listed real estate investment trusts. Prior to joining Macquarie in 2003, Kara spent six years at the Australian Securities Exchange (ASX). Kara is a chartered secretary and a member of the Australian Institute of Company Directors. She holds a BBus from the University of Technology, Sydney, and is a fellow of Chartered Secretaries Australia.

## 10 Non-audit services

The Manager of the Trust may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Trust are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in note 6 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors of the Manager are satisfied that the provision of non-audit services by the auditor, or as set out in note 6 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board (APES) 110, Code of Ethics for Professional Accountants.

## 11 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 33.

#### 12 Events occurring after reporting date

Subsequent to year end, a distribution of 2.125 cents per unit has been declared by the Board of Directors. The total distribution amount of \$19.8 million will be paid on 28 August 2008 in respect of the quarter ended 30 June 2008.

Subsequent to year end, the Trust announced the following debt, capital management initiatives, and tenants update:

- The Trust has refinanced US\$291 million of debt held in US LLC (Trust's share) due to expire in December 2008. The new facility will be US\$316.7 million (Trust's share) of which US\$229 million matures in 2015 and US\$87.7 million matures in 2011;
- The Trust has agreed terms to increase the gearing covenant on the Trust's loan from 60% to 65% on the condition that the facility is reduced to US\$60 million. At 30 June 2008 it was drawn to US\$76.8 million;
- One of the Trust's major tenants, Mervyns, has filed a voluntarily petition under chapter 11 of the US Bankruptcies Code to restructure debt and realign its business operations. On 13 August 2008, Mervyns announced plans to close 26 of their 176 stores of which 8 are part of the Trust's portfolio; and
- The Trust has revised its hedging policy from 90-100% of net assets to 60-100% of gross assets. The policy change has resulted in the realisation of US\$216 million of cross currency swaps resulting in a \$15 million profit.

Since the end of the financial year, the directors of the Manager are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in financial years subsequent to the year ended 30 June 2008.

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

The financial statements have been prepared on the basis of the current known market conditions. The extent to which any potential further deterioration in either capital or physical property markets may have on the future results of the Trust are unknown. Such results could include the potential to influence property market valuations, the ability of borrowers, including the Trust, to raise or refinance debt, and the cost of such debt and the ability to raise equity.

#### 14 Indemnification and insurance of officers and auditor

The Manager pays insurance premiums in relation to an investment manager's insurance policy providing insurance cover both to the Trust and the officers of the Manager. The Trust reimburses the Manager a proportion of the premium based on the benefit it receives under the policy. So long as the officers of the Manager act in accordance with the Trust Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

#### 15 Fees paid to and interests held in the Trust by the Manager or its associates

The interests in the Trust held by the Manager or its related entities as at 30 June 2008 and fees paid to its related entities during the financial year are disclosed in note 3 and note 22 to the financial statements.

#### 16 Environmental regulations

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations of the Commonwealth and each Australian State or Territory where the Trust operates.

#### 17 Rounding of amounts to the nearest thousand dollars

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 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.



**W Richard Sheppard**  
Chairman

Sydney  
27 August 2008



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#### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Macquarie DDR Trust for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie DDR Trust.

A handwritten signature in black ink, appearing to read 'V. Papageorgiou'.

**Voula Papageorgiou**  
Partner  
**PricewaterhouseCoopers**

27 August 2008  
Sydney

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b>Income</b>			
Share of net profits from investments in joint venture entities:			
Net property income	11(ii)	159,592	183,940
Management fees	3	(11,491)	(12,201)
Finance costs	11(ii)	(68,558)	(76,892)
Other income and expenses	11(ii)	(6,319)	(4,748)
Share of net profit from investments in joint venture entities before property valuation gains	11(ii)	73,224	90,099
Property valuation (losses)/gains	11(ii)	(140,696)	146,442
Share of net (loss)/profit from investments in joint venture entities	11(ii)	(67,472)	236,541
Interest income		310	427
Net gain from derivative financial instruments	4	3,369	11,315
Unrealised foreign exchange gains		25,539	21,217
Realised foreign exchange gains		4,164	418
Total income		(34,090)	269,918
<b>Expenses</b>			
Finance costs		349	506
Interest expense		1,594	5,588
Other expenses	5	1,362	1,319
Total expenses		3,305	7,413
<b>(Loss)/profit before tax</b>		<b>(37,395)</b>	<b>262,505</b>
US withholding tax expense		(4,691)	(5,366)
US capital gains tax benefit/(expense)		33,887	(71,884)
Total tax benefit/(expense)		29,196	(77,250)
<b>(Loss)/profit</b>		<b>(8,199)</b>	<b>185,255</b>
Basic earnings per unit (cents)	7	(0.88)	19.96
Diluted earnings per unit (cents)	7	(0.88)	19.96
Total distributions in respect of the year ended 30 June	8	85,976	92,948
Distribution per unit in respect of the year ended 30 June (cents)	8	9.25	10.00

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



# BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b>Current assets</b>			
Cash and cash equivalents	19	533	2,566
Receivables	9	242	1,823
Derivative financial instruments	10	45,916	27,122
Other		14	22
<b>Total current assets</b>		<b>46,705</b>	<b>31,533</b>
<b>Non-current assets</b>			
Investments in joint venture entities:			
Investment properties		2,235,707	2,617,449
Less: Share of borrowings		(1,286,351)	(1,296,272)
Add: Share of other net assets		3,321	24,376
Total investments in joint venture entities	11(iii)	952,677	1,345,553
Derivative financial instruments	10	34,264	33,882
<b>Total non-current assets</b>		<b>986,941</b>	<b>1,379,435</b>
<b>Total assets</b>		<b>1,033,646</b>	<b>1,410,968</b>
<b>Current liabilities</b>			
Payables	12	6,006	5,073
Derivative financial instruments	10	13,682	25
Provisions	13	—	—
<b>Total current liabilities</b>		<b>19,688</b>	<b>5,098</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	14	569	86,738
Tax liabilities	15	147,780	205,078
<b>Total non-current liabilities</b>		<b>148,349</b>	<b>291,816</b>
<b>Total liabilities</b>		<b>168,037</b>	<b>296,914</b>
<b>Net assets</b>		<b>865,609</b>	<b>1,114,054</b>
<b>Equity</b>			
Contributed equity	16	939,657	939,657
Reserves	17	(288,507)	(137,723)
Undistributed income	18	214,459	312,120
<b>Total equity</b>		<b>865,609</b>	<b>1,114,054</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 2008

	Note	2008 \$'000	2007 \$'000
<b>Total equity at the beginning of the year</b>		1,114,054	1,125,018
(Loss)/profit		(8,199)	185,255
Net income recognised directly in equity			
– Movement in fair value of effective net investment hedges	17	20,188	40,489
– Movement in effective cash flow hedges held by joint venture entities	17	(27,842)	4,964
– Foreign currency translation differences	17	(143,130)	(159,081)
		(150,784)	(113,628)
<b>Total recognised income and expense for the year</b>		<b>(158,983)</b>	<b>71,627</b>
Transactions with unitholders in their capacity as unitholders			
– Contributions of equity, net of issue costs	16	—	10,124
– Distributions paid or payable	13	(89,462)	(92,715)
		(89,462)	(82,591)
<b>Total equity at the end of the year</b>		<b>865,609</b>	<b>1,114,054</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 2008

	Note	2008 \$'000 Inflows/ (outflows)	2007 \$'000 Inflows/ (outflows)
Cash flows from operating activities			
Distributions received from investments in joint venture entities		154,464	76,287
Interest income received		310	427
Realised gains on derivative financial instruments		25,037	13,861
Other operating expenses paid		(1,413)	(1,291)
US withholding tax paid		(5,377)	(2,447)
<b>Net cash flows from operating activities</b>	20	<b>173,021</b>	<b>81,375</b>
Cash flows from investing activities			
Payments for investments in joint venture entities		(135)	(65)
<b>Net cash flows from investing activities</b>		<b>(135)</b>	<b>(65)</b>
Cash flows from financing activities			
Proceeds from borrowings		—	12,283
Repayment of borrowings		(82,064)	(12,587)
Equity issue costs paid		—	(17)
Interest paid		(3,284)	(5,462)
Distributions paid to unitholders		(89,462)	(82,574)
<b>Net cash flows from financing activities</b>		<b>(174,810)</b>	<b>(82,895)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,924)</b>	<b>(1,585)</b>
Cash and cash equivalents at the beginning of the year		2,566	4,480
Effect of exchange rate changes on cash and cash equivalents		(109)	(329)
<b>Cash and cash equivalents at the end of the year</b>	19	<b>533</b>	<b>2,566</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 2008

### 1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the financial year ended 30 June 2008 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### *a) Basis of preparation*

This general purpose financial report has been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB 1048) and the Corporations Act 2001.

#### *Compliance with IFRS as issued by IASB*

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

#### *Historical cost convention*

The financial report has 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 the financial report 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(q) 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 report in the next annual reporting period.

#### *b) Receivables*

Receivables are carried at the amounts due to the Trust and are generally received within 30 days of becoming due and receivable.

The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

The amount of any impairment loss is recognised in the Income Statement in other expenses if the receivable is held by the Trust or in net property income if the receivable is held in the joint venture entities. When a trade receivable for which a provision has been recognised becomes uncollectable in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement or net property income for those trade receivables relating to joint venture entities.

#### *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.

#### *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. Fair value is assessed as management's best estimate of the amount for which the investment properties would be sold unencumbered in an arm's-length transaction between willing and knowledgeable parties. 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.

