MACQUARIE COUNTRYWIDE TRUST
ARSN 093 143 965
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MACQUARIE COUNTRYWIDE TRUST
DIRECTORS' REPORT TO UNITHOLDERS

The directors of Macquarie CountryWide Management Limited (Manager), the responsible entity of Macquarie CountryWide Trust (Trust), present their report together with the consolidated financial report of the Trust and its controlled entities for the half year ended 31 December 2005.

1. Directors

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

David Clarke, AO
Mark Baillie
John Harkness
Maurice Koop
Alan Rattray-Wood
Martin (Hap) Stein, Jr, appointed 23 August 2005
Mary Lou Fiala (alternate for Martin (Hap) Stein, Jr), appointed 23 August 2005
Simon Jones (alternate for Mark Baillie)
John Wright (alternate for David Clarke).

2. Principal activities

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

3. Distributions

The distribution of income for the period was 7.60 cents per unit and will be paid on 20 February 2006. A provision has not been recognised in the financial statements at 31 December 2005 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 and its controlled entities, as represented by the results of their operations for the period, was as follows:

	Consolidated December 2005 $'000	Consolidated December 2004 $'000
Property rental income	58,872	53,323
Net income from property investment in joint venture entities	55,690	19,803
Net profit before property valuation gains, loss from derivatives, tax expense and finance costs	82,737	50,446
Net profit before finance costs	135,371	72,572

The Trust acquired an interest in two properties in the United States during the period through the Trust's joint venture relationship with Regency Centers Corporation (Regency). The total purchase price of these US properties was US$21.9 million, of which the Trust's share is US$16.4 million.

Two properties were sold during the period, one in the United States and one in Australia.

The Trust's financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time. Prior period comparatives have been restated under AIFRS to enable a like for like comparison. A detailed explanation of the transition to AIFRS is provided in Note 22 to the financial statements.

5. Value of assets

	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Value of Trust assets	2,817,850	2,558,247

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 period is set out below:

	Consolidated December 2005	Consolidated June 2005
Units on issue at the beginning of the period	1,149,440,097	621,096,593
Units issued during the period	45,249,326	528,343,504
Units on issue at the end of the period	1,194,689,423	1,149,440,097

7. Auditor's independence declaration

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

8. Events occurring after reporting date

Subsequent to the period end, a distribution of 7.60 cents per unit has been declared by the Board of Directors. The total distribution amount of $90.8 million will be paid on 20 February 2006 in respect of the half year ended 31 December 2005.

On 17 January 2006, the Trust announced the acquisition of a further 10.05% interest in the First Washington portfolio, increasing its ownership interest from 64.95% to 75%, effective from 1 January 2006.

On 12 January 2006, the Trust sold its property in Bundaberg, Queensland for $7.0 million.

Since the end of the financial period, 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 these operations or the state of affairs of the Trust in financial periods subsequent to the half year ended 31 December 2005.

9. Rounding of amounts to the nearest thousand dollars

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 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.

John Wright

John Wright
Alternate director for David Clarke

Sydney
20 February 2006

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Auditors' Independence Declaration

As lead auditor for the review of Macquarie CountryWide Trust for the half-year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie CountryWide Trust and the entities it controlled during the period.

M. Ch

Mark Haberlin
Partner
PricewaterhouseCoopers

Sydney
20 February 2006

MACQUARIE COUNTRYWIDE TRUST
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated December 2005 $'000	Consolidated December 2004 $'000
Income			
Property income			
Property rental income		58,872	53,323
Property expenses		(13,661)	(11,910)
Net property income		45,211	41,413
Net income from investment in joint venture entities	10(ii)	55,690	19,803
Profit on sale of property investments		762	2,474
Interest income		870	595
Total income		102,533	64,285
Expenses			
Manager's base fee	3	3,936	3,384
Manager's performance fee	3	-	-
Finance costs - bank loan		11,545	8,655
Withholding tax expense		2,287	704
Other expenses	4(i)	2,028	1,096
Total expenses		19,796	13,839
Net profit before property valuation gains, loss from derivatives, tax expense and finance costs		**82,737**	**50,446**
Property valuation gains	4(ii)	94,171	18,215
Net (loss)/gain from derivative financial instruments	4(iii)	(14,096)	2,520
US capital gains tax expense		(27,441)	1,391
Net profit before finance costs		**135,371**	**72,572**
Finance costs attributable to unitholders*		(72,100)	-
Net profit		**63,271**	**72,572**
Total distributions in respect of the half year ended 31 December	6	**90,796**	**49,535**
Distribution per unit in respect of the half year ended 31 December	6	7.60	7.40
Basic earnings per unit	20	5.34	10.18
Diluted earnings per unit	20	5.34	10.18

* Due to the classification of the Trust's units on issue as financial liabilities for the period from 1 July 2005 to 7 October 2005, $72.1 million of the Trust's result (including unrealised valuation gains) for the half year ended 31 December 2005 has been disclosed as a finance cost in the Income Statement. Since 7 October 2005, the units on issue are classified as equity, therefore finance costs attributable to unitholders will not be recorded in future periods. Refer also to Note 2.

