

PROPERTY

INITIATING COVERAGE

Westpac Office Trust | WOT

SELL

Analyst | Jonathon Senior
613 8660 7276
jonathon.senior@stonebridgegroup.com.au

ASX code | WOT

Last price | \$0.76

Fully diluted shares | 482.2M

Market cap | A\$364M

52 week hi/low | \$0.84 / \$0.69

12 month price target¹ | \$0.69

Valuation | \$0.73

Valuation methodology | DDM

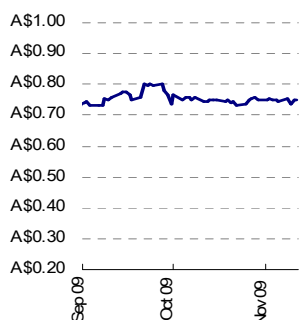
Issues to be resolved ahead of November 2011 refinance

Westpac Office Trust (WOT) owns a high quality portfolio of Australian Office properties valued at ~\$1.2B. Westpac Group's (ASX:WBC) head office, Westpac Place in Sydney is the trusts flagship asset. Portfolio fundamentals are sound with occupancy ~100%, WALE 9.2yrs and > 90% of income generated by blue chip tenants Westpac, Woolworths (ASX:WOW) and IBM.

Despite the attractions of WOT at the asset level, its gearing is high (~62% debt/assets) compared to the rest of its recapitalized AREIT peers and FY12 presents significant challenges for management with all debt facilities expiring between June and November 2011. Of note, ~70% of total debt has been sourced from the problematic CMBS market.

- **We believe WOT will struggle to refinance all of its debt at current gearing levels** - despite the quality earnings stream of the properties, the trust's capital structure is unsustainable in its current form in our view necessitating a debt reduction program involving one or a combination of distribution cuts, asset sales or an equity raising.
- **Even if a refinance can be achieved at the current LVR, distributions from FY12 likely to be significantly impacted by higher credit margins** – given all debt expires by Nov 2011 distributions are likely to be significantly impacted by higher debt margins with WOT currently paying fees & margins of 55pts v market rates of ~300pts. Assuming the current capital structure is maintained and margins revert to market, distributions are likely to fall by ~34% from FY11 to FY12.
- **Liquidity to remain an issue until Instalment Receipts tidied up** – Only ~ 3% of Instalment receipts issued have been converted to fully paid units at this point and with the repayment date of the final instalment now pushed out to November 2013 liquidity may be an issue for some time. Average daily volume over the past month has been ~200k units or 0.05% of fully paid units on issue.
- **Better value in larger recapitalized peers** - WOT's gearing is high relative to its peers yet trades at a smaller discount to book value. Better value and less risk (in relation to refinancing) lies in recapitalized peers including ING Office Fund (IOF) and Dexus (DXS). We see WOT continuing to trade at a discount to book value until its capital structure issues are rectified.
- **We initiate coverage of WOT with a SELL recommendation, \$0.73 valuation and \$0.69 price target**, derived using a DDM methodology (WACC 8.7%). WOT trades on a FY10 yield of 8.8%, a 12% discount to NTA (based on a unit price of \$0.76) and on an implied cap rate of 7.9% v 7.3% book value. Positive newsflow around capital structure improvements and/or debt refinancing remain the key catalysts for the stock in the medium term in our view.

Share price performance | WOT



Year end June	2008A	2009A	2010F	2011F
Revenue - A\$M	77.7	86.3	85.5	85.0
EBITDA - A\$M	70.7	73.1	80.1	79.5
NPAT (Reported) - A\$M	(4.5)	(159.5)	34.4	34.4
NPAT (Normalised) - A\$M	41.3	33.7	34.4	34.4
EPS Normalised (diluted) – cents	8.6	7.0	7.1	7.1
EPS (diluted) - % chg	4%	-19%	2%	0%
PER (diluted) – x	10.5	10.9	10.6	10.7
DPS – cents	7.3	6.7	6.7	6.7
DPS - % chg	0.0%	-8.3%	0.9%	0.0%
Dividend Yield - %	8.1%	8.5%	8.8%	8.8%

Notes: 1. Price target is equivalent to SOP valuation rolled one year forward.