Where an independent valuation is not obtained, the Manager's assessment of fair value is determined by using appropriate valuation techniques including the capitalisation of net income, discounted cash flows and independent assessments of market conditions and general property values.

The use of independent valuers is on a progressive basis over a three-year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.



## 1 Summary of significant accounting policies (cont.)

### d) *Investment properties (cont.)*

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.

### 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 is 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.

Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

### 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 hedging the economic foreign exchange and interest rate exposures of the Trust.

### f) *Payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Trust. The amounts are unsecured and are usually paid within 30 or 60 days of recognition.

### g) *Interest bearing liabilities*

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

### h) *Interest income*

Revenue is recognised as interest accrues using the effective interest method.

### i) *Finance costs*

Finance costs, excluding interest expense, are expensed in the Income Statement when incurred.

### j) *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.

## 1 Summary of significant accounting policies (cont.)

### j) *Income tax (cont.)*

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 which 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.

### k) *Goods and services tax (GST)*

Income, expenses, assets and liabilities are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO). The non-recoverable GST is recognised as part of the income, expense, asset or liability. Receivables and payables are exclusive of GST. The net amount of GST recoverable from or payable to the ATO is included in receivables or payables in the Balance Sheet. Cash flows relating to GST are included in the Cash Flow Statement on a gross basis.

### l) *Equity transaction costs*

Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

### m) *Reserves*

In accordance with the Trust Constitution, amounts may be transferred from reserves to fund distributions.

### n) *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 30 June 2008, the spot rate used was A\$1.00 = US\$0.9582 (2007: A\$1.00 = US\$0.8479). The average spot rate during the year ended 30 June 2008 was A\$1.00 = US\$0.9044 (2007: A\$1.00 = US\$0.7922).

### o) *Segment information*

Segment income, expenditure, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables (net of any related provisions) and investments. Any assets used jointly by segments are allocated based on reasonable estimates of usage.

### p) *Earnings per unit*

Basic earnings per unit are determined by dividing profit by the weighted average number of ordinary units on issue during the financial period.

Diluted earnings per unit are determined by dividing the profit by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the financial period.

## 1 Summary of significant accounting policies (cont.)

### q) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on 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 estimated 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 estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

### r) New standards and Urgent Issues Group Interpretations

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Trust for accounting periods beginning on or after 1 July 2008 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 it 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 Income Statement and Balance Sheet, in which case reconciliations of certain items will be required.

#### ii) AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

This standard introduces the notion of a '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.

## 1 Summary of significant accounting policies (cont.)

### r) *New standards and Urgent Issues*

#### *Group Interpretations (cont.)*

#### 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.

### s) *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.

## 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 Group Limited and 50% by Developers Diversified Realty (DDR). The Manager's registered office 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.



### 3 Management fee (cont.)

#### b) Performance fee (cont.)

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.

#### c) Management fee calculation

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

	2008 \$'000	2007 \$'000
Base fee	11,491	12,201
Performance fee	—	—
	<b>11,491</b>	<b>12,201</b>

No performance fee was earned by the Manager during the year. 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 30 June 2008 will need to be recovered before the Manager is entitled to any future performance fees.

The Trust does not provide any other benefits to the Manager or directors of the Manager other than those described in note 22.

### 4 Net gain from derivative financial instruments

(Loss)/gain on derivative financial instruments		
– unrealised	(17,130)	(2,881)
Gain on capital hedging derivative financial instruments		
– realised	4,661	1,406
Gain on income hedging derivative financial instruments		
– realised	22,462	11,245
(Loss)/gain on other derivative financial instruments – realised	(6,624)	1,545
	<b>3,369</b>	<b>11,315</b>

### 5 Other expenses

	2008 \$'000	2007 \$'000
Accounting fees	165	165
Audit committee fees – independent directors	28	21
Audit fees	224	198
Bank fees	10	10
Compliance fees – independent directors	90	60
Custodian fees	56	61
Insurance	56	64
Legal fees	82	70
Postage and printing costs	71	63
Registry fees	134	139
Stock exchange costs	65	64
Taxation fees	13	24
Travel	78	126
Unitholder communications costs	104	174
Other	186	80
	<b>1,362</b>	<b>1,319</b>

Other expenses have been paid in accordance with the Trust Constitution.

### 6 Remuneration of auditor

During the financial year, the auditor of the Trust, PricewaterhouseCoopers, earned the following remuneration:

Audit services	224	198
Taxation services	13	24
	<b>237</b>	<b>222</b>

In addition to the above fees, PricewaterhouseCoopers, US Firm, earned A\$248,953 (2007: A\$277,336) in connection with the audit of the Trust's joint venture entities and A\$247,532 (2007: A\$152,305) 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 equity accounted income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 7 Earnings per unit

	2008	2007
Basic earnings per unit (cents)	(0.88)	19.96
Diluted earnings per unit (cents)	(0.88)	19.96
Distributable earnings per unit (cents)	9.81	10.03
Earnings used in the calculation of basic and diluted earnings per unit (\$'000)	(8,199)	185,255
Earnings used in the calculation of distributable earnings per unit (refer to calculation in table below) (\$'000)	91,155	93,111
Weighted average number of units used in the calculation of basic, diluted and distributable earnings per unit ('000) <sup>(1)</sup>	929,461	928,110

<sup>(1)</sup> Weighted average number of units is calculated from the date of issue of the units.

#### *Calculation of distributable 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. The Manager uses this amount as guidance for distribution determination.

Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items and reserve transfers. Per the Trust Constitution, the amount distributed to unitholders is at the discretion of the Manager. The Manager will use the distributable earnings calculated as a guide to assessing an appropriate distribution to declare.

The adjustments between profit under Australian Accounting Standards and distributable earnings may change from time to time depending on 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	2008 \$'000	2007 \$'000
(Loss)/profit per Income Statement		(8,199)	185,255
<i>Unrealised items:</i>			
Property valuation gains	18(iii)	140,696	(146,442)
Unrealised loss/(gain) on derivative financial instruments	18(iv)	19,325	4,802
Unrealised foreign exchange (gains)/losses	18(v)	(25,539)	(21,217)
US capital gains tax expense	18(v)	(33,887)	71,884
<i>Non-cash items:</i>			
Amortisation of borrowing costs <sup>(2)</sup>	18(v)	1,628	3,434
Straight lining of fixed rent increases	18(v)	(2,869)	(4,914)
<i>Reserve transfers:</i>			
Valuation fees	18(iii)	—	309
<b>Distributable earnings</b>		<b>91,155</b>	<b>93,111</b>

<sup>(2)</sup> 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 expense has been reversed in calculating distributable earnings for the period. The amortisation of borrowing costs recognised in distributable earnings is \$1,519,000 (2007: \$539,000). This represents the amortisation of pre 1 July 2005 borrowing costs incurred since the change in accounting policy on 1 July 2005.

## 8 Distributions paid and payable

	Distribution cents per unit	Total amount \$'000	Tax deferred %	Taxable %
2008 distributions for the quarter ended:				
30 September 2007	2.500	23,237		
31 December 2007	2.500	23,237		
31 March 2008	2.125	19,751		
30 June 2008 <sup>(1)</sup>	2.125	19,751		
	<b>9.250</b>	<b>85,976</b>	<b>50.87</b>	<b>49.13</b>
2007 distributions for the quarter ended:				
30 September 2006	2.500	23,237		
31 December 2006	2.500	23,237		
31 March 2007	2.500	23,237		
30 June 2007 <sup>(2)</sup>	2.500	23,237		
	<b>10.000</b>	<b>92,948</b>	<b>53.73</b>	<b>46.27</b>

<sup>(1)</sup> The distribution of 2.125 cents per unit for the quarter ended 30 June 2008 was not declared prior to 30 June 2008. Refer to note 27.

<sup>(2)</sup> The distribution of 2.50 cents per unit for the quarter ended 30 June 2007 was not declared prior to 30 June 2007.

## 9 Receivables

	2008 \$'000	2007 \$'000
GST receivable	—	14
Withholding tax receivable	131	1,809
Sundry debtors	111	—
	<b>242</b>	<b>1,823</b>

The Trust's receivables are carried at amounts that approximate their fair value.

## 10 Derivative financial instruments

### Assets

#### Current

Forward foreign exchange contracts	11,650	12,472
Cross currency swaps	34,266	14,650
	<b>45,916</b>	<b>27,122</b>

#### Non-current

Forward foreign exchange contracts	34,264	33,882
	<b>34,264</b>	<b>33,882</b>

### Liabilities

#### Current

Interest rate swaps	13,682	25
	<b>13,682</b>	<b>25</b>

### 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\$0.6975 (2007: A\$1.00 = US\$0.7020). The last of these forward contracts matures in August 2013.

A portion of the forward contracts qualify as net investment hedges. Accordingly, changes in the fair value of these contracts are recorded in the foreign currency translation reserve. The forwards that do not qualify for hedge accounting have changes in fair value recorded in the Income Statement. Accordingly, \$20.2 million of the change in fair value is recorded in the foreign currency translation reserve. The balance is recognised in the Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 10 Derivative financial instruments (cont.)

#### *Cross currency swaps*

It is the Trust's policy to partially hedge the Australian dollar value of the investment in the US joint venture entities by entering into cross currency swaps. Any gain or loss from remeasuring these instruments is recognised in the Income Statement.

As at 30 June 2008, the notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2008 \$'000	2007 \$'000
Less than 1 year	27,222	—
1-2 years	27,222	27,222
2-3 years	27,222	27,222
3-4 years	27,222	27,222
4-5 years	27,222	27,222
More than 5 years	139,554	27,222
	<b>275,664</b>	<b>136,110</b>

At 30 June 2008, the Australian dollar interest rate prevailing on the cross currency swaps was 6.29% per annum and the US dollar interest rate prevailing on the cross currency swaps was 5.18% per annum.