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

MACQUARIE COUNTRYWIDE TRUST
BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Current assets			
Cash		46,764	9,462
Receivables		22,234	18,314
Derivative financial instruments	7	102	-
Other	8	5,436	3,660
Total current assets		**74,536**	**31,436**
Non-current assets			
Investment properties	9	1,246,782	1,166,772
Investment in joint venture entities	10	1,488,726	1,360,039
Derivative financial instruments	7	7,806	-
Total non-current assets		**2,743,314**	**2,526,811**
Total assets		**2,817,850**	**2,558,247**
Current liabilities			
Payables		20,896	9,560
Tax liabilities	11	236	227
Provisions	13	-	-
Derivative financial instruments	7	88	-
Other		105	114
Total current liabilities		**21,325**	**9,901**
Non-current liabilities			
Interest bearing liabilities	12	469,088	451,708
Tax liabilities	11	81,592	54,111
Derivative financial instruments	7	47,980	26,685
Total non-current liabilities		**598,660**	**532,504**
Total liabilities		**619,985**	**542,405**
Net assets		**2,197,865**	**2,015,842**
Equity			
Contributed equity	14	1,857,639	1,776,423
Reserves	15	5,208	(5,793)
Undistributed income	16	335,018	245,212
Total equity		**2,197,865**	**2,015,842**

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

MACQUARIE COUNTRYWIDE TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated December 2005 $'000	Consolidated December 2004 $'000
Total equity at the beginning of the period		2,015,842	1,014,711
Net profit		63,271	72,572
Net income recognised directly in equity			
- Fair value of derivative financial instruments on adoption of AASB 132/139		(20,365)	-
- Movement in effective cash flow hedges		4,477	-
- Movement in effective net investment hedges		(1,164)	-
- Foreign currency translation differences		67,547	(1,095)
	15	50,495	(1,095)
Total income for the period		**113,766**	**71,477**
Units on issue classified as liabilities for part of period			
- Classification of units on issue as liabilities on adoption of AASB 132/139		(2,015,842)	-
- Reclassification to equity on 7 October 2005		2,015,842	-
- Reclassification of finance costs attributable to unitholders		72,100	-
		72,100	-
Transactions with unitholders in their capacity as unitholders			
- Contributions of equity, net of issue costs	14	81,216	99,096
- Distributions paid or payable	6	(85,059)	(44,719)
		(3,843)	54,377
Total equity at the end of the period		**2,197,865**	**1,140,565**

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

MACQUARIE COUNTRYWIDE TRUST
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated December 2005 $'000 Inflows/ (Outflows)	Consolidated December 2004 $'000 Inflows/ (Outflows)
Cash flows from operating activities		
Property rental income received	67,853	56,154
Property expenses paid	(15,302)	(14,849)
Distributions received from investment in joint venture entities	58,219	10,493
Other operating expenses paid	(3,728)	(2,789)
Finance costs paid - bank loan	(12,912)	(7,651)
Interest and other income received	2,464	595
Withholding tax paid	(5)	(424)
Net GST paid	(796)	(1,102)
Net cash flows from operating activities	**95,793**	**40,427**
Cash flows from investing activities		
Proceeds from sale of property investments	2,700	39,400
Payments for investment in joint venture entities	(15,115)	(149,572)
Payments for property investments	(47,317)	(31,072)
Net cash flows from investing activities	**(59,732)**	**(141,244)**
Cash flows from financing activities		
Proceeds from borrowings	42,908	182,670
Repayment of borrowings	(37,842)	(124,365)
Proceeds from issue of units	38,606	75,773
Equity issue costs paid	(3,843)	(685)
Distributions paid to unitholders	(38,606)	(20,711)
Net cash flows from financing activities	**1,223**	**112,682**
Net increase in cash held	**37,284**	**11,865**
Cash at the beginning of the period	9,462	1,517
Effect of exchange rate changes on cash	18	(601)
Cash at the end of the period	**46,764**	**12,781**

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

1. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the half year ended 31 December 2005 are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the requirements of the Trust Constitution, Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this report should be read in conjunction with the Annual Report for the year ended 30 June 2005 and any public announcements made by the Macquarie CountryWide Trust (Trust) during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Compliance with International Financial Reporting Standards (IFRS)
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS).

This is the first financial report of the Trust prepared based on AIFRS. Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AASB 1) has been applied in preparing these financial statements.

Financial statements of the Trust until 30 June 2005 were prepared in accordance with previous Australian Accounting Standards (AGAAP). AGAAP differs in certain respects from AIFRS. Accordingly, the AGAAP financial information relating to prior reported periods, has been restated to comply with AIFRS, with the exception of financial instruments. The Trust has elected to apply the exemption available under AASB 1 and has applied Accounting Standard AASB 132 Financial Instruments: Disclosure and Presentation (AASB 132) and Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) from 1 July 2005 rather than from 1 July 2004. This allows the Trust to apply AGAAP to the comparative information within the scope of AASB 132 and AASB 139 for the 31 December 2005 financial report.

Reconciliations and descriptions of the effect of transitioning from AGAAP to AIFRS on the Trust's equity and net profit are set out in Note 22.

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

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation of fair values described in Note 1(t), no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements of the Trust incorporate the assets and liabilities of the Trust's controlled entities as at 31 December 2005, and their results for the financial period then ended. The effects of all transactions between entities in the consolidated entity have been eliminated in full.

Where control of an entity is obtained during a financial period, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

(c) Receivables

Receivables are carried at the amounts due to the Trust. Rent and outgoings receivable are due for settlement within 30 days of recognition and turnover rent receivable is due to the Trust generally within 90 days of the end of the tenant's lease year.

The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where some doubt as to collection exists.

(d) Investment properties

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

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

At each reporting date, the fair values of the investment properties are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager.

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 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.