Year end June	2008A	2009A	2010F	2011F
PROFIT & LOSS SUMMARY (A\$M)				
Net Property Income	77.6	86.1	85.5	85.0
Other	0.2	0.2	0.0	0.0
Total Income	77.7	86.3	85.5	85.0
Operating costs	(7.0)	(13.2)	(5.4)	(5.5)
EBITDA	70.7	73.1	80.1	79.5
Depreciation & Amort.	0.0	0.0	0.0	0.0
EBIT	70.7	73.1	80.1	79.5
Net Interest Expense	(40.1)	(49.0)	(45.7)	(45.1)
Pre-tax profit	30.6	24.1	34.4	34.4
Tax (expense)/benefit	(0.0)	0.0	0.0	0.0
Min/Assoc/Prefs/AIFRS	10.7	9.6	0.0	0.0
NPAT	41.3	33.7	34.4	34.4
Abnormals	(45.8)	(193.1)	0.0	0.0
Reported Profit	(4.5)	(159.5)	34.4	34.4
CASHFLOW SUMMARY (A\$M)				
EBITDA	70.7	73.1	80.1	79.5
Working Capital (Inc)/Dec	10.5	(9.3)	0.0	0.0
Tax & Int (paid) / received	(59.2)	(53.0)	(45.7)	(45.1)
Other	4.1	21.0	0.0	0.0
Operating Cash Flow	26.1	31.9	34.4	34.4
Maintenance Capex	0.0	0.0	(14.0)	(8.0)
Acquisitions	(168.5)	(16.4)	0.0	0.0
Disposals	0.0	0.0	35.5	0.0
Other	0.0	(0.2)	0.0	0.0
Investing Cash Flow	(168.5)	(16.6)	21.5	(8.0)
Dividends	(34.8)	(32.8)	(32.4)	(32.3)
New Equity	1.4	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Financing Cash Flow	(33.4)	(32.8)	(32.4)	(32.3)
Debt Drawdown/(Repay)	170.2	(0.5)	(35.5)	(0.0)
Net Cash Incr/(Decr)	(5.5)	(18.0)	(11.9)	(6.0)
BALANCE SHEET (A\$M)				
Cash	45.8	27.8	15.9	10.0
Receivables	3.5	0.5	0.5	0.5
Inventories	0.0	0.0	0.0	0.0
Property Investments	1,281.1	1,172.4	1,168.0	1,211.3
Intangibles	0.0	0.0	0.0	0.0
Other	44.4	1.1	1.1	1.1
Total assets	1,374.8	1,201.8	1,185.5	1,222.9
Payables & provisions	30.3	18.0	18.0	18.0
Borrowings	747.1	743.1	707.6	707.6
Other	0.0	27.0	20.3	13.5
Total liabilities	777.4	788.1	745.9	739.2
NET ASSETS	597.4	413.7	439.6	483.7
Contributed equity	463.4	463.4	463.4	463.4
Retained profits	134.0	(57.6)	(31.7)	12.4
Reserves	0.0	7.8	7.8	7.8
Minority interests	0.0	0.0	0.0	0.0
EQUITY	597.4	413.7	439.6	483.7

Year end June	2008A	2009A	2010F	2011F
RATIOS AND MULTIPLES				
Income				
Revenue growth %		11.0%	-1.0%	-0.6%
EBITDA growth %		3.4%	9.6%	-0.8%
EBITDA margin %		84.7%	93.7%	93.5%
Net interest cover x		1.5	1.8	1.8
Balance Sheet				
ROA %		6.1%	6.8%	6.5%
ROE %		8.1%	7.8%	7.1%
Gearing (Net debt / Assets-cash) %	52.8%	60.9%	59.1%	57.5%
Net debt/equity %		172.9%	157.4%	144.2%
NTA \$/share	0.86	0.86	0.91	1.00
Shares Outstanding				
Basic M	481.1	481.1	482.2	482.2
Other M	0.0	0.0	0.0	0.0
Fully diluted M	481.1	481.1	482.2	482.2
Valuation metrics				
Market cap \$M	433.0	375.3	366.4	366.4
Net debt (cash) \$M	701.3	715.3	691.7	697.6
Options \$M	0.0	0.0	0.0	0.0
Enterprise value \$M	1,134.3	1,090.5	1,058.1	1,064.1
EV/EBITDA x	16.0	14.9	13.2	13.4
EPS c	8.6	7.0	7.1	7.1
EPS growth %	4.0%	-18.6%	2.1%	0.0%
DPS c	7.3	6.7	6.7	6.7
DPS growth %	0.0%	-8.3%	0.9%	0.0%
Dividend Yield %	8.1%	8.5%	8.8%	8.8%
P/E x	10.5	10.9	10.6	10.7
Op Cashflow / Share c	5.4	6.6	7.1	7.1
Price / NAV x	0.9	0.9	0.8	0.8
VALUATION				
Dividend Discount Model				
WACC			8.7%	
Perpetual growth assumption			2.0%	
Value/share (\$)			0.73	
BOARD OF DIRECTORS				
Alan Cameron				Non-Executive Chairman
Liam Forde				Non-Executive Director
Sean McElduff				Non-Executive Director
Steve Boulton				Executive Director
Stephen Gibbs				Non-Executive Director
Mike Hutchinson				Non-Executive Director
Jim McDonald				Non-Executive Director
SUBSTANTIAL SHAREHOLDERS				
Shareholder				(%)
Westpac				13.5%

1 Investment case and valuation

INVESTMENT CASE

Westpac Office Trust (WOT) owns a ~\$1.2B (30 June 2009), 100% Australian based portfolio of high grade office assets primarily based in Sydney. The Head Office of Westpac Group (ASX: WBC), Westpac Place is the flagship asset in the portfolio and at \$730M (6.88% cap rate) represents 62.3% of total book value. Seven properties valued at \$442.5M comprise the remainder (8.05% avg. cap rate). The responsible entity of WOT is Westpac Funds Management Ltd.

The portfolio is ~100% occupied with a long WALE of 9.2 yrs (only 7% total lease expiry prior to 2014) and strong tenant covenants in place with 92% of rental income is derived from Westpac, Woolworths and IBM. Rental growth across the portfolio is largely fixed in the range of 3.5%-4%.

WOT property portfolio

Building	Key Tenant/s	State	Valuation (\$M)	Current Cap Rate	Occupancy	Wtd Avg Lease Term
Westpac Place	Westpac	NSW	730.0	6.88%	100.0%	9.0 yrs
Woolworths NSO	Woolworths	NSW	234.0	7.75%	100.0%	11.3 yrs
Pennant Hills	IBM	NSW	93.0	8.50%	100.0%	5.2 yrs
Kensington	UNSW	NSW	36.0	7.75%	100.0%	22.5 yrs
Cannon Hill 2	Honeywell / Rivercity Motorway Group	Qld	25.8	8.25%	100.0%	4.3 yrs
Cannon Hill 1	Westpac	Qld	18.3	8.25%	100.0%	5.4 yrs
Macquarie Park (50%)	Westpac	NSW	17.5	9.10%	100.0%	5.3 yrs
Bedford Park	Westpac	SA	18.0	8.75%	100.0%	10.3 yrs
PORTFOLIO TOTAL			1,172.5	7.32%	100.0%	9.2 yrs

Source: WOT

WOT's average portfolio cap rate has softened 144pts from its peak of 5.88% in December 2007 to 7.32% at June 2009 (~10% total valuation decline) and given the asset quality and write downs taken to date, we see minimal downside risk to asset values from this point (NTA at 30 June 2009 was \$0.86/unit). This view is further supported by the announcement on 24 November 2009, that WOT had exchanged contracts to sell 221-227 Anzac Parade, Kensington, NSW (leased to UNSW until 2032) for \$35.5M (7.6% yield) only a 1.4% discount to the 30 June 2009 valuation of \$36.0M.

Despite the resilient income stream generated by of WOT's assets, the trusts gearing is simply too high for us and compared to peers (refer table below) at 61% and with 100% of debt facilities due to be rolled between June 2011 and November 2011 (including \$505M of CMBS debt), trouble awaits. The ICR at 1.8x our FY10 EBITDA estimate also needs to be improved. Listed property investors and debt providers have shown an aversion to highly levered structures through the downturn and in our mind gearing in the order of 40%-50% for WOT would be more palatable for investors – particularly institutions – whose increased presence will enhance liquidity in the stock.

WOT does offer a reasonable yield on our estimates of 8.8% for FY10 and 9.0% for FY11 based on a payout of 100% of AFFO (Net Profit adjusted for non-cash IFRS items and allowing for operating and leasing capex), however from FY12 (given all debt expires by Nov 11) distributions are likely to be significantly impacted by higher debt margins with WOT currently paying fees & margins of 55pts v market rates of ~300pts. As shown in the table below and assuming the current capital structure is maintained, distributions are likely to fall by ~34% from FY11 to FY12.

WOT FY10-FY15 DPU estimates

	FY10	FY11	FY12	FY13	FY14	FY15
Est DPU ©	6.7	6.7	4.4	4.4	5.0	5.2
Yield @ 0.76/unit	8.8%	8.8%	5.7%	5.7%	6.6%	6.8%

Source: StoneBridge

Potential upside to our forecasts exists if WOT can achieve better margins on refinancing than our base case of ~300pts. DPU sensitivities to different debt margins are highlighted in the table below.

WOT DPU sