



Westpac Office Trust

31 December 2008 Half Year Results

26 February 2009

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Important Information

This Investor Update has been prepared on behalf of **Westpac Funds Management Limited** (ABN 28 085 352 405, AFSL 233 718) (“**WFML**”), the Responsible Entity of and issuer of units in the Westpac Office Trust (the “**Trust**” or “**WOT**”).

An investment in the Trust is not an investment in, deposit with or other liability of Westpac Banking Corporation (ABN 33 007 457 141) (“**Westpac**”) and is subject to investment and other risks. None of Westpac, WFML, nor any other entity in the Westpac Group gives any assurance as to the performance of the Trust or the repayment of capital.

The financial information in this Investor Update is current as at 31 December 2008, and all other information in this Investor Update is current as at the date of the Investor Update, in each case except as otherwise noted. All information is of a general nature only, is not financial product or tax advice, and does not take into account your investment objectives, financial situation or particular needs.

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Past performance is not a reliable indicator of future performance. All forecasts are predictive in character, and as the results may be affected by incorrect assumptions or unknown risks, the results ultimately achieved may vary.

Agenda

- Key Performance Summary 1H09
- Financial Summary
- Capital Management
- Portfolio Profile
- Outlook
- Appendices



Key Performance Summary 1H09

Income Statement	Dec 08	Dec 07	Movement
• Net Property Rental Income (half year) ⁽¹⁾	\$41.8m	\$36.0m	+ 16%
• Distributable Income (half year) ⁽²⁾	\$16.5m	\$16.3m	+ 1%
• Earnings Per Unit (half year)	3.43c	3.39c	+ 1%
• Forecast Full Year Distributions Per Unit (100% tax deferred)	6.65c	7.25c	- 8%
• Forecast Full Year Net Distributions Per Instalment Receipt	3.40c	4.00c	- 15%

Balance Sheet	Dec 08	Jun 08	Movement
• NTA Per Unit	\$0.89	\$1.24	- 28%
• NTA Per Instalment Receipt	\$0.39	\$0.74	- 47%
• Total Property Portfolio Value	\$1,227m	\$1,287m	- 5%

(1) Like-for-like net portfolio rental income growth of 3.8%

(2) Pre transfer to reserves

Distributable Income Reconciliation

	1H09 (\$m)	1H08 (\$m)
Income Statement (A-IFRS)		
Net Profit	(151.8)	16.8
Unrealised Adjustments		
Straight Lining of Rental Income	(5.1)	(5.4)
Add back Investment Property devaluation ⁽¹⁾	60.7	13.8
Add back Unrealised Loss on Hedging ⁽²⁾	103.6	(10.9)
Amortisation of Debt Establishment Fees	1.3	0.7
Performance Fee ⁽³⁾	7.8	1.4
Distributable Income	16.5	16.3
Transfer to Reserves ⁽⁴⁾	(0.5)	1.1
Total Distribution	16.0	17.4
Gross Distribution (Cents Per Unit)	3.33	3.63