The carrying amount of investment properties recorded in the Balance Sheet includes components relating to lease incentives, leasing costs 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) Investments in joint venture entities

The Trust exercises significant influence 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. Under this method, the consolidated entity'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.

1. Summary of significant accounting policies (continued)

(f) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are capitalised on the Balance Sheet as a separate component of investment properties and amortised over the term of the lease as a reduction of rental income.

(g) 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 reporting 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 designates 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).

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

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

(iii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging 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.

(h) 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.

(i) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost.

Interest expense is accrued over the period it becomes due and is recorded in the Income Statement with the offsetting amount recorded as part of payables in current liabilities.

(j) Borrowing costs

Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets, excluding interest expense, are recorded against borrowings and amortised in the Income Statement over the term of the borrowing using the effective interest rate method.

1. Summary of significant accounting policies (continued)

(k) 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. The liability for capital gains tax that may arise if the Australian properties were sold is not accounted for in this financial report.

Under current New Zealand income tax legislation, trusts are taxed as companies. However, as the Trust does not have taxable income in New Zealand, it is not liable for income tax.

Macquarie CountryWide (US) Corporation and Macquarie CountryWide (US) No. 2 Corporation (US REITs), controlled entities of the Trust, have both 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.

In respect of its US investments, the consolidated entity may ultimately realise a capital gain or loss on disposal which if not distributed, may attract a US income tax liability. If the gain is distributed, a US withholding tax liability may arise and may give rise to a foreign tax credit which would be available to unitholders. A current tax liability is recognised in the financial statements for any realised gains on US investments. A deferred tax liability is recognised based on the temporary difference between the carrying amount of the US assets in the Balance Sheet and their associated tax cost bases.

(l) Goods and services tax (GST)

The Trust qualifies for Reduced Input Tax Credits at a rate of 75% of the GST incurred on certain services such as management fees. Expenses have been recognised in the Income Statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Payables are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Balance Sheet. Cash flows relating to GST are included in the Cash Flow Statement on a gross basis.

(m) 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.

(n) Reserves

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

(o) Property rental income

Property rental income represents income earned from the rental of Trust properties (inclusive of outgoings recovered from tenants) and is recognised on a straight line basis over the lease term. The portion of rental income relating to fixed increases in operating lease rentals in future periods is recognised as a separate component of investment properties. Turnover rent is recognised on an accruals basis until the actual amounts become payable by the respective tenants.

(p) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

1. Summary of significant accounting policies (continued)

(q) Foreign currency translation

(i) *Functional and presentation currencies*
Items included in the financial statements of the Trust are measured using the Trust's functional currency, being Australian dollars. The presentation currency is also Australian dollars.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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*
Assets and liabilities of foreign controlled entities and 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 controlled entities and equity accounted joint venture entities are taken directly to the foreign currency translation reserve. On consolidation or by way of reserve transfer, exchange differences on loans and cross currency swaps denominated in foreign currencies, which hedge net investments in foreign operations are reflected in the foreign currency translation reserve. At 31 December 2005, the spot rates used were A$1.00 = US$0.7340 (30 June 2005: A$1.00 = US$0.7611) and A$1.00 = NZ$1.0755 (30 June 2005: A$1.00 = NZ$1.0931). The average spot rates during the half year ended 31 December 2005 were A$1.00 = US$0.7496 and A$1.00 = NZ$1.0828.

(r) 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.

(s) Earnings per unit

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

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

(t) 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 are assumed to 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.

2. Trust formation

The Trust was established on 21 July 1995. The operations of the Trust commenced with the purchase of Trust properties during November 1995. On 7 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 AIFRS.

3. Management fee

The Manager of the Trust is Macquarie CountryWide Management Limited, a wholly owned subsidiary of Macquarie Bank Limited. The Manager's registered office is Level 15, 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

(i) 0.45% per annum of the value of the total assets of the Trust up to $700 million; plus
(ii) 0.40% per annum of the value of the total assets of the Trust over $700 million.

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.

The base fee payable to the Manager is reduced to the extent that management fees are paid or payable to US service providers.

The Manager has agreed to waive 0.25% of the 0.40% base fee for a period of 18 months in relation to the US properties acquired on 1 June 2005. After 18 months from the acquisition date, the Manager intends to charge the same fee as the remaining portfolio.

(b) Performance fee

In addition to the base fee, the Manager is entitled to a performance fee satisfied by the issue of units in the Trust to the Manager, dependent upon the relative performance of the Trust to the Retail Property Trust Accumulation Index (Index). This Index, calculated from a peer group of property securities that have a principal focus on the retail sector, measures the income and capital growth of the unit prices of the representative trusts.

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 units in the Trust with a total value equal to:

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

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

The performance fee is calculated and payable, if entitled, each half year at December and June. The performance fee is payable, if entitled, subject to an annual cap, whereby total management fees paid in any one year must not exceed 80 basis points of the value of the gross assets of the Trust (except where the Trust has outperformed its sector peers continuously over a three year period). Any unpaid fees will continue to be paid up to 80 basis points of the value of the assets in any future period.

3. Management fee (continued)

(c) Manager's fee calculation

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

	Consolidated December 2005 $'000	Consolidated December 2004 $'000
Base fee*	3,936	3,384
Performance fee	-	-
	3,936	**3,384**

In addition to the fees in this table, a related party of the Manager has earned management fees of $1.8 million relating to the US properties. These are included in Note 10(i).

* The amount for the current period includes $253,000 of non-recoverable GST relating to prior periods.