The cross currency 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 partially hedging the Australian dollar value of the investment in the US joint venture entities.

#### *Callable interest rate swaps*

At 30 June 2008, the Trust has entered into interest rate swap agreements totalling US\$200 million that entitle it 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. Subsequent to the year end, the counterparties have not taken up their options to cancel these swaps.

In June 2008, the Trust cancelled US\$125 million of interest swaps agreement, resulting in a realised loss of \$6.1 million.

As at 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Less than 1 year	208,731	206,399
1-2 years	—	—
2-3 years	—	—
3-4 years	—	—
4-5 years	—	—
More than 5 years	—	—
	<b>208,731</b>	<b>206,399</b>

At 30 June 2008, the fixed interest rate on the interest rate swaps varies from 4.38% to 4.67% per annum (2007: 4.38% to 4.50% 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.



# 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 report 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 <sup>(1)</sup>	85.48 <sup>(1)</sup>
Macquarie DDR US Trust II Inc. (US REIT II)	United States	Property investment	99.89	99.89
DDR MDT MV LLC (MV LLC)	United States	Property investment	49.94 <sup>(1)</sup>	49.94 <sup>(1)</sup>
DDR MDT PS LLC (PS LLC)	United States	Property investment	90.20 <sup>(1)</sup>	90.20 <sup>(1)</sup>

<sup>(1)</sup> Represents indirect interest held through US REITs.

## i) Carrying amount of investments in joint venture entities

	Note	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the year		1,345,553	1,350,769
Additions during the year		135	163
Share of profit before property valuation gains	11(ii)	73,224	90,099
Share of property valuation (losses)/gains	11(ii)	(140,696)	146,442
Movement in share of cash flow hedge reserve		(27,842)	4,964
Distributions paid and payable for the year		(71,344)	(76,097)
Return of capital		(83,120)	—
Exchange rate differences on translation		(143,233)	(170,787)
<b>Carrying amount at the end of the year</b>		<b>952,677</b>	<b>1,345,553</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## 11 Investments in joint venture entities (cont.)

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

	2008 \$'000	2007 \$'000
<i>Property income</i>		
Property income	226,156	256,509
Property expenses	(66,564)	(72,569)
Net property income	159,592	183,940
<i>Management fees</i>		
Management base fee	(11,491)	(12,201)
Management performance fee	—	—
	(11,491)	(12,201)
<i>Finance costs</i>		
Interest expense	(65,411)	(72,919)
Borrowing establishment costs	(3,147)	(3,973)
	(68,558)	(76,892)
<i>Other income and expenses</i>		
Interest income	485	586
Derivative financial instrument loss	(2,195)	(1,921)
Other operating expenses	(4,609)	(3,413)
Total other income and expenses	(6,319)	(4,748)
<b>Share of net profit from investments in joint venture entities before property valuation gains</b>	<b>73,224</b>	<b>90,099</b>
<i>Property valuation gains</i>		
Revaluation of investment properties	25,209	147,890
Devaluation of investment properties	(163,036)	(3,466)
Revaluation of investment properties – adjustment for straight lining of fixed rent increases	(2,869)	(4,914)
Total property valuation (losses)/gains	(140,696)	146,442
<b>Share of net (loss)/profit from investments in joint venture entities</b>	<b>(67,472)</b>	<b>236,541</b>
The joint venture entities have no contingent liabilities or capital commitments at 30 June 2008.		
<i>iii) Share of joint venture entities' assets and liabilities</i>		
Current assets	44,788	41,373
Property held for sale	132,048	—
Derivative financial instruments	—	8,338
Investment properties	2,103,659	2,617,449
Total assets	2,280,495	2,667,160
Current liabilities	21,976	25,335
Derivative financial instruments	19,491	—
Current interest bearing liabilities <sup>(1)</sup>	454,385	—
Non-current interest bearing liabilities	831,966	1,296,272
Total liabilities	1,327,818	1,321,607
<b>Net assets</b>	<b>952,677</b>	<b>1,345,553</b>

<sup>(1)</sup> Current interest bearing liabilities include US\$291 million maturing in December 2008 and US\$148 million maturing in June 2009. Subsequent to year end, the Trust has refinanced the US\$291 million maturing in December 2008. The new facility will be US\$316.7 million with US\$229 million maturing in 2015 and US\$87.7 million maturing in 2011.

## 12 Payables

	2008 \$'000	2007 \$'000
Custodian fees	14	15
Withholding tax payable	1,053	3,372
Amounts payable to settle derivative closed before year end	4,489	—
Sundry creditors and accruals	450	1,686
	<b>6,006</b>	<b>5,073</b>

## 13 Provisions

Distribution		
Opening balance	—	—
Distributions declared	89,462	92,715
Paid during the year	(89,462)	(82,574)
Distributions reinvested	—	(10,141)
<b>Closing balance</b>	<b>—</b>	<b>—</b>

The distribution of 2.125 cents per unit for the quarter ended 30 June 2008, totalling \$19.8 million, was not declared prior to 30 June 2008. Refer to note 27.

## 14 Interest bearing liabilities

<b>Non-current</b>		
Bank loan	808	87,039
Less: Unamortised transaction costs	(239)	(301)
	<b>569</b>	<b>86,738</b>

At 30 June 2008, the Trust had access to a US\$100 million facility (2007: US\$100 million) which can be utilised by the Trust, US REIT I or US REIT II. At 30 June 2008, US\$23.2 million (2007: US\$26.2 million) remains unutilised by the Trust, US REIT I or US REIT II.

The Trust's borrowings are carried at amounts that approximate their fair value.

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 30 June 2008, the weighted average interest rate on the bank loan was 3.65% per annum (2007: 6.34% per annum).

## 15 Tax liabilities

US capital gains deferred tax liability	147,780	205,078
	<b>147,780</b>	<b>205,078</b>

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 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(j). All deferred tax movements are recorded through the Income Statement. The movements relate to one type of temporary difference which is expected to be settled in more than 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## 16 Contributed equity

No. of units	Details	Date of income entitlement	2008 \$'000	2007 \$'000
920,159,012	Units on issue	30 Jun 2006		929,533
9,301,843	DRP issue <sup>(1)</sup>	1 Jul 2006		10,141
	Equity issue costs			(17)
929,460,855	Units on issue <sup>(2)</sup>	30 Jun 2007	939,657	939,657
<b>929,460,855</b>	<b>Units on issue</b>	<b>30 Jun 2008</b>	<b>939,657</b>	<b>939,657</b>

<sup>(1)</sup> The DRP units were issued on 23 August 2006 but were entitled to income from 1 July 2006. Due to the DRP suspension, no units were issued under the DRP for the quarters ended 30 September 2006, 31 December 2006, 31 March 2007 and 30 June 2007.

<sup>(2)</sup> Due to DRP suspension, no units were issued under the DRP for the year ended 30 June 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 Trust's DRP commencing with the quarter ended 30 September 2006. The DRP was reinstated from the quarter ended 30 June 2008.

## 17 Reserves

### *Foreign currency translation reserve*

Opening balance	(143,209)	(24,617)
Translation of foreign operations <sup>(1)</sup>	(143,130)	(159,081)
Movement in fair value of effective net investment hedges	20,188	40,489
Closing balance	(266,151)	(143,209)

### *Capital reserve*

Opening balance	(3,212)	(3,212)
Closing balance	(3,212)	(3,212)

### *Cash flow hedge reserve*

Opening balance	8,698	3,734
Movement in effective cash flow hedges held by joint venture entities	(27,842)	4,964
Closing balance	(19,144)	8,698

<b>Total reserves</b>	<b>(288,507)</b>	<b>(137,723)</b>
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<sup>(1)</sup> The total foreign exchange movement of \$143.1 million on foreign operations includes \$143.2 million relating to the translation of the investments in joint venture entities offset by \$0.1 million relating to interest bearing liabilities denominated in US dollars.



## 18 Undistributed income

	Note	2008 \$'000	2007 \$'000
<i>(i) Summary of undistributed income</i>			
Undistributed income – realised items	18(ii)	29,421	27,728
Undistributed income – investment property revaluations	18(iii)	323,390	464,086
Undistributed income – unrealised derivative revaluations	18(iv)	3,483	22,808
Undistributed income – other unrealised items	18(v)	(141,835)	(202,502)
<b>Total undistributed income</b>		<b>214,459</b>	<b>312,120</b>

### *(ii) Undistributed income – realised items*

Opening balance		27,728	27,332
Distributable earnings	7	91,155	93,111
Available for distribution		118,883	120,443
Distributions paid and payable	13	(89,462)	(92,715)
Closing balance		29,421	27,728

The distribution of 2.125 cents per unit for the quarter ended 30 June 2008, totalling \$19.8 million, was not declared prior to 30 June 2008. This amount will be paid on 28 August 2008 (refer to note 27).