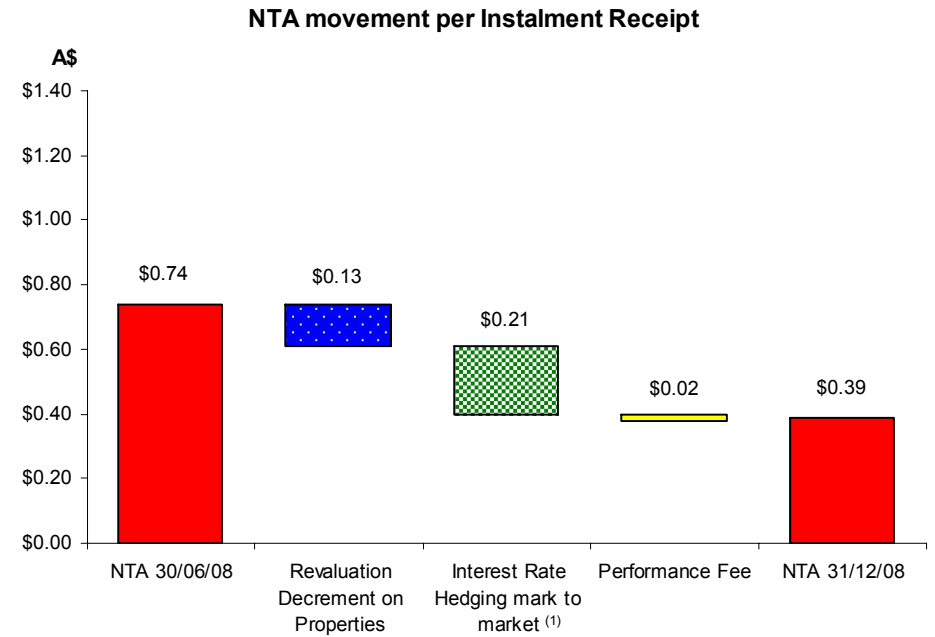
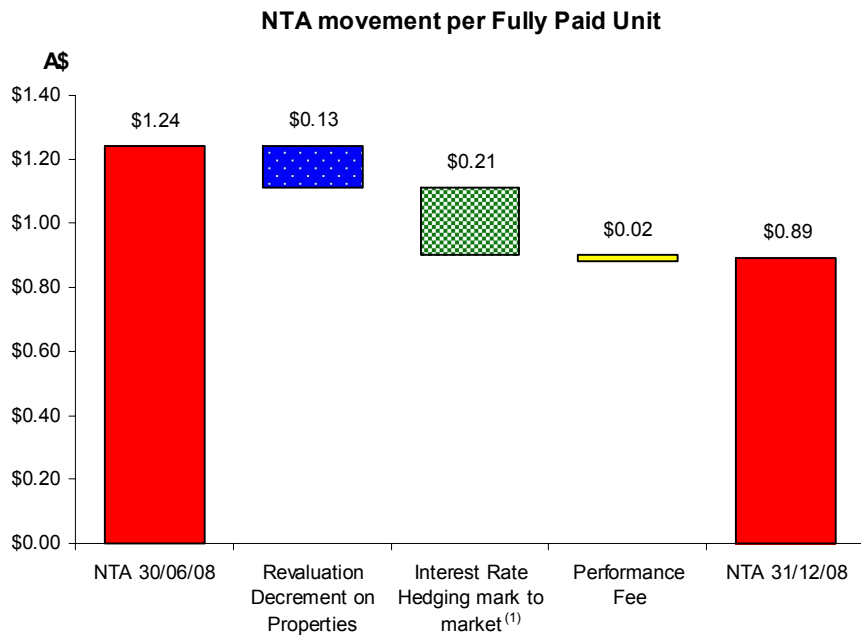
(1) Devaluation of investment property due to cap rate easing and deteriorating market conditions.

(2) Unrealised mark-to-market hedge loss due to falling interest rate environment.

(3) Out-performance of Trust against benchmark index, generating deferred performance fee entitlement of \$7.8m.

(4) Transfer to Reserves reflects revised distribution policy to deduct operating capital expenditure and tenancy incentive provisions from distributable earnings.

NTA Movement



(1) The mark-to-market liability on the interest rate hedge will unwind to zero at maturity.

Capital Management – Debt Facilities and Funding

Debt Facility	Facility Limit	Drawn	Undrawn	Expiry
CMBS	\$505m	\$505m	\$0m	16-Nov-11
Westpac Term Debt	\$251m	\$231m	\$20m	30-Jun-11
Westpac Working Capital	\$15m	\$0m	\$15m	16-Nov-11
Total	\$771m	\$736m	\$35m	

- All future capital expenditure and working capital commitments are fully funded

Funds Available

Cash	\$27.6m	
Undrawn Debt Facility	<u>\$34.8m</u>	\$62.4m

Property Capital Expenditure and Provisions

Cash allocated to IBM upgrade programme	(\$25.1m)	
Cannon Hill 2 leasing incentive provision	(\$1.2m)	
Other operating capital and leasing provisions	<u>(\$0.5m)</u>	(\$26.8m)