The relative performance of the Trust to the Index was:

	1 Jan 2004 - 31 Dec 2005	1 Jan 2004 - 31 Dec 2004
Trust performance	42.84	33.06
Index performance	62.61	38.90
Underperformance by the Trust	**(19.77)**	**(5.84)**

Outperformance will be assessed on a cumulative basis and accordingly, underperformance of 19.77 for the period 1 January 2004 to 31 December 2005 will need to be recovered before the Manager is entitled to any future performance fees.

4. Income Statement items

	Consolidated December 2005 $'000	Consolidated December 2004 $'000
(i) Other expenses		
Accounting fees	106	98
Audit committee fees – Independent directors	11	10
Audit fees	214	158
Bank fees	7	9
Compliance fees – Independent directors	30	23
Custodian and trustee fees	87	95
Legal fees	89	149
Postage and printing costs	136	100
Registry fees	132	102
REIT setup cost amortisation	48	61
Stock exchange costs	117	94
Taxation fees	71	85
Unitholder communications costs	79	90
Valuation fees	844	-
Other	57	22
	2,028	**1,096**

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

4. Income Statement items (continued)

	Consolidated December 2005 $'000	Consolidated December 2004 $'000
(ii) Property valuation gains		
Australia and New Zealand		
Revaluation increment on investment properties	34,744	12,403
Revaluation increment - AIFRS adjustments*	457	404
	35,201	12,807
US		
Revaluation increment on investment properties in joint venture entities	65,222	7,267
Revaluation increment - AIFRS adjustments*	(6,252)	(1,859)
	58,970	5,408
	94,171	**18,215**

* Adjustments relating to straightlining of rental income and amortisation of lease incentives.

(iii) Net (loss)/gain from derivative financial instruments - not qualifying for hedge accounting

Loss on interest rate swaps - unrealised	(1,762)	-
Loss on cross currency swaps - unrealised	(24,813)	-
Gain on cross currency swaps - realised	10,178	1,362
Gain on forward foreign exchange contracts - unrealised	1,082	-
Gain on forward foreign exchange contracts - realised	1,219	1,158
	(14,096)	**2,520**

5. Remuneration of auditor

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

Audit services	214	158
Taxation services	71	85
	285	**243**

Taxation services include taxation compliance fees relating to the Trust's New Zealand and US entities including taxation fees associated with the establishment of US entities which have been capitalised.

In addition to the above fees, PricewaterhouseCoopers earned US$87,129 (2004: US$Nil) in connection with the audit of the Trust's joint venture entities. This amount represents the Trust's share of the fees and is recorded within net income from investment in joint venture entities.

6. Distributions paid and payable

	Distribution cents per unit	Total Amount $'000
Distributions for the half year ended:		
31 December 2005*	7.60	90,796
30 June 2005	7.40	85,059
31 December 2004**	7.40	49,535
30 June 2004	7.20	44,719

* The distribution of 7.60 cents per unit for the half year ended 31 December 2005 was not declared prior to 31 December 2005. Refer Note 23.

** The distribution of 7.40 cents per unit for the half year ended 31 December 2004 was not declared prior to 31 December 2004.

7. Derivative financial instruments

	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Assets		
Current		
Interest rate swaps	102	-
	102	-
Non-current		
Interest rate swaps	5,641	-
Forward foreign exchange contracts	2,165	-
	7,806	-
Liabilities		
Current		
Forward foreign exchange contracts	88	-
	88	-
Non-current		
Interest rate swaps	1,551	-
Cross currency swaps	46,429	26,685
	47,980	26,685

Forward foreign exchange contracts

The Trust has entered into forward foreign exchange contracts to sell New Zealand dollars and receive Australian dollars at an average exchange rate of A$1.00 = NZ$1.2144 (June 2005: A$1.00 = NZ$1.2110). These forward contracts mature in June 2008.

The Trust has also entered into forward foreign exchange contracts to sell US dollars and receive Australian dollars at an average exchange rate of A$1.00 = US$0.7160 (June 2005: A$1.00 = US$0.7146). These forward contracts mature in June 2012.

The US dollar forward contracts do not qualify for hedge accounting and accordingly changes in the fair value of these contracts are recorded in the Income Statement. A portion of the New Zealand dollar forward contracts qualify as net investment hedges. Accordingly, $1.2 million of the change in fair value is recorded in the foreign currency translation reserve. The balance is recognised in the Income Statement.

Cross currency swaps

The Trust has entered into A$/US$ cross currency swap agreements totalling A$1,081.9 million/US$844.0 million (June 2005: A$1,065.1 million/US$831.0 million) that entitle it to receive A$ interest, at quarterly intervals, at a rate on a notional A$ principal amount and oblige it to pay US$ interest at a rate on the corresponding US$ amount as per the swap contract. The swap agreements allow the Trust to raise long term borrowings at an A$ rate and effectively swap them into a US$ rate.

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. A transfer is subsequently made to the foreign currency translation reserve for fair value movements caused by spot rate changes to offset movements in this reserve relating to the US investments of the Trust.

7. Derivative financial instruments (continued)

Interest rate swaps

The Trust has entered into interest rate swap agreements totalling $379.4 million (June 2005: $331.3 million) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the Trust to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The interest rate swap contracts largely qualify as cash flow hedges. Accordingly, $4.5 million of the change in fair value of these swaps is recorded in the cash flow hedging reserve. The balance is recognised in the Income Statement.

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

8. Other assets

	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Current		
Prepayments	3,286	3,660
Deposit and acquisition cost of new property*	2,150	-
	5,436	**3,660**

* This amount represents the preliminary acquisition cost relating to a property investment under consideration for acquisition at Morisset, NSW.