### *iii) Undistributed income – investment property revaluations*

Opening balance		464,086	317,953
Valuation fees		—	(309)
Revaluation (decrement)/increment on investment properties in joint venture entities	11(ii)	(140,696)	146,442
Closing balance		323,390	464,086

### *iv) Undistributed income – unrealised derivative revaluations*

Opening balance		22,808	27,610
Unrealised loss from derivative financial instruments recorded in equity accounted income	11(ii)	(2,195)	(1,921)
Unrealised loss on derivative financial instruments	4	(17,130)	(2,881)
Closing balance		3,483	22,808

### *v) Undistributed income – other unrealised items*

Opening balance		(202,502)	(153,315)
Movement in deferred tax liability		33,887	(71,884)
Amortisation of borrowing costs		(1,628)	(3,434)
Straight lining of fixed rent increases	11(ii)	2,869	4,914
Unrealised foreign exchange gains		25,539	21,217
Closing balance		(141,835)	(202,502)
<b>Total undistributed income</b>		<b>214,459</b>	<b>312,120</b>

## 19 Cash and cash equivalents

Australian dollar operating account	315	430
US dollar operating account	218	2,136
	<b>533</b>	<b>2,566</b>

Surplus funds of the Trust are held at call in the Trust's operating account and treasury account. Interest is receivable monthly in arrears. As at 30 June 2008, the interest rate on the Australian dollar account was 6.21% per annum (2007: 5.31% per annum) and the US dollar account was 2.00% per annum (2007: 5.25% per annum).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 20 Cash flow information

	2008 \$'000	2007 \$'000
<i>a) Reconciliation of profit to net cash flows from operating activities</i>		
Profit	(8,199)	185,255
<i>Non-cash items</i>		
Share of joint venture entities net profits less distributions	81,240	(14,011)
Property valuation gains	140,696	(146,442)
Realised gain on transfer of loan without cash received	(4,000)	—
Exchange rate differences on translation	109	329
<i>Classified as financing activities</i>		
Interest paid	3,284	5,462
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in assets		
Receivables	1,581	3,025
Derivative financial instruments not recognised in the foreign currency translation reserve	14,667	2,425
Other	8	36
Increase in liabilities		
Payables	933	364
Deferred tax liability	(57,298)	50,394
<b>Net cash flows from operating activities</b>	<b>173,021</b>	<b>81,375</b>

### *b) Non-cash financing and investing activities*

The following items are not reflected in the Cash Flow Statement:

Distributions by the Trust satisfied during the financial year by the issue of units under DRP	—	10,141
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### 21 Net tangible assets

Total assets	1,033,646	1,410,968
Less: Total liabilities	(168,037)	(296,914)
<b>Net tangible assets</b>	<b>865,609</b>	<b>1,114,054</b>
Total number of units on issue	929,460,855	929,460,855
Net tangible asset backing per unit	\$0.93	\$1.20
Net tangible asset backing per unit after distribution	\$0.91	\$1.17
Net tangible asset backing per unit after distribution and excluding deferred tax liability	\$1.07	\$1.39

### 22 Related party disclosures

#### *a) Directors*

The following persons were directors of the Manager during the financial year:

W Richard Sheppard

Steven Guttman

Robert Joss

David Spruell

Scott Wolstein

David Jacobstein (resigned 10 December 2007)

David Oakes (appointed 10 December 2007)

Daniel Hurwitz

Mark Baillie

Stephen Girdis

Joan Allgood (alternate for Daniel Hurwitz, David Jacobstein and Scott Wolstein – ceased to act as alternate director for David Jacobstein 10 December 2007)

John Wright (alternate for W Richard Sheppard, Mark Baillie and Stephen Girdis).

## 22 Related party disclosures (cont.)

### *b) Parent entity*

The ultimate parent entity of the Trust is Macquarie DDR Trust.

### *c) Transactions with related parties*

The Trust has accrued \$165,000 (2007: \$165,000) payable to Macquarie Group Limited (MGL) for reimbursement of accounting services provided to the Trust for the year ended 30 June 2008.

MGL executed foreign exchange and interest rate hedging for the Trust during the year. Foreign exchange and interest rate hedging transactions were executed at market rates including any applicable margins.

The Trust had funds totalling \$533,335 (2007: \$2,565,606) in operating bank accounts with MGL at 30 June 2008. The Trust earned interest at commercial rates. Interest income from these accounts totalling \$310,550 (2007: \$407,207) is included in the determination of profit for the Trust for the year ended 30 June 2008.

The Trust paid Macquarie Investment Management Limited \$1,051 (2007: \$1,356) for the provision of call centre services during the year. The Trust paid MGL \$106 (2007: \$1,379) for the provision of internet/intranet services.

Macquarie Asset Services Limited received US\$16,400 (2007: US\$22,300) for providing valuation services to the Trust. Macquarie Asset Services Limited is owned 100% by MGL.

MGL and related entities of MGL held 25,161,033 units as at 30 June 2008 (2007: 19,052,713 units). DDR and related entities of DDR held 62,934,579 units as at 30 June 2008 (2007: nil units).

The Trust received distributions from US REIT I and US REIT II in the current and prior financial year.

DDR received fees for providing property management, construction management, leasing and maintenance services of US\$12,769,657 (2007: US\$12,168,914) during the year. These fees are received under the terms of the Property Management and Leasing Agreements.

DDR provides tax preparation services to the US LLCs and the US REITs. During the year, the US LLCs and the US REITs recorded US\$75,275 and US\$36,500 respectively (2007: US\$75,275 and US\$36,500) for taxation fees paid or payable to DDR.

DDR provides legal and other professional services to the US LLCs and the US REITs. During the year, the US LLCs and the US REITs recorded US\$242 and US\$nil respectively (2007: US\$102,375 and US\$nil) for legal fees paid or payable to DDR.

DDR received acquisition fees totalling US\$497,820 (2007: US\$nil) and debt placement fees of US\$78,000 (2007: US\$532,000) during the year. MBL received debt placement fees of US\$117,000 (2007: US\$798,000) during the year. These fees are received under the terms of the Partnership Agreement. Acquisition fees are for arranging the purchase of any property by the US LLCs from a third party and are calculated as 1% of the purchase price of such property. Debt placement fees are payable for the arrangement of debt financing for the US LLCs at the rate up to 0.5% of the total debt financing.

Macquarie DDR Management LLC received due diligence fees of US\$106,409 (2007: US\$21,598) during the year. These fees are received under the terms of the Partnership Agreement. Due diligence fees are calculated as 0.25% of the Trust's share of the purchase price of properties acquired.

The above fees and transactions were all based on market rates and on normal commercial terms and conditions and have been approved by the independent directors of the Manager.

### *d) Key management personnel and remuneration*

Key management personnel (KMP) are defined in AASB 124 Related Party Disclosures as those having authority and responsibility for planning, directing and controlling the activities of the Trust. The Manager meets the definition of KMP as it has this authority in relation to the activities of the Trust. These powers have not been delegated by the Manager to any other person.

Details of management fees charged to the Trust by the Manager and its related entities are included in note 3.

No payments were made by the Trust or by the Manager on behalf of the Trust to the executive directors or the CEO during the year.

Compliance fees and board audit committee fees totalling \$118,000 (2007: \$81,000) were paid or payable by the Trust to the independent directors, Steven Guttman, Robert Joss and David Spruell, for the financial year. These amounts are reviewed from time to time in consultation with external experts to ensure that remuneration reflects the service expected to be performed.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 22 Related party disclosures (cont.)

#### e) Directors' interest in Trust units

The number of units held directly, indirectly or beneficially by the directors of the Manager or their director related entities are:

	Units held 2008	Units held 2007
W Richard Sheppard	1,012,000	512,000
Mark Baillie	450,000	150,000
Stephen Girdis	239,662	164,662
Steven Guttman	60,000	—
Daniel Hurwitz	—	—
David Jacobstein	—	—
David Oakes	—	—
Robert Joss	250,000	50,000
David Spruell	230,561	80,561
Scott Wolstein	100,000	—
Joan Allgood (alternate)	—	—
John Wright (alternate)	20,000	20,000

The aggregate number of units of the Trust acquired or disposed of by the directors of the Manager or their director related entities was:

	Units 2008	Units 2007
<i>Acquisitions</i>		
W Richard Sheppard	500,000	—
Mark Baillie	300,000	—
Stephen Girdis	75,000	—
Steven Guttman	60,000	—
Robert Joss	200,000	—
David Spruell	150,000	1,806
Scott Wolstein	100,000	—
<i>Disposals</i>	—	—

No options in the Trust are held by directors of the Manager.

### 23 Segment information

#### Primary segment – Business

The Trust is a listed property trust which 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 2008 \$'000	Australia 2008 \$'000	Total 2008 \$'000	United States 2007 \$'000	Australia 2007 \$'000	Total 2007 \$'000
Share of net (losses)/profits from investments in joint venture entities	(67,472)	—	(67,472)	236,541	—	236,541
Total income	(67,472)	33,382	(34,090)	236,541	33,377	269,918
Total tax benefit/(expense)	29,196	—	29,196	(77,250)	—	(77,250)
Profit	(38,276)	30,077	(8,199)	159,291	25,964	185,255
Total assets	952,919	80,727	1,033,646	1,347,362	63,606	1,410,968
Total liabilities	148,833	19,204	168,037	208,450	88,464	296,914
Asset acquisitions	58,105	—	58,105	19,017	—	19,017

## 24 Capital and financial risk management

### *a) Capital risk management*

The Trust's objectives when managing capital is to optimise unitholder value through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing and interest cover ratios within approved limits and continuing to operate as a going concern.

The Trust assesses its capital management approach as a key part of the Trust's overall strategy and is continuously reviewed by management and the board.

The Trust is able to alter its capital mix by issuing new units, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a unit buy-back programme or selling assets to reduce borrowings.

The Trust has a target gearing of 45% to 55% calculated as total liabilities (excluding deferred tax liabilities) to total assets on a 'look through' basis. In calculating 'look through' gearing, the Trust's interests in joint venture entities are proportionately consolidated based on the Trust's ownership percentage. At 30 June 2008, gearing was 57.1% (2007: 51.7%).