Accrued Expenses

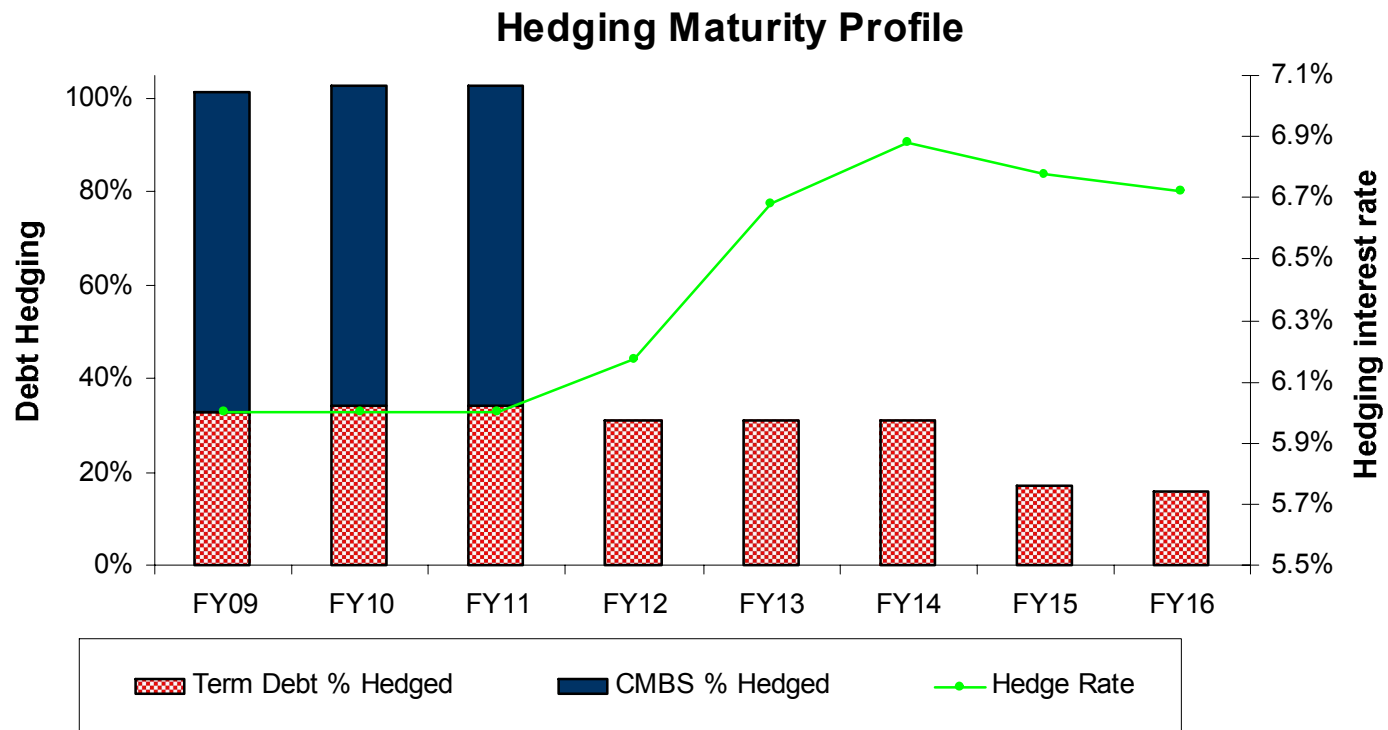
Distributions payable	(\$8.0m)	
Interest Payable	(\$6.5m)	
Other Payables	<u>(\$2.0m)</u>	(\$16.5m)

Surplus Funding Available

\$19.1m

Capital Management – Interest Rate Hedging

- 100% hedged until FY11
- 6.00% Weighted Average Hedge Interest Rate⁽¹⁾ until FY11
- Weighted Average Hedge duration 4.2yrs



(1) Excluding margin and line fees

Capital Management – Covenant Sensitivity

Covenant Definition	30/06/2008	31/12/2008	Covenant
Loan to Valuation Ratio (Debt / Property Valuation)	57.6%	⁽²⁾ 60.0%	70.0%
Interest Cover Ratio (EBITDA ⁽¹⁾ / Net Interest Expense)	1.83x	1.75x	1.50x

- ICR reduction through increased margin on July 08 bank debt refinance and reduced cash balance relating to the IBM upgrade programme.
- ICR covenant has the capacity to sustain a property income fall of \$11.2m. Requires default of Westpac, Woolworths, or IBM on their lease obligations.