9. Investment properties

Australian properties	1,075,695	1,004,482
New Zealand properties	171,087	162,290
	1,246,782	**1,166,772**

The balance of investment properties includes unamortised lease incentives of $4.1 million and a straightlining asset of $2.6 million. Refer to Note 22.

Reconciliation of the carrying amount of investments including those held through controlled entities at the beginning and end of the current period and previous year is set out below:

Carrying amount at the beginning of the period	1,166,772	1,056,034
Additions	44,382	74,622
Disposals	(1,784)	(37,515)
Revaluation increment	34,744	73,097
Revaluation increment - AIFRS adjustments	457	861
Straightlining of rental income	109	328
Amortisation of lease incentives	(530)	(976)
Capitalised leasing fees	(36)	(213)
Exchange rate differences on translation*	2,668	534
Carrying amount at the end of the period	**1,246,782**	**1,166,772**

* The exchange rate differences arising on the translation of the Trust's NZ investments are offset by a corresponding increase in the Trust's NZ$ denominated borrowings in the Balance Sheet. The net impact on these investments and borrowings is reflected in the foreign currency translation reserve. Refer to Note 15.

10. Investments in joint venture entities

The consolidated entity has an investment in four joint venture entities with Regency Centers Corporation (Regency). The consolidated entity exercises significant influence over the joint venture entities, but neither the consolidated entity nor its joint venture partner has control in its own right, irrespective of their ownership interest. The investments are accounted for in the consolidated financial statements using the equity method of accounting (refer to Note 1(e)). Information relating to the joint venture entities is detailed below:

Joint Venture Entity	**Country of Incorporation**	**Principal Activity**	**Ownership Interest December 2005 %**	**Ownership Interest June 2005 %**
Macquarie Countrywide – Regency LLC	United States	Property investment	75.00	75.00
MCW/MDP – Regency LLC	United States	Property investment	75.00	75.00
Macquarie CountryWide – Regency II LLC	United States	Property investment	64.95	64.95
Macquarie CountryWide – Regency III LLC	United States	Property investment	75.00	-

(i) Carrying amount of investment in joint venture entities

	Note	**Consolidated December 2005 $'000**	**Consolidated June 2005 $'000**
Carrying amount at the beginning of the period		1,360,039	281,550
Additions during the period		15,346	1,084,570
Share of net profit before property valuation gains	10(ii)	55,690	49,116
Share of property valuation gains/(losses)	10(ii)	58,970	(33,796)
Distributions paid and payable for the period		(55,828)	(27,714)
Exchange rate differences on translation*		54,509	6,313
Carrying amount at the end of the period		**1,488,726**	**1,360,039**

* This represents the impact of foreign exchange rates on the carrying value of assets and is offset by a corresponding movement in liabilities in the parent entity.

10. Investments in joint venture entities (continued)

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

	Consolidated Half year ended December 2005 $'000	Consolidated Year ended June 2005 $'000
Income		
Property income	142,695	109,516
Property expenses	(36,059)	(29,440)
Net property income	106,636	80,076
Expenses		
Finance costs	46,112	25,444
Asset management fees	2,900	4,213
Other expenses	1,934	1,303
Total expenses	50,946	30,960
Net profit before property valuation gains	**55,690**	**49,116**
Property valuation gains		
Revaluation of investment properties	65,222	53,785
Revaluation of investment properties - AIFRS adjustments*	(6,252)	(6,981)
Write off of portfolio acquisition costs	-	(80,600)
Total property valuation gains/(losses)	**58,970**	**(33,796)**
Net profit	**114,660**	**15,320**

* Adjustments relating to straightlining of rental income and amortisation of lease incentives.

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

Investment properties - United States	3,375,588	3,161,391
Other	64,646	68,937
Total assets	3,440,234	3,230,328
Borrowings	1,884,778	1,818,449
Other	66,730	51,840
Total liabilities	1,951,508	1,870,289
Net assets	**1,488,726**	**1,360,039**

11. Tax liabilities

	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Current		
US capital gains tax liability	236	227
	236	**227**
Non-current		
US capital gains deferred tax liability	81,592	54,111
	81,592	**54,111**

Capital gains on the sale of the Trust's US investments are subject to US withholding tax pursuant to the Foreign Investment in Real Property Tax Act, at a withholding tax rate of 35% if the capital gain is distributed. If the capital gain is not distributed, but the proceeds from the disposal are reinvested in a qualifying asset, the tax payable can be deferred and 'rolled over' into the tax cost base of the qualifying asset.

The current tax liability represents tax payable by the consolidated entity on the sale of US properties for which the capital gain was unable to be deferred. Refer to Note 1(k).

12. Interest bearing liabilities

Non-current		
Bank loan - term debt	470,689	453,280
Less: Unamortised borrowing costs	(1,601)	(1,572)
	469,088	**451,708**

The term debt is secured by registered mortgages over all Australian and New Zealand properties owned by the Trust.

13. Provisions

Distribution		
Opening balance	-	-
Distribution declared	85,059	94,254
Paid during the period	(38,606)	(47,388)
Distributions reinvested	(46,453)	(46,866)
Closing balance	-	-

The distribution of 7.60 cents per unit for the half year ended 31 December 2005, totalling $90.8 million, was not declared prior to 31 December 2005. Refer to Note 23.