The Trust is currently negotiating to sell selected assets to improve its gearing and liquidity.

Protection of the Trust's equity in foreign denominated assets is partially achieved through the use of cross currency swaps to provide hedge protection. The Trust is currently 28.7% capital hedged.

The joint venture entity obtains property insurance with creditworthy insurers in order to protect the Trust's assets.

### *b) Financial risk management*

The Trust's principal financial instruments comprise cash and cash equivalents, receivables, derivative financial instruments, payables and interest bearing liabilities.

The Trust's activities expose it to a variety of financial risks: market risk (currency risk and interest rate risk), liquidity risk and credit risk.

The Trust manages its exposure to these financial risks in accordance with the Trust's Financial Risk Management (FRM) policy as approved by the board.

The policy sets out the Trust's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Trust uses various measures to manage exposures to these types of risks. The main methods include foreign exchange and interest rate sensitivity analysis, ageing analysis of debtors and counterparty credit assessment and the use of future rolling cash flow forecasts.

The Trust uses derivative financial instruments such as forward foreign exchange contracts, interest rate swaps and cross currency swaps to manage its financial risk as permitted under the FRM policy. Such instruments are used exclusively for hedging purposes, i.e. not for trading for speculative purposes.

### *c) Financial risk*

#### *Foreign exchange risk*

Foreign exchange risk is the risk that changes in foreign exchange rates will change the Australian dollar value of the Trust's net assets or its Australian dollar earnings. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Trust's functional currency.

The Trust is exposed to foreign exchange risk through investing in overseas investment property and deriving rental income from those properties. The Trust manages this exposure on a 'look through' basis including those held through joint venture entities. The majority of derivatives utilised to manage this 'look through' exposure are held by the Trust.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 24 Capital and financial risk management (cont.)

#### c) Financial risk (cont.)

##### Foreign investment

The table below sets out the Trust's US dollar exposure, and how, through the use of debt and cross currency swaps, this exposure is reduced. It also provides an analysis of the effect of reasonably possible movements of the US dollar against the Australian dollar, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase. The US dollar amounts in the table below have been converted to Australian dollar at the year-end exchange rate.

	Australian dollar exposure		US dollar exposure	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Assets</b>				
Cash and cash equivalents	314	430	219	2,136
Derivative financial instruments	80,180	61,004	—	—
Receivables and other assets	14	36	242	1,809
Investment in joint venture entities	—	—	952,678	1,345,553
	<b>80,508</b>	<b>61,470</b>	<b>953,139</b>	<b>1,349,498</b>
<b>Liabilities</b>				
Payables	463	300	5,543	4,773
Derivative financial instruments	—	—	13,682	25
Interest bearing liabilities	—	—	569	86,738
Deferred tax liabilities	—	—	147,780	205,078
	<b>463</b>	<b>300</b>	<b>167,574</b>	<b>296,614</b>
<b>Net assets</b>	<b>80,045</b>	<b>61,170</b>	<b>785,565</b>	<b>1,052,884</b>
Notional value of derivatives to hedge foreign exchange exposure	—	—	(420,887)	(405,173)
<b>Net exposure to foreign exchange movements</b>	<b>80,045</b>	<b>61,170</b>	<b>364,678</b>	<b>647,711</b>

The notional value of derivatives disclosed above includes \$196 million (2007: \$287 million) taken out to hedge foreign income. The remaining derivatives are designated by management as hedges of our foreign investment.

The sensitivity of the Trust to foreign exchange rate movements is shown in the table below:

	Profit		Distributable earnings		Total equity movement	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
AUD:USD – AUD increase 10%	34,208	31,127	—	—	(33,153)	(58,883)
AUD:USD – AUD decrease 10%	(37,629)	(34,239)	—	—	40,520	71,968

##### Foreign income

Through investing in overseas assets, the Trust earns foreign denominated income. Net rental income derived is naturally offset by local denominated expenses including interest and tax.

The Trust uses forward foreign exchange contracts to convert net foreign denominated currency exposure back to Australian dollars at predetermined rates out into the future.

At balance date the Trust is effectively 100% hedged for at least four years at the average exchange rate of A\$1.00 = US\$0.69860 (2007: A\$1.00 = US\$0.69895). As such the Trust has no material distributable earnings exposure to movements in foreign currency exchange rates for the next four years.

## 24 Capital and financial risk management (cont.)

### c) Financial risk (cont.)

#### Interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Trust.

The Trust is exposed to interest rate risk predominantly through borrowings. The Trust manages this exposure on a 'look through' basis including the borrowings of joint venture entities. The Trust applies benchmark hedging bands across its differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to manage its exposure between these bands. Compliance with the policy is reviewed regularly by management and is reported to the board each meeting.

The Trust has exposures to interest rate risk on its monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below on a 'look through' basis that identifies the Trust's share of the joint venture assets and liabilities. The table also demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit, distributable earnings or equity, while a positive amount reflects a net potential increase.

	Australian interest rates		US interest rates	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Fixed rate</i>				
Interest bearing liabilities	—	—	(886,303)	(1,002,015)
Cross currency swaps	275,664	136,110	(225,429)	(117,943)
	275,664	136,110	(1,111,732)	(1,119,958)
<i>Floating rates</i>				
Cash and cash equivalents	315	430	219	2,136
Interest bearing liabilities	—	—	(400,618)	(380,996)
	315	430	(400,399)	(378,860)
Interest rate swaps	—	—	234,692	235,739
<b>Net interest rate exposure</b>	<b>315</b>	<b>430</b>	<b>(165,707)</b>	<b>(143,121)</b>

The sensitivity of the Trust to interest rate movements is shown in the table below:

	Profit		Distributable earnings		Total equity movement	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
0.5% p.a increase in AUD rates	(7,046)	(5,277)	2	2	(7,047)	(5,279)
0.5% p.a decrease in AUD rates	7,046	5,277	(2)	(2)	7,047	5,279
0.5% p.a increase in USD rates	14,477	11,421	(829)	(716)	27,129	24,141
0.5% p.a decrease in USD rates	(14,477)	(11,421)	829	716	(27,129)	(24,141)

At balance date, the consolidated entity has fixed 87.2% (2007: 89.7%) of its net interest exposure.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 24 Capital and financial risk management (cont.)

#### d) Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short-term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust.

The following tables provide the contractual maturity of the Trust's fixed and floating rate financial liabilities and derivatives as at 30 June 2008. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the Balance Sheet. Repayments that are subject to notice are treated as if notice were given immediately.

	Book value 2008 \$'000	Less than 1 year 2008 \$'000	1 to 2 years 2008 \$'000	2 to 3 years 2008 \$'000	Total 2008 \$'000
30 June 2008					
<i>Financial liabilities</i>					
Payables	6,006	6,006	—	—	6,006
Interest bearing liabilities	569	31	831	—	862
Derivative financial instruments <sup>(1)</sup>	13,682	13,682	—	—	13,682
<b>Total undiscounted financial liabilities</b>	<b>20,257</b>	<b>19,719</b>	<b>831</b>	<b>—</b>	<b>20,550</b>
	Book value 2007 \$'000	Less than 1 year 2007 \$'000	1 to 2 years 2007 \$'000	2 to 3 years 2007 \$'000	Total 2007 \$'000
30 June 2007					
<i>Financial liabilities</i>					
Payables	5,073	5,073	—	—	5,073
Interest bearing liabilities	86,738	5,536	5,536	91,175	102,247
Derivative financial instruments <sup>(1)</sup>	25	25	—	—	25
<b>Total undiscounted financial liabilities</b>	<b>91,836</b>	<b>10,634</b>	<b>5,536</b>	<b>91,175</b>	<b>107,345</b>

<sup>(1)</sup> The derivative financial instruments represent callable interest rate swaps where the counterparties have the option to cancel the swaps at the end of each quarter.

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

	2008 \$'000	2007 \$'000
Less than 1 year <sup>(1)</sup>	458,045	—
1 to 2 years	500,594	517,634
2 to 3 years	134,720	288,805
3 to 4 years	75,834	357,421
4 to 5 years	6,746	85,699
more than 5 years	114,880	140,292
	<b>1,290,819</b>	<b>1,389,851</b>
Borrowing costs to be amortised	(3,899)	(6,841)
	<b>1,286,920</b>	<b>1,383,010</b>

<sup>(1)</sup> Current interest bearing liabilities include US\$291 million maturing in December 2008 and US\$148 million maturing in June 2009. Subsequent to year end, the Trust has refinanced the US\$291 million maturing in December 2008. The new facility will be US\$316.7 million and US\$229 million will mature in 2015 and US\$87.7 million will mature in 2011.

As at 30 June 2008, total interest bearing liabilities are \$1,291 million (2007:\$1,390 million) with total facility of \$1,346 million (2007: \$1,484 million).

## 24 Capital and financial risk management (cont.)

### e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Trust to make a financial loss. The Trust has exposure to credit risk on all of its financial assets included in the Trust's Balance Sheet.

The Trust is exposed to credit risk on financial instruments and derivatives. For credit purposes, there is only a credit risk where the contracting entity is liable to pay the Trust in the event of a close out. The Trust has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to investment grade counterparties in accordance with the Trust's FRM policy. The Trust monitors the public credit rating of its counterparties.

The table below details the concentration of credit exposure of the Trust's assets to significant geographical locations. None of the assets below are past due or impaired.