LVR Headroom	Cap Rate Expansion		
Weighted Average Portfolio Cap Rate	6.85%	7.35%	8.00%
- Westpac Place Cap Rate	6.35%	6.76%	7.30%
- WACR ⁽³⁾ remaining portfolio	7.68%	8.35%	9.20%
Loan to Valuation Ratio	60.0%	64.4%	70.0%
Portfolio Valuation	\$1,227m	\$1,143m	\$1,051m
Headroom	\$176m	\$92m	\$0m

- LVR debt covenant excludes mark-to-market impact of interest rate hedges
- LVR debt covenant headroom of \$176m or 14.3% fall in property asset values

(1) Excludes unrealised adjustments

(2) Determined using 31 December 2008 valuation reports

(3) Weighted Average Capitalisation Rate

Performance Fee

- The Trust outperformed its benchmark index⁽¹⁾ by 28% in CY08
- Outperformance results in Performance fee entitlement to the RE⁽²⁾ of \$7.8m
- Payment of the fee is deferred until the end of the first subsequent calendar year of positive total return by the Trust (i.e. January 2010 earliest) ⁽³⁾
- When payable, RE will receive the fee as performance units ⁽³⁾ issued at 31.12.08 NTA of 91⁽⁴⁾cents per unit
- The Trust recognises the performance fee liability at 31.12.08
- No impact to distributable income
- NTA dilution of 1.6 cents per unit

(1) The S&PASX 300 Property Trust Accumulation Index, adjusted for a 5% maximum weighting per constituent

(2) Westpac Funds Management Limited

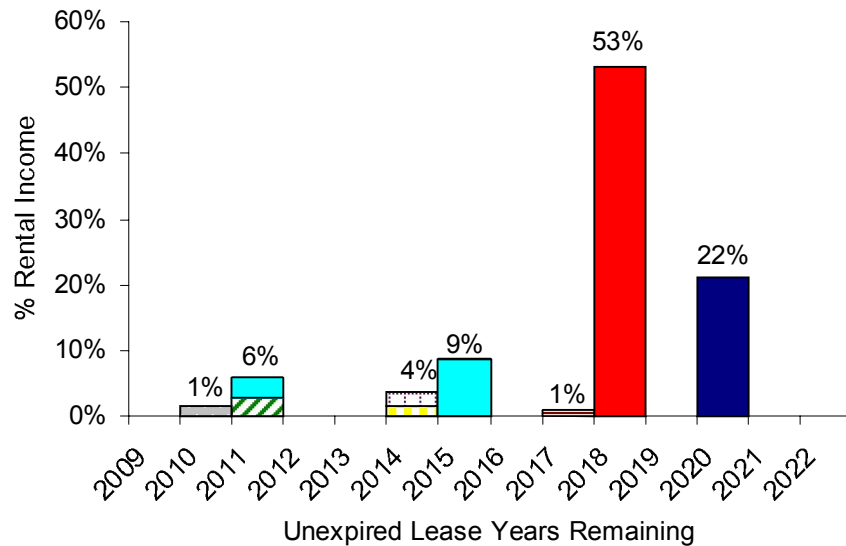
(3) Performance fee payable in cash if a Trigger Event occurs, as defined in the Trust's Constitution.

(4) NTA calculated pre performance fee liability impact

Portfolio Profile – Quality Covenants with Long Term Leases

- 100% Occupancy⁽¹⁾
- Portfolio WALE⁽²⁾ of 9.7 years
- 96% rental from investment grade tenants
- Average 5 year fixed portfolio rental growth of 3.5%

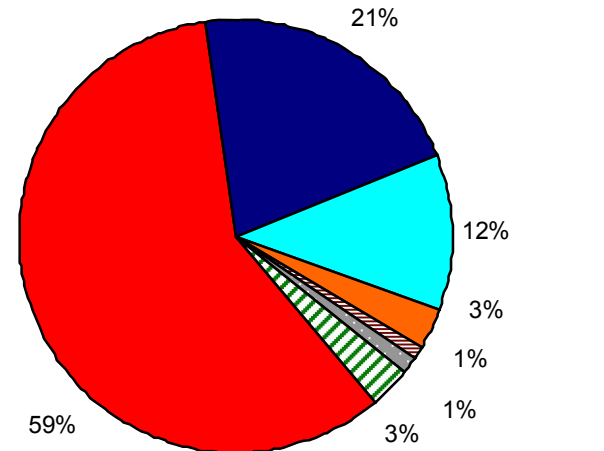
Weighted Average Lease Expiry



- Westpac Place (Retail)
- Macquarie Park (Westpac)
- Cannon Hill 2 - Rental Guarantee
- Kensington (UNSW)⁽³⁾

- Cumberland Forest - Lease B (IBM)
- Cumberland Forest - Lease A (IBM)
- Westpac Place

Tenants by Income



- Cannon Hill 1 (Westpac)
- Cannon Hill 2 (Honeywell)
- Norwest Business Park (Woolworths)