14. Contributed equity

No. of Units	*Details*	*Date of income entitlement*	Consolidated December 2005 $'000	Consolidated June 2005 $'000
621,096,593	Units on issue	30 Jun 2004		836,159
14,228,653	DRP issue	1 Jul 2004		24,008
14,366,890	UPP issue	21 Sep 2004		25,429
26,100,000	Placement issue	1 Jul 2004		50,373
381,822,208	Entitlement issue	1 Jan 2005		706,371
67,621,622	Placement issue	1 Jan 2005		125,100
11,232,288	DRP issue	1 Jan 2005		22,858
12,971,843	Underwritten DRP issue	1 Jan 2005		26,669
	Equity issue costs			(22,456)
	Transfer to undistributed income (refer below)			(18,088)
1,149,440,097	Units on issue	30 Jun 2005	1,776,423	1,776,423
20,421,536	Underwritten DRP issue	1 Jul 2005	38,606	
24,827,790	DRP issue	1 Jul 2005	46,453	
	Equity issue costs		(3,843)	
1,194,689,423	Units on issue	31 Dec 2005	**1,857,639**	**1,776,423**

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.

Transfer to undistributed income		
Short term dilution on purchase of US investment properties*	-	(3,531)
Distribution relating to placement and entitlement issues of units**	-	(14,557)
	-	**(18,088)**

* Dilution on purchase of US investment properties arising from raising equity prior to settlement of properties on 1 June 2005.

** On 25 October 2004, a placement issue resulted in 26.1 million units being allotted on a pari passu basis. These units ranked equally for distribution and therefore a transfer of $1.2 million was made from equity to fund distributions from 1 July 2004 to allotment date with the balance being funded from net profit. On 15 February 2005, a placement issue and entitlement issue were announced with 449.4 million units being allotted on a pari passu basis in March 2005. These units ranked equally for the distribution and therefore a transfer of $13.3 million was made from equity to fund distributions from 1 January 2005 to allotment date with the balance being funded from net profit.

Distribution reinvestment plan

The Trust has established a distribution reinvestment plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. Currently, units are issued under the DRP at a 2.0% discount to the market price.

As detailed in Note 2, the units on issue were classified as financial liabilities from 1 July 2005 to 7 October 2005. This note is presented as if the units had been classified as equity for the full period.

15. Reserves

	Note	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Foreign currency translation reserve			
Opening balance		(5,793)	(4,544)
Translation of foreign operations		57,107	6,091
Translation of foreign denominated borrowings		(16,245)	19,356
Translation of cross currency swaps*		26,685	(26,696)
Transfer from undistributed income**		(61,125)	-
Movement in effective net investment hedges		(1,164)	-
Closing balance		**(535)**	**(5,793)**
Cash flow hedging reserve			
Opening balance		-	-
Fair value of derivative financial instruments on adoption of AASB 132/139		1,266	-
Movement in effective cash flow hedges		4,477	-
Closing balance		**5,743**	**-**
Total reserves		**5,208**	**(5,793)**

* Under AGAAP, all movements between the cross currency swap Australian dollar contract amount and the Australian dollar equivalent of the US dollar amount (converted at spot rate) were recorded in the foreign currency translation reserve.

** This transfer represents the Australian dollar equivalent of the spot rate movement in the US dollar notional amounts of the cross currency swaps held by the Trust. The foreign exchange movement in the cross currency swaps largely offsets the exchange rate movements in the Trust's US dollar investments and US dollar borrowings.

16. Undistributed income

	Note	December 2005 $'000	December 2004 $'000
(a) Undistributed income - realised items			
Opening balance		86,356	45,717
Distributable earnings	20	91,864	52,427
Transfers from contributed equity			
- Distribution relating to placement and entitlement issues of units	14	-	1,218
Available for distribution		178,220	99,362
Distributions paid and payable	6	(85,059)	(44,719)
Closing balance		**93,161**	**54,643**

The distribution of 7.60 cents per unit for the half year ended 31 December 2005, totalling $90.8 million, was not declared prior to 31 December 2005. This amount will be paid on 20 February 2006.

16. Undistributed income (continued)

	December 2005 $'000	December 2004 $'000
(b) Undistributed income - investment property revaluations		
Opening balance	213,767	171,562
Revaluation increment on investment properties	35,201	12,807
Revaluation increment on investment properties in joint venture entities	58,970	5,408
Valuation fees	(844)	-
Closing balance	**307,094**	**189,777**
(c) Undistributed income - unrealised derivative revaluations		
Opening balance	-	-
Fair value of derivative financial instruments on adoption of AASB 132/139	(21,631)	-
Loss on cross currency swaps	(24,813)	-
Gain on forward foreign exchange contracts	1,082	-
Loss on interest rate swaps	(1,762)	-
Transfer to foreign currency translation reserve (refer Note 15)	61,125	-
Closing balance	**14,001**	**-**
(d) Undistributed income - other unrealised items		
Opening balance	(54,911)	(34,185)
Movement in deferred tax liability	(27,441)	1,391
Amortisation of lease incentives	(708)	(438)
Straightlining of fixed rent increases	3,822	977
Closing balance	**(79,238)**	**(32,255)**
Total undistributed income	**335,018**	**212,165**

17. Cash flow information

	Consolidated December 2005 $'000	Consolidated December 2004 $'000
The following items are not reflected in the Cash Flow Statement:		
Distributions by the Trust during the period satisfied by the issue of units under the DRP	46,453	24,008

18. Net tangible assets

	Consolidated December 2005 $'000	Consolidated June 2005 $'000
Total assets	2,817,850	2,558,247
Less: Total liabilities	(619,985)	(542,405)
Net tangible assets	**2,197,865**	**2,015,842**
Total number of units on issue	1,194,689,423	1,149,440,097
Net tangible asset backing per unit	$1.84	$1.75
Net tangible asset backing per unit after distribution	$1.76	$1.68
Net tangible asset backing per unit after distribution, excluding deferred US capital gains taxes	$1.83	$1.73

19. Segment information

Business segments
The Trust is a listed property trust which invests in the retail property market.