	2008 \$'000	2007 \$'000
Cash and cash equivalents with Australian entities	533	2,566
Derivative financial instruments with Australian entities	80,180	61,004
Receivables with US entities	131	1,809
Receivables with Australian entities	111	14
	<b>80,955</b>	<b>65,393</b>

In addition to the credit exposure shown above, the Trust has an indirect credit exposure relating to the assets held by its joint venture entities. The joint venture entities manage this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears. In addition there is exposure to credit risk on financial instruments and derivatives and the same credit risk management policies apply as to the Trust.

As at 30 June 2008, the Trust's share of the trade debtors of the joint venture entities are \$12,491,778 (2007: \$6,160,618) and the provision held against these is \$2,434,341 (2007: \$1,560,899).

At 30 June 2008, one of the Trust's major tenants, Linen 'n Things, filed for a voluntary petition under chapter 11 of the US Bankruptcies Code to complete financial restructuring. The Trust has nine leases with Linen 'n Things comprising 2.4% of Trust's base rental income. Two of the leases comprising less than 0.5% of Trust's income are under review. At 30 June 2008, the Trust has US\$591,712 of receivables outstanding with Linen 'n Things with a provision of US\$23,865 held against them.

Since 30 June 2008, Mervyns also filed a voluntary petition under chapter 11 of the US Bankruptcies Code to restructure debt and realign its business operations. The Trust has 37 leases with Mervyns comprising 10.6% of its portfolio. At 30 June 2008, the Trust had US\$3,753 of receivables outstanding with Mervyns with nil provision held against them. The Trust also has a US\$32.8 million (US\$16.4 million MDT share) letter of credit with the previous owners of these leases to minimise the impact of Mervyns' bankruptcy.

As at 30 June 2008, the two tenants mentioned above are paying their rents as it falls due.

### 25 Commitments and contingent liabilities

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

### 26 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.

### 27 Events occurring after reporting date

Subsequent to year end, a distribution of 2.125 cents per unit has been declared by the Board of Directors. The total distribution amount of \$19.8 million will be paid on 28 August 2008 in respect of the quarter ended 30 June 2008.

Subsequent to year end, the Trust announced the following debt, capital management initiatives and tenants update:

- The Trust has refinanced US\$291 million of debt held in US LLC (Trust's share) due to expire in December 2008. The new facility will be US\$316.7 million (Trust's share) of which US\$229 million matures in 2015 and US\$87.7 million matures in 2011;
- The Trust has agreed terms to increase the gearing covenant on the Trust's loan from 60% to 65% on the condition that the facility is reduced to US\$60 million. At 30 June 2008, it was drawn to US\$76.8 million;
- One of Trust's major tenants, Mervyns, has filed a voluntarily petition under chapter 11 of the US Bankruptcies Code to restructure debt and realign its business operations. On 13 August 2008, Mervyns announced plans to close 26 of their 176 stores of which 8 are part of the Trust's portfolio; and
- The Trust has revised its hedging policy from 90-100% of net assets to 60-100% of gross assets. The policy change has resulted in the realisation of US\$216 million of cross currency swaps resulting in \$15 million profit.

Since the end of the financial year, the directors of the Manager are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in financial years subsequent to the year ended 30 June 2008.

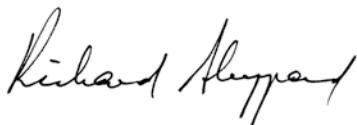
Directors' declaration to unitholders

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

- a) the financial statements and notes set out on pages 34 to 59 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 30 June 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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 Board of Directors.



**W Richard Sheppard**  
Chairman

Sydney  
27 August 2008



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MACQUARIE DDR TRUST



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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## Report on the financial report

We have audited the accompanying financial report of Macquarie DDR Trust (the registered scheme), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the registered scheme.

## *Directors' responsibility for the financial report*

The directors of Macquarie DDR Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the 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 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements and notes, comply with International Financial Reporting Standards.

## *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MACQUARIE DDR TRUST



## *Independence*

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

## *Auditor's opinion*

In our opinion:

- a) the financial report of Macquarie DDR Trust is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the registered scheme's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

A stylized, handwritten-style signature of the PricewaterhouseCoopers firm.

**PricewaterhouseCoopers**

A handwritten signature of Voula Papageorgiou.

**Voula Papageorgiou**  
Partner

Sydney  
27 August 2008

## ADDITIONAL US DOLLAR FINANCIAL INFORMATION ON THE INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	June 2008 US\$'000	June 2007 US\$'000
<b>Income</b>			
Share of net profits from investments in joint venture entities:			
Net property income		143,903	145,480
Management fees		(10,426)	(9,723)
Finance costs		(61,838)	(60,876)
Other income and expenses		(5,653)	(3,595)
Share of net profits from investments in joint venture entities before property valuation gains	4(ii)	65,986	71,286
Property valuation (losses)/gains		(132,283)	120,213
Share of net (loss)/profits from investments in joint venture entities	4(ii)	(66,297)	191,499
Interest income		278	335
Net gain from derivative financial instruments		5,719	9,645
Unrealised foreign exchange gains		6,306	3,188
Realised foreign exchange gains		—	238
Total income		(53,994)	204,905
<b>Expenses</b>			
Finance costs		315	400
Interest expense		1,366	4,426
Other expenses		1,232	1,039
Total expenses		2,913	5,865
<b>(Loss)/profit before tax</b>		<b>(56,907)</b>	<b>199,040</b>
US withholding tax expense		(4,250)	(4,260)
US capital gains tax benefit/(expense)		32,281	(58,918)
Total tax benefit/(expense)		28,031	(63,178)
<b>(Loss)/profit</b>		<b>(28,876)</b>	<b>135,862</b>
		June 2008 US cents	June 2007 US cents
Basic earnings per unit		(3.11)	14.64
Diluted earnings per unit		(3.11)	14.64
Distributable earnings per unit		8.44	7.92

The above information should be read in conjunction with the accompanying basis of preparation of the US dollar financial information.

# ADDITIONAL UNAUDITED US DOLLAR INFORMATION ON THE BALANCE SHEET

AS AT 30 JUNE 2008

	Note	June 2008 US\$'000	June 2007 US\$'000
<b>Current assets</b>			
Cash and cash equivalents		511	2,175
Receivables		232	1,546
Derivative financial instruments		43,995	22,996
Other		14	19
<b>Total current assets</b>		<b>44,752</b>	<b>26,736</b>
<b>Non-current assets</b>			
Investments in joint venture entities:			
Investment properties		2,142,194	2,219,257
Less: Share of borrowings		(1,232,547)	(1,099,071)
Add: Share of other net assets		3,183	20,668
Total investments in joint venture entities	4(i)	912,830	1,140,854
Derivative financial instruments		32,831	28,727
<b>Total non-current assets</b>		<b>945,661</b>	<b>1,169,581</b>
<b>Total assets</b>		<b>990,413</b>	<b>1,196,317</b>
<b>Current liabilities</b>			
Payables		5,754	4,301
Derivative financial instruments		13,110	21
Provisions		—	—
<b>Total current liabilities</b>		<b>18,864</b>	<b>4,322</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		546	73,543
Tax liabilities		141,599	173,879
<b>Total non-current liabilities</b>		<b>142,145</b>	<b>247,422</b>
<b>Total liabilities</b>		<b>161,009</b>	<b>251,744</b>
<b>Net assets</b>		<b>829,404</b>	<b>944,573</b>
<b>Equity</b>			
Contributed equity		686,900	686,900
Reserves		24,409	29,636
Undistributed income		118,095	228,037
<b>Total equity</b>		<b>829,404</b>	<b>944,573</b>

The above information should be read in conjunction with the accompanying basis of preparation of the US dollar financial information.

## ADDITIONAL UNAUDITED US DOLLAR INFORMATION ON THE NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

### 1 Basis of preparation – additional US dollar financial information

The additional US dollar financial information (US Financial Information) has been extracted from the financial report of Macquarie DDR Trust (Trust) for the year ended 30 June 2008 and converted to US dollars. The US Financial Information should be read in conjunction with the financial report of the Trust. The basis of translation from the Australian dollar financial report of the Trust is as follows:

#### *Financial information expressed in US dollars*

The amounts reported in US dollars have been taken directly from US dollar denominated transactions or translated from Australian dollars at the exchange rate ruling at the date of the transaction being the year end spot rate, the hedged rate or average exchange rate for the year as appropriate.