(1) Including 1.3% covered by rental guarantee on Cannon Hill 2 until August 2010
 (2) Weighted Average Lease Expiry at 31 December 2008
 (3) Kensington (UNSW) lease expiry Jan 2032

Sustainable Distributions

- High quality, predictable, and sustainable cash earnings
 - 96% income from investment grade tenants
 - 98% of rental growth from fixed increases, insulating portfolio from near term rental weakness
 - Minimal near term vacancy risk (7% total portfolio expiry prior to 2014)
- Debt fully hedged and no facilities maturing until June 2011
- Distribution Policy
 - Distributions Payable = Net Profit adjusted for;
 - Non cash IFRS adjustments ⁽¹⁾
 - Provision for operating capital expenditure
 - Provision for re-leasing costs
- Operating capital expenditure and re-leasing costs consistent with independent valuation assumptions

(1) Adjustments include property revaluation, swap MTM, straight-line rental adjustment, amortised debt refinancing costs, performance fee

Portfolio Performance on track

- Full occupancy maintained
- Capital and operating performance in line with projections
- Successful completion of Cannon Hill 2 development in line with budget
 - Leasing increased from 42% to 59% in 2H08
 - Effective rents of \$335psm exceed budget
 - 2,471 sq mtrs remaining under secured income guarantee (expires August 2010)
- Expansion options under discussion with major tenants



19 Corporate Drive, Cannon Hill, Queensland

Portfolio Metrics movement at 31 December 2008

Building	Valuation	Valuation	Valuation	Valuation	Cap Rate	Cap Rate	Cap Rate
	31/12/2008	30/06/2008	Change	Change %	31/12/2008	30/06/2008	Change %
Westpac Place ⁽¹⁾	\$765.0m	\$805.0m	-\$40.0m	-4.97%	6.35%	5.75%	0.60%
Woolworths NSO ⁽¹⁾	\$240.0m	\$250.0m	-\$10.0m	-4.00%	7.50%	6.75%	0.75%
Pennant Hills ⁽¹⁾	\$95.0m	\$101.5m	-\$6.5m	-6.40%	8.00%	7.25%	0.75%
Kensington ⁽²⁾	\$38.0m	\$39.1m	-\$1.1m	-2.81%	7.25%	6.75%	0.50%
Cannon Hill 2 ⁽²⁾	\$29.0m	\$29.7m	-\$0.7m	-2.36%	7.75%	7.25%	0.50%
Cannon Hill 1 ⁽²⁾	\$21.3m	\$21.9m	-\$0.5m	-2.45%	7.75%	7.25%	0.50%
Macquarie Park (50%) ⁽¹⁾	\$19.2m	\$20.5m	-\$1.4m	-6.59%	8.50%	8.00%	0.50%
Bedford Park ⁽²⁾	\$19.2m	\$19.7m	-\$0.5m	-2.66%	8.25%	7.75%	0.50%
Total ⁽³⁾	\$1,226.7m	\$1,287.4m	-\$60.8m	-4.72%	6.85%	6.22%	0.63%

(1) Independent Valuation at 31/12/08

(2) Directors' Valuation at 31/12/08

(3) Capitalisation rates calculated on a weighted average basis

Portfolio Metrics at 31 December 2008

Property	Tenant	Portfolio %	Book Value (A\$m) Dec-08	Cap Rate Dec-08	Passing Yield Dec-08	10yr IRR Dec-08	WALE Dec-08	Net Passing Rent per sqm ⁽¹⁾ (A\$) Dec-08	Net Market Rent per sqm ⁽¹⁾ (A\$) Dec-08	Fixed Lease Increases
Westpac Place	Westpac	62.4%	\$765.0m	6.35%	6.28%	8.80%	9.5 yrs	\$488 - \$723	\$504 - \$749	4% pa
Woolworths NSO	Woolworths	19.6%	\$240.0m	7.50%	7.57%	9.05%	11.8 yrs	\$290	\$290	2.75% pa
Pennant Hills⁽²⁾	IBM	7.7%	\$95.0m	8.00%	8.34%	8.83%	5.7 yrs	\$265	\$265	6% biannually
Kensington	UNSW	3.1%	\$38.0m	7.25%	6.75%	9.63%	23.0 yrs	\$194 - \$256	\$215 - \$345	3% pa
Cannon Hill 2	Honeywell	2.4%	\$29.0m	7.75%	6.80%	9.64%	4.9 yrs	\$339	\$360	3.4% pa
Cannon Hill 1	Westpac	1.7%	\$21.3m	7.75%	6.46%	9.36%	5.9 yrs	\$220	\$360	3.5% pa
Macquarie Park (50%)	Westpac	1.6%	\$19.2m	8.50%	9.53%	9.36%	5.8 yrs	\$305	\$266	2.5% pa
Bedford Park	Westpac	1.6%	\$19.2m	8.25%	8.27%	9.35%	10.8 yrs	\$255	\$255	3.5% pa
Total / Weighted Average		100.0%	\$1,226.7m	6.85%	6.80%	8.92%	9.7 yrs	\$439	\$445	3.5% pa