Geographical segments
The Trust has investments in retail properties located in Australia, New Zealand and the United States of America.

	Australia December 2005 $'000	New Zealand December 2005 $'000	United States December 2005 $'000	Unallocated Finance costs December 2005 $'000	Total December 2005 $'000	Australia December 2004 $'000	New Zealand December 2004 $'000	United States December 2004 $'000	Unallocated Finance costs December 2004 $'000	Total December 2004 $'000
Total income	40,027	6,741	55,765	-	**102,533**	38,120	5,193	20,972	-	**64,285**
Net profit	116,035	1,263	18,073	(72,100)	**63,271**	49,910	1,083	21,579	-	**72,572**

	Australia December 2005 $'000	New Zealand December 2005 $'000	United States December 2005 $'000	Total December 2005 $'000	Australia June 2005 $'000	New Zealand June 2005 $'000	United States June 2005 $'000	Total June 2005 $'000
Total assets	1,148,135	173,422	1,496,293	**2,817,850**	1,033,244	164,224	1,360,779	**2,558,247**
Total liabilities	509,637	1,327	109,021	**619,985**	484,297	680	57,428	**542,405**
Asset acquisitions	44,331	51	29,299	**73,681**	58,948	15,674	1,084,570	**1,159,192**

20. Earnings per unit

	Note	Consolidated December 2005 cents	Consolidated December 2004 cents
Basic earnings per unit		5.34	10.18
Diluted earnings per unit		5.34	10.18
Distributable earnings per unit		7.75	7.71
Earnings used in the calculation of basic and diluted earnings per unit		$63,271,000	$72,572,000
Earnings used in the calculation of distributable earnings per unit (refer calculation in table below)		$91,864,000	$52,427,000
Weighted average number of units used in the calculation of basic, diluted and distributable earnings per unit		1,185,873,141	*680,110,161

* The weighted average number of units used in the calculation of basic, diluted and distributable earnings per unit has been adjusted for the theoretical ex-rights price, being the theoretical value of the Trust's units following the entitlement offer announced in February 2005. The theoretical ex-rights price was lower than the Trust's unit price as at 14 February 2005 as it reflected the bonus element of the entitlement offer to unitholders. This results in earnings per unit for prior year being adjusted by a discount factor of 0.955.

Calculation of distributable earnings

The Manager does not consider it appropriate to use net profit under AIFRS to determine distributions to unitholders. The table below outlines the Manager's adjustments to net profit under AIFRS 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.

		Consolidated December 2005 $'000	Consolidated December 2004 $'000
Net profit per Income Statement		63,271	72,572
Property valuation gains	4(ii)	(94,171)	(18,215)
Unrealised loss on cross currency swaps	4(iii)	24,813	-
Unrealised gain on forward foreign exchange contracts	4(iii)	(1,082)	-
Unrealised loss on interest rate swaps	4(iii)	1,762	-
Amortisation of lease incentives	22(a)	708	438
Straightlining of fixed rent increases	22(a)	(3,822)	(977)
Valuation fees	4(i)	844	-
Finance costs attributable to unitholders		72,100	-
US capital gain tax expense		27,441	(1,391)
Distributable earnings		**91,864**	**52,427**

21. Commitments and contingent liabilities

Unless otherwise disclosed in the financial statements, there have been no material changes to the Trust's commitments or contingent liabilities since the last financial report.

22. Impact of transition to AIFRS

(a) Reconciliation of net profit reported under AGAAP to net profit under AIFRS

	Note	Consolidated Half year ended December 2005* $'000	Consolidated Year ended June 2005 $'000	Consolidated Half year ended December 2004 $'000
Net profit under AGAAP		91,020	116,805	52,427
AIFRS adjustments:				
Amortisation of lease incentives	(i)	(708)	(976)	(438)
Straightlining of fixed rent increases	(ii)	3,822	2,537	977
Revaluation of investment properties	(iii)	94,171	122,804	18,215
Write off of property portfolio acquisition costs	(iii)	-	(80,600)	-
Movement in deferred US capital gains tax liability	(iv)	(27,441)	(22,285)	1,391
Revaluation of derivative financial instruments	(v)	(25,493)	-	-
Finance costs attributable to unitholders	(vi)	(72,100)	-	-
Net profit under AIFRS		**63,271**	**138,285**	**72,572**

* Reconciliation for the current period has been included for information purposes only. AGAAP no longer applies from 1 July 2005.

(b) Reconciliation of equity reported under AGAAP to equity under AIFRS

	Note	Consolidated June 2005 $'000	Consolidated December 2004 $'000	Consolidated 1 July 2004 $'000
Equity under AGAAP		2,155,430	1,174,272	1,048,894
AIFRS adjustments:				
Recognition of deferred US capital gains tax liability	(iv)	(53,078)	(29,401)	(30,792)
Write off of property portfolio acquisition costs	(iii)	(80,600)	-	-
Reclassification of US straightlining receivables	(ii)	(4,772)	(3,044)	(2,040)
Reclassification of capitalised leasing costs	(vii)	(1,138)	(1,262)	(1,351)
Equity under AIFRS		**2,015,842**	**1,140,565**	**1,014,711**

22. Impact of transition to AIFRS (continued)

(c) Notes to the reconciliations

(i) Lease incentives

Lease incentives, including fitout contributions provided to lessees, are required under AIFRS to be capitalised in the Balance Sheet and amortised over the lease term as a reduction in rental income. Under AGAAP, these fitout contributions were recorded in the Balance Sheet but were not amortised.