### 2 Earnings used in the calculation of distributable earnings per unit

	June 2008 US\$'000	June 2007 US\$'000
(Loss)/profit per Income Statement	(28,876)	135,862
Property valuation (losses)/gains	132,283	(120,213)
Unrealised loss on derivative financial instruments	14,688	2,992
US capital gains tax (benefit)/expense	(32,281)	58,918
Unrealised foreign exchange gains	(6,306)	(3,188)
Straight lining of fixed rent increases	(2,566)	(3,870)
Amortisation of borrowing costs	1,488	2,741
Valuation fees	—	251
<b>Distributable earnings after amortisation of borrowing cost</b>	<b>78,430</b>	<b>73,493</b>

### 3 Net tangible assets

Net tangible assets are calculated as follows:

Total assets	990,413	1,196,317
Less: Total liabilities	(161,009)	(251,744)
<b>Net tangible assets</b>	<b>829,404</b>	<b>944,573</b>
Total number of units on issue	929,460,855	929,460,855
Net tangible asset backing per unit	US\$0.89	US\$1.02
Net tangible asset backing per unit after distribution	US\$0.87	US\$1.00
Net tangible asset backing per unit after distribution and excluding deferred tax liability	US\$1.02	US\$1.18



# ADDITIONAL UNAUDITED US DOLLAR INFORMATION ON THE NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## 4 Share of net profits from investments in joint venture entities

### i) Carrying amount of investments in joint venture entities

	Note	June 2008 US\$'000	June 2007 US\$'000
Carrying amount at the beginning of the year		1,140,854	1,003,868
Additions during the year		119	119
Share of profit before property valuation gains	4 (ii)	65,986	71,286
Share of property valuation (losses)/gains	4 (ii)	(132,283)	120,213
Movement in share of cash flow hedge reserve		(23,855)	5,181
Distributions paid for the year		(137,991)	(59,813)
<b>Carrying amount at the end of the year</b>		<b>912,830</b>	<b>1,140,854</b>

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

<i>Property income</i>			
Property income		204,011	202,913
Property expenses		(60,108)	(57,433)
<b>Net property income</b>		<b>143,903</b>	<b>145,480</b>
<i>Management fees</i>			
Management base fee		(10,426)	(9,723)
Management performance fee		—	—
		(10,426)	(9,723)
<i>Finance costs</i>			
Interest expense		(58,976)	(57,700)
Borrowing establishment costs		(2,862)	(3,176)
		(61,838)	(60,876)
<i>Other income and expenses</i>			
Interest income		427	469
Derivative financial instrument loss		(1,887)	(1,355)
Other operating expenses		(4,193)	(2,709)
<b>Total other income and expenses</b>		<b>(5,653)</b>	<b>(3,595)</b>
<b>Share of net profits from investments in joint venture entities before property valuation gains</b>		<b>65,986</b>	<b>71,286</b>
<i>Property valuation gains</i>			
Revaluation of investment properties		22,502	126,604
Devaluation of investment properties		(152,220)	(2,521)
Revaluation of investment properties			
– adjustment for straightlining of fixed rent increases		(2,565)	(3,870)
<b>Total property valuation (losses)/gains</b>		<b>(132,283)</b>	<b>120,213</b>
<b>Share of (loss)/ profits from investments in joint venture entities</b>		<b>(66,297)</b>	<b>191,499</b>

4 Share of net profits from investments in joint venture entities (cont.)

iii) Results attributable to joint venture entities (Trust's share) – split by entity

	June 2008				June 2007			
	US\$'000 REIT I <sup>(1)</sup>	US\$'000 REIT II <sup>(2)</sup>	US\$'000 PS LLC <sup>(3)</sup>	US\$'000 Total	US\$'000 REIT I <sup>(1)</sup>	US\$'000 REIT II <sup>(2)</sup>	US\$'000 PS LLC <sup>(3)</sup>	US\$'000 Total
Net property income	117,131	17,395	9,377	143,903	118,890	17,392	9,198	145,480
Management fees	(8,806)	(1,076)	(544)	(10,426)	(8,228)	(981)	(514)	(9,723)
Finance costs	(49,635)	(6,880)	(5,323)	(61,838)	(48,365)	(7,168)	(5,343)	(60,876)
Interest income	305	62	60	427	357	88	24	469
Derivative financial instrument (loss)/gain	(1,887)	—	—	(1,887)	(1,355)	—	—	(1,355)
Other operating expenses	(3,423)	(330)	(440)	(4,193)	(2,188)	(330)	(191)	(2,709)

<b>Share of net profits from investments in joint venture entities before property valuation gains</b>	<b>53,685</b>	<b>9,171</b>	<b>3,130</b>	<b>65,986</b>	<b>59,111</b>	<b>9,001</b>	<b>3,174</b>	<b>71,286</b>
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	AUD\$'000 REIT I <sup>(1)</sup>	AUD\$'000 REIT II <sup>(2)</sup>	AUD\$'000 PS LLC <sup>(3)</sup>	AUD\$'000 Total	AUD\$'000 REIT I <sup>(1)</sup>	AUD\$'000 REIT II <sup>(2)</sup>	AUD\$'000 PS LLC <sup>(3)</sup>	AUD\$'000 Total
Net property income	129,928	19,277	10,387	159,592	150,342	21,981	11,617	183,940
Management fees	(9,706)	(1,186)	(599)	(11,491)	(10,324)	(1,232)	(645)	(12,201)
Finance costs	(55,021)	(7,636)	(5,901)	(68,558)	(61,075)	(9,061)	(6,756)	(76,892)
Interest income	346	71	68	485	446	110	30	586
Derivative financial instrument (loss)/gain	(2,195)	—	—	(2,195)	(1,921)	—	—	(1,921)
Other operating expenses	(3,758)	(368)	(483)	(4,609)	(2,762)	(413)	(238)	(3,413)

<b>Share of net profits from investments in joint venture entities before property valuation gains</b>	<b>59,594</b>	<b>10,158</b>	<b>3,472</b>	<b>73,224</b>	<b>74,706</b>	<b>11,385</b>	<b>4,008</b>	<b>90,099</b>
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<sup>(1)</sup> Represents the Trust's share of net profits from DDR Macquarie Fund LLC and Macquarie DDR US Trust Inc, established 21 November 2003.

<sup>(2)</sup> Represents the Trust's share of net profits from DDR MDT MV LLC and Macquarie DDR US Trust II Inc, established 16 September 2005.

<sup>(3)</sup> Represents the Trust's share of net profits from DDR MDT PS LLC, established 7 June 2006.

Top 20 unitholders as at 29 August 2008

	Units	%
1 Citicorp Nominees Pty Limited	233,002,296	24.70
2 JP Morgan Nominees Australia Limited	132,936,419	14.09
3 HSBC Custody Nominees (Australia) Limited	120,691,816	12.80
4 National Nominees Limited	69,963,384	7.42
5 ANZ Nominees Limited <Cash Income A/c>	39,000,020	4.13
6 HSBC Custody Nominees (Australia) Limited-GSCO ECSA	33,125,508	3.51
7 Citicorp Nominees Pty Limited <CFSIL CWLTH Property 1 A/c>	24,154,388	2.56
8 Macquarie MDT Holdings Inc <Macquarie MDT Holdings A/c>	10,905,052	1.16
9 Cogent Nominees Pty Limited	10,204,370	1.08
10 Bond Street Custodians Limited <ENH Property Securities A/c>	10,100,169	1.07
11 Belike Nominees Pty Limited	5,505,743	0.58
12 Citicorp Nominees Pty Limited <CFSIL CFS WS INDX Prop A/c>	5,302,013	0.56
13 RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/c>	4,742,229	0.50
14 Macquarie Investment Management Ltd <Macquarie Bank Ltd DPS006>	4,662,025	0.49
15 Merrill Lynch (Australia) Nominees Pty Limited	4,278,396	0.45
16 RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/c>	4,226,185	0.45
17 Macquarie Investment MGT Limited <Macquarie Bank Limited A/c>	3,739,704	0.40
18 HSBC Custody Nominees (Australia) Limited GSI EDA - & HSBC Custody Nominees (Australia) Limited-GSI EDA	3,656,127	0.39
19 Citicorp Nominees Pty Limited <CFSIL CWLTH SML Cos 3 A/c>	3,614,694	0.38
20 Citicorp Nominees Pty Limited <CFSIL CWLTH Aust SHS 23 A/c>	3,560,629	0.38
<b>Total units held by top 20</b>	<b>727,371,167</b>	<b>77.12</b>
<b>Total units on issue</b>	<b>943,203,042</b>	<b>100.00</b>

Range of units summary as at 29 August 2008

Range	Holders	Units	%
1 – 1,000	208	106,655	0.01
1,001 – 5,000	761	2,600,118	0.28
5,001 – 10,000	1,357	11,269,732	1.19
10,001 – 50,000	3,383	79,843,260	8.47
50,001 – 100,000	400	29,372,907	3.11
100,001 and over	258	820,010,370	86.94
<b>Total</b>	<b>6,367</b>	<b>943,203,042</b>	<b>100.00</b>

Unitholders with less than a marketable parcel of 1,429 units is 265.

Voting rights

On a poll, each unitholder has one vote for each dollar of the value of their total interest in the Trust.

On a show of hands, each unitholder has one vote.

Substantial unitholder notices

Company	Date of change	Units	%
Nomura Asset Management Co. Ltd	19 Aug 2008	48,088,770	5.17
Commonwealth Bank of Australia	8 Aug 2008	46,428,704	5.00
Developers Diversified Realty Corporation (DDR)	6 Aug 2008	94,816,526	10.20
Barclays Group	21 Jul 2008	79,199,384	8.52
Legg Mason Asset Management Limited	26 Feb 2008	50,573,994	5.44

## DISTRIBUTION HISTORY

Period ended	Distribution	Taxable amount <sup>(1)</sup>		Tax deferred amount		Foreign tax credit	DRP issue price	Period end unit price
History	Cents/unit	Cents/unit	%	Cents/unit	%	Cents/unit	\$	\$
31 Mar 04	3.26						1.0667	1.09
30 Jun 04	2.34						1.0169	1.03
<b>Period to 30 Jun 04</b>	<b>5.60</b>	<b>0.84380</b>	<b>15.07</b>	<b>4.75620</b>	<b>84.93</b>	<b>0.29980</b>		
30 Sep 04	2.41						1.1052	1.12
31 Dec 04	2.41						1.1052	1.13
31 Mar 05	2.41						1.1157	1.15
30 Jun 05	2.42						1.1829	1.19
<b>Full year to 30 Jun 05</b>	<b>9.65</b>	<b>4.08268</b>	<b>42.31</b>	<b>5.56732</b>	<b>57.69</b>	<b>0.76101</b>		
30 Sep 05	2.50						1.1240	1.14
31 Dec 05	2.50						1.1165	1.14
31 Mar 06	2.50						1.1799	1.20
30 Jun 06	2.50						1.0901	1.13
<b>Full year to 30 Jun 06</b>	<b>10.00</b>	<b>4.54490</b>	<b>45.45</b>	<b>5.45510</b>	<b>54.55</b>	<b>0.49028</b>		
30 Sep 06	2.50						—	1.21
31 Dec 06	2.50						—	1.32
31 Mar 07	2.50						—	1.19
30 Jun 07	2.50						—	1.25
<b>Full year to 30 Jun 07</b>	<b>10.00</b>	<b>4.62666</b>	<b>46.27</b>	<b>5.37334</b>	<b>53.73</b>	<b>0.59999</b>		
30 Sep 07	2.50						—	1.17
31 Dec 07	2.50						—	0.77
31 Mar 08	2.125						—	0.42
30 Jun 08	2.125						0.3926	0.40
<b>Full year to 30 Jun 08</b>	<b>9.25</b>	<b>4.54467</b>	<b>49.13</b>	<b>4.70533</b>	<b>50.87</b>	<b>0.53485</b>		

<sup>(1)</sup> The taxable amount does not include the foreign tax credit, which appears separately in this table.