Note: Source – Independent valuations and Westpac

(1) Excludes car parking and Westpac Place Retail

(2) Passing yield based on valuation plus remaining IBM upgrade commitment of \$25.1m

Property Profile Summary

	<u>Dec 08</u>	<u>Jun 08</u>
• Total Portfolio Value	\$1,227m	\$1,287m
• Net Property Rental	\$85.4m	\$82.9m
• Portfolio Passing Yield	6.80%	6.28%
• Westpac Place Capitalisation Rate	6.35%	5.75%
• Total Portfolio Capitalisation Rate	6.85%	6.22%
• Portfolio Cap Rate (excluding Westpac Place)	7.68%	7.00%
• Portfolio IRR	8.92%	8.74%
• Occupancy Rate ⁽¹⁾	100%	100%
• Average 5yr Fixed Portfolio Rental Growth ⁽²⁾	3.5% pa	3.5% pa
• Weighted Average Lease Expiry	9.7 yrs	10.2 yrs

(1) Including 1.3% rental guarantee on Cannon Hill 2 until August 2010

(2) Calculated from 30 June 2008 and assumes lease renewal on 7% vacancy during period. The Trust's 5 year average portfolio rental income growth is 2.5% pa including Westpac Place rental variation agreement.

Market Outlook

- Clear evidence of office sector fundamentals weakening in all markets with recovery unlikely before 2011.
- Effective rents will fall as owners proactively underpin lease expiry risk by offering rental rather than capital incentives.
- Disciplined supply side response will moderate the impact in Sydney, Melbourne and Adelaide with vacancy rates moving back to long term trend.
- Early 2009 has seen the first signs of recovering transactions activity (<\$50m) but clearer pricing signals remain dependent upon improving liquidity in capital markets.
- Property values will continue to unwind through the year with discounting of cash flow risk becoming a more significant consideration.



33 Corporate Drive, Cannon Hill, Queensland



19 Corporate Drive, Cannon Hill, Queensland

Fund Outlook

- Minimal near term expiry risk and strong tenant covenants will mitigate the impact of the market correction on the Trust's portfolio.
- The current capital structure has the capacity to withstand further anticipated value correction.
- The Trust's modest capex commitments are fully funded.
- A recovering private investor market may present the opportunity to sell smaller assets to improve capital flexibility and reduce gearing.
- The Trust's earnings based distribution policy and structured rental growth underpin a stable distributions outlook.
- Re-affirm FY09 distribution guidance of 6.65 cents per unit or 3.40 cents per unit net after payment of instalment debt interest of 3.25 cents per unit.
- Distributions continue to be 100% tax deferred FY09.



Westpac Office Trust – Summary

- Resilient property portfolio
 - 100% Australian markets exposure
 - 100% occupancy⁽¹⁾ and 9.7 year WALE⁽²⁾
 - 91% of portfolio independently revalued at 31/12/2008
 - Weighted average cap rate 6.85%. Portfolio IRR 8.90%
- Sound and transparent financial structure
 - No debt facilities maturing until June 2011
 - 100% fully hedged until November 2011
 - Adequate headroom on debt covenants
 - No capital or currency hedges
- Low risk, predictable distributions growth
 - Investment income only. No fees or trading profits
 - 7% total lease expiry prior to 2014
 - Average 5 year fixed portfolio rental growth 3.5%pa
 - Distribution policy aligned to core Trust earnings