On transition to AIFRS, the value of the lease incentive asset is already included as part of investment properties and as a result, there is no impact on the Balance Sheet. The financial impact of recording the amortisation of lease incentives has been offset by a revaluation adjustment to ensure the investment properties remain at fair value. Refer to Note 9.

(ii) Property rental income

Under AIFRS, the Trust is required to calculate the fixed rental increases on each lease contract upfront and recognise this income on a straight line basis over the lease term. Under AGAAP, the Trust accounted for fixed increases in rental income as they arose under lease agreements with tenants.

On transition to AIFRS, the value of the straightlining asset relating to Australian and New Zealand properties is already included as part of investment properties and as a result, there is no impact on the Balance Sheet. On transition to AIFRS, the balance of the straightlining asset relating to US properties was included as part of receivables within the Trust's investment in joint venture entities. On transition to AIFRS, the balance of the straightlining asset has been reclassified to investment properties from receivables, resulting in a reduction in equity. The financial impact of recording fixed rent increases on a straight line basis has been offset by a revaluation adjustment to ensure the investment properties remain at fair value.

(iii) Investment properties

Under AIFRS, investment properties are recorded at fair value and revaluation increments or decrements are required to be recognised in the Income Statement. Under AGAAP, revaluation movements were recognised in the asset revaluation reserve.

In addition, under AGAAP, fair value could be assessed for a class of assets rather than for each individual investment property. Due to the AIFRS requirement to record individual investment properties at fair value, portfolio acquisition costs relating to the First Washington portfolio acquired in June 2005 totalling $80.6 million have been written off under AIFRS.

(iv) Income tax

In relation to its US assets, under AGAAP, a deferred tax liability was recognised by the Trust to the extent a capital gain was recognised in the Income Statement. Under AIFRS, a deferred tax liability is required to be recognised, based on the temporary difference between the carrying amount of the assets in the Balance Sheet and their associated tax cost bases. The applicable tax rate is 35%. Refer also to Note 1(k) and Note 11.

(v) Derivative financial instruments

The Trust currently uses derivative contracts to hedge some of its economic exposures to interest rates and foreign currency. Under AGAAP, the Trust recorded the movement in the A$ value of its cross currency swaps on the Balance Sheet with the offsetting amount reflected in the foreign currency translation reserve. Under AIFRS, all derivative contracts, whether used for hedging purposes or not, are required to be recorded in the Balance Sheet at fair value. Derivative contracts that do not qualify for hedge accounting are required to have any subsequent changes in fair value recognised in the Income Statement. In order to qualify for hedge accounting, strict requirements over hedge designation, documentation and effectiveness must be satisfied. Refer to Note 7.

22. Impact of transition to AIFRS (continued)

(c) Notes to the reconciliations (continued)

(vi) Classification of units

Under AGAAP, units issued by the Trust were classified as equity on the Balance Sheet. To meet the AIFRS equity classification requirements of AASB 132, on 7 October 2005, amendments were made to the Trust Constitution to remove the 80 year life of the Trust.

Due to the classification of the Trust's units on issue as financial liabilities for the period from 1 July 2005 to 7 October 2005, the return to unitholders has been disclosed as a finance cost in the Income Statement rather than as a distribution.

(vii) Leasing costs

Under AGAAP, leasing costs were capitalised as other assets and amortised over the lease term. Under AIFRS, these leasing costs are considered to form part of the investment property value. On transition to AIFRS, the unamortised balance of leasing costs has been reclassified to investment properties from other assets, resulting in a reduction in equity.

(d) Cash Flow Statement

There are no material differences between the Cash Flow Statement presented under AIFRS and that presented under AGAAP.

23. Events occurring after reporting date

Subsequent to the period end, a distribution of 7.60 cents per unit has been declared by the Board of Directors. The total distribution amount of $90.8 million will be paid on 20 February 2006 in respect of the half year ended 31 December 2005.

On 17 January 2006, the Trust announced the acquisition of a further 10.05% interest in the First Washington portfolio, increasing its ownership interest from 64.95% to 75%, effective from 1 January 2006.

On 12 January 2006, the Trust sold its property in Bundaberg, Queensland for $7.0 million.

MACQUARIE COUNTRYWIDE TRUST
DIRECTORS' DECLARATION TO UNITHOLDERS

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 29 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 and consolidated entity's financial position as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial period 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.

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

John Wright

John Wright
Alternate director for David Clarke

Sydney
20 February 2006

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Independent review report to the unitholders of Macquarie CountryWide Trust

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Macquarie CountryWide Trust:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Macquarie CountryWide Trust Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Macquarie CountryWide Trust Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Macquarie CountryWide Trust (the trust) and the entities it controlled during that half-year.

The directors of Macquarie CountryWide Management Limited (the responsible entity) are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the trust to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view

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which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of the responsible entity's personnel, and
- analytical procedures applied to financial data.

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

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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M Haberlin

Mark Haberlin
Partner

Sydney
20 February 2006