From 1 July 2004, tax components are advised annually in the annual tax statement. For purposes of section 12-415 of Schedule 1 of the Taxation Administration Act 1953 (Cth), estimated tax components and a 'fund payment' amount for each distribution are advised to investors and announced to the ASX when distribution payments are made. However, Australian resident unitholders should only use final tax components shown on the annual tax statement (usually issued in August each year) when completing their tax returns.

## OTHER INVESTMENT OPPORTUNITIES

AS AT 30 JUNE 2008

### LISTED REITs



**Macquarie CountryWide Trust**  
ASX: MCW

Macquarie CountryWide is a leading listed real estate investment trust focused on investing in predominantly grocery-anchored shopping centres around the world. The trust's portfolio comprises assets across Australia, NZ, the US and Europe.

Assets under management	\$5.4 billion
Distribution yield <sup>(1)</sup>	10.0%



**Macquarie DDR Trust**  
ASX: MDT

Macquarie DDR invests predominantly in US community shopping centres giving investors exposure to a premium quality portfolio of US retail real estate in the value and convenience sector.

Our strength lies in access to the Macquarie Group's financial know-how combined with JV partner Developers Diversified Realty's expertise in managing retail real estate and fostering tenant relationships.

Assets under management	\$2.4 billion
Distribution yield <sup>(1)</sup>	17.1 – 20.0%



**Macquarie Office Trust**  
ASX: MOF

Macquarie Office is a leading owner of office property with a portfolio that comprises predominantly high grade office buildings located in major business districts across Australia, the US, Europe and Japan.

Our customer focused approach guides the trust's leasing, development and refurbishment initiatives with a view to maximising property income and asset values.

Assets under management	\$6.4 billion
Distribution yield <sup>(1)</sup>	8.7%



**Macquarie Leisure Trust Group**  
ASX: MLE

Macquarie Leisure is one of Australia's most successful owners and operators of premium leisure assets including Dreamworld, WhiteWater World, d'Albora Marinas, AMF and Kingpin bowling, Goodlife Health Clubs, as well as a growing portfolio of family entertainment assets in the US through Main Event.

Our specialised management expertise in this sector has delivered strong returns and a solid platform for future growth.

Assets under management	\$0.8 billion
Distribution yield <sup>(2)</sup>	10.3%

<sup>(1)</sup> Based on FY09 distribution guidance provided in FY08 results presentation, closing price as at 31 August 2008.

<sup>(2)</sup> Based on FY08 distribution paid, closing price as at 31 August 2008.



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**MACQUARIE DIRECT PROPERTY FUND**  
ISSUED 17th JULY 2009

**ANNUAL REVIEW 2008**  
17th JULY 2009 - 16th JULY 2010

**MACQUARIE**



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Information relating to Macquarie DDR Trust can be found at [www.macquarie.com.au/mdt](http://www.macquarie.com.au/mdt). The website is a useful source of information about the Trust and its property portfolio. The site contains a variety of investor information, including presentations, webcasts, newsletters, annual reports, half year updates, distribution payment dates and history, current unit price information and announcements to the ASX.

#### Distribution payments and annual taxation statement

Distributions are currently payable twice a year and received by investors approximately seven weeks after each half end. To view your 2007/2008 annual taxation statement online, please visit the Link Investor Service Centre at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

#### Distribution reinvestment plan (DRP)

As an alternative to receiving cash distributions, you may elect to participate in the DRP. The DRP enables investors to use their distributions to purchase additional fully paid units, currently at a 2.0% discount to market. If you would like to participate in the DRP contact the unit registry and request a DRP application form.

#### Investor complaints

##### What to do if you have a complaint

Please contact us so that we can address your complaint:

Complaints Officer  
Macquarie DDR  
Management Limited  
Level 15  
No. 1 Martin Place  
Sydney NSW 2000

Email  
[reits@macquarie.com](mailto:reits@macquarie.com)

Telephone  
1300 365 585 (within Australia)

Facsimile  
+61 2 8232 6510

##### External dispute resolution

In the event that the matter cannot be resolved within a reasonable period of time (usually 45 days) or you are not satisfied with our response, you can seek assistance from the Financial Ombudsman Service (FOS) Limited. FOS provides a free and independent dispute resolution service to our investors. FOS's contact details are below:

Financial Ombudsman Service  
GPO Box 3  
Melbourne, VIC, 3001

Email  
[info@fos.org.au](mailto:info@fos.org.au)

Telephone  
1300 780 808 (within Australia)

Facsimile  
+61 3 9613 6399

Website  
[www.fos.org.au](http://www.fos.org.au)

#### Contact details

##### Unit registry

To access information on your holding or to update/change your details contact:

Link Market Services  
Locked Bag A14  
Sydney South NSW 1235

Telephone  
1300 303 063 (within Australia)  
+61 2 8280 7134 (outside Australia)

Facsimile  
+61 2 9287 0303

Website  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Email  
[macquarie@linkmarketservices.com.au](mailto:macquarie@linkmarketservices.com.au)

##### Manager

All other enquiries relating to your Macquarie DDR Trust investment can be directed to the Manager:

Telephone  
1300 365 585 (within Australia)  
+61 2 8232 6635 (outside Australia)

Email  
[reits@macquarie.com](mailto:reits@macquarie.com)

#### Distribution timetable

	Half year ending 31 Dec 08	Half year ending 30 Jun 09
Ex-distribution date	23 Dec 08	24 Jun 09
Record date	31 Dec 08	30 Jun 09
Approximate distribution payment date	13 Feb 09	27 Aug 09

The above payment dates are approximate and are subject to change.

**Manager**

Macquarie DDR  
Management Limited  
ABN 16 101 743 926

**Registered office**

Level 7, No. 1 Martin Place  
Sydney NSW 2000

**Directors of the Manager**

Richard Sheppard (Chairman)  
Steve Guttman  
Robert Joss  
David Spruell  
David Oakes  
Scott Wolstein  
Daniel Hurwitz  
Mark Baillie  
Stephen Girdis  
Joan Allgood (Alternate)  
John Wright (Alternate)

**Chief Executive Officer**

Luke Petherbridge

**Secretaries**

Kara Nicholls  
John Wright

**Manager's office**

Level 15, No. 1 Martin Place  
Sydney NSW 2000  
GPO Box 4294  
Sydney NSW 1164

**Telephone**

1300 365 585 (within Australia)  
+61 2 8232 6635 (outside Australia)

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+61 2 8232 6510 (outside Australia)

**Email**

reits@macquarie.com

**Website**

www.macquarie.com.au/mdt

**ASX code**

MDT

**Custodian**

Trust Company Limited  
35 Clarence Street  
Sydney NSW 2000

**Auditor of the Trust**

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 1171

**Unit registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**Telephone**

1300 303 063 (within Australia)  
+612 8280 7134 (outside Australia)

**Email**

macquarie@linkmarketservices.com.au

**Website**

www.linkmarketservices.com.au

To arrange changes of address,  
or changes in registration of units,  
please contact the unit registry at  
the address or number listed above.

**Macquarie DDR Trust**

ARSN 106 570 352

This is the annual report for Macquarie DDR Trust ARSN 106 570 352.

This information has been prepared by Macquarie DDR Management Limited ABN 16 101 743 926 (**Manager, we, our, us**), a wholly owned subsidiary of Macquarie Group Limited ABN 94 122 169 279 (**Macquarie Group**) and the responsible entity of Macquarie DDR Trust (**Macquarie DDR** or **Trust**) for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. Before investing, you should consider your own objectives, financial situation and needs or you should obtain financial, legal and/or taxation advice.

The Manager does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating the Trust which, in accordance with the Trust's constitution, are calculated by reference to the value of the assets and the performance of the Trust. Entities within the Macquarie Group may also receive fees for managing the assets of, and providing resources to the Trust. For more detail on fees, see the Trust's latest annual report. To contact us, call 1300 365 585 (local call cost).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of the Manager. Actual results may vary from any forecasts and any variation may be materially positive or negative.

**Investments in Macquarie DDR Trust are not deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL), the Manager or any other Macquarie Group entity and are subject to investment risk including possible delays in repayment and loss of income and principal invested. None of MBL, the Manager or any other Macquarie Group entity guarantees the performance of the Trust or the repayment of capital from the Trust, or any particular rate of return.**

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