(1) Including 1.3% rental guarantee on Cannon Hill 2 until August 2010

(2) Weighted Average Lease Expiry at 31 December 2008

Appendix 1 - Instalment Receipt (IR) Structure

Cash Yield Analysis - FY2009			
	cents ⁽¹⁾	Price (\$)	Yield
Forecast 2009 Gross cash distribution per Unit	6.65	0.82	8.11%
Instalment debt interest per Instalment Receipt ⁽²⁾	(3.25)	(0.50)	
Forecast 2008 Net cash payment per Instalment Receipt	3.40	0.32 ⁽³⁾	10.63%
If unit holder entitled to a personal tax deduction at			
46.5% marginal tax rate ⁽⁴⁾			
Tax saving on interest	1.51		4.72%
Post Tax Yield (pre capital gains tax)⁽⁴⁾	4.91		15.35%

Note:

(1) The forecast 2009 distribution is expected to be 100% tax deferred

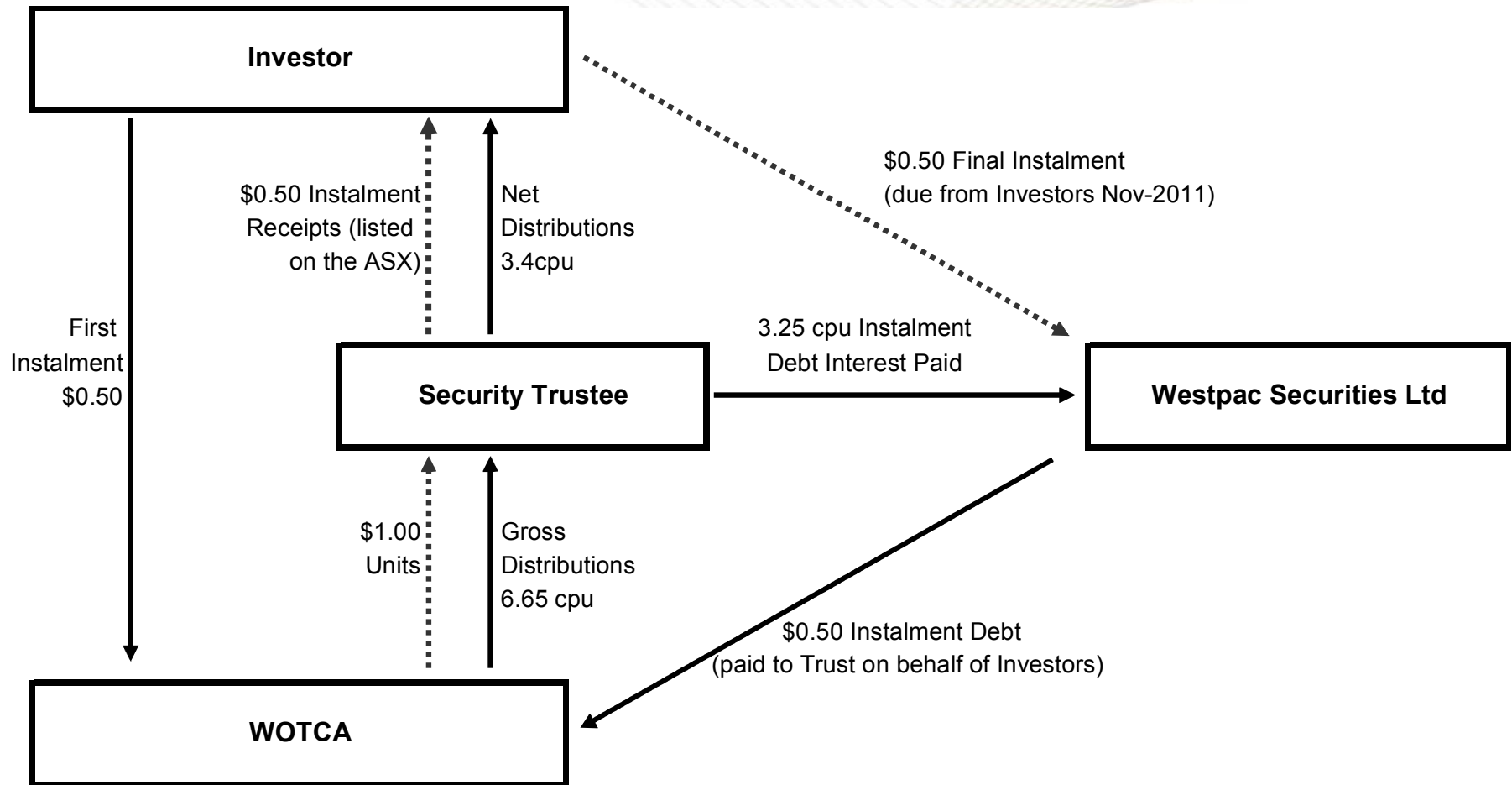
(2) IR interest is based on 50 cents IR debt at 6.5% until November 2011

(3) Figures calculated using 31 December 2008 price of \$0.32 per IR

(4) Based on a marginal income tax rate of 46.5% including Medicare levy and assuming the investor is entitled to the interest deduction. This calculation does not take account of tax on the sale of instalment receipts.

- At a marginal income tax rate of 30%, the post tax distribution yield reduces to 13.67%
- **The instalment debt liability resides with the unit holders, not the Trust**

Appendix 2 -Capital Structure : Instalment Receipt (IR)



Appendix 3 – Income and Distribution Statement Result to 31 December 2008

Westpac Office Trust and Controlled Entities

Consolidated Financial Summary for the six months to 31 December 2008

	Dec-08 (\$'000)	Dec-07 (\$'000)	Variance (\$'000)
Rental Income	53,124	46,538	6,586
Fair Value of Interest Rate Swap	-	10,867	(10,867)
Total Income	53,124	57,405	(4,281)
Trust Management Fee	(10,110)	(3,485)	(6,625)
Finance Costs	(24,732)	(17,865)	(6,867)
Rates, taxes and other property outgoings	(5,757)	(5,483)	-
Change in Fair Value of Investment Property	(60,698)	(13,769)	(46,929)
Change in Fair Value of Financial Assets Held at Fair Value	(103,590)	-	(103,590)
Total Operating Expenses	(204,887)	(40,602)	(164,285)
Net Distributable Income	(151,763)	16,803	(168,566)
Distribution Summary			
	Actual	Actual	Variance
	(\$'000s)	(\$'000s)	(\$'000s)
Net Distributable Income	(151,763)	16,803	(168,566)
Add / (Deduct) Non-Cash Items:			
Amortisation of Debt Establishment Costs	1,274	683	591
A-IFRS Straight Line of Rental Income	(5,097)	(5,436)	339
Change in fair value of Interest Rate Swaps	103,590	(10,867)	114,457
Change in fair value of Investment Properties	59,348	12,249	47,099
Change in fair value of Other Financial Assets	1,350	1,520	(170)
Performance Fee	7,845	1,376	6,469
Transfer to Reserves	(515)	1,112	(1,627)
Total Cash Distributions	16,032	17,440	(1,408)
Less: Interest Deducted on Instalment Receipts	(7,818)	(7,818)	0
Net Cash Payment	8,214	9,622	(1,408)
Cash Distribution (cents per unit)	3.33	3.63	
Cash Distribution (cents per Instalment Receipt)	1.70	2.00	

Appendix 4 – 31 December 2008 Balance Sheet

Westpac Office Trust and Controlled Entities			
Consolidated Balance Sheet (summarised) as at 31 December 2008			
	Dec-08	Jun-08	Variance
	(\$'000)	(\$'000)	(\$'000)
Assets			
Cash and Equivalents	27,617	45,831	(18,214)
Receivables and Other	1,769	4,424	(2,655)
Fair Value of Financial Instruments	-	43,494	(43,494)
Investment Properties	1,226,600	1,281,063	(54,463)
Total Assets	1,255,986	1,374,812	(118,826)
Liabilities			
Payables	26,063	31,975	(5,912)
Interest Bearing Liabilities	733,740	739,289	(5,549)
Interest Rate Swaps	60,096	-	60,096
Other Liabilities and Deferred Income	6,506	6,175	331
Total Liabilities	826,405	777,439	48,966
Total Equity	429,581	597,373	(167,792)
NAV Per Unit	0.89	1.24	
NAV Per IR	0.39	0.74	

Appendix 5 - Fund Investment Criteria

Asset	New or contemporary commercial properties of high quality
Location	In major metropolitan locations in Australia or New Zealand
Occupancy	Wholly or substantially leased to one tenant
Tenant	Tenanted by significant corporations of investment grade credit rating or tenants of equivalent quality
Lease	Completed and tenanted properties or pre-committed development projects that satisfy these criteria on completion
Development	Where the acquisition is a development project, on terms that ensure the Trust will not be exposed to material project delivery risk
Returns	Properties that increase the opportunity to improve returns to investors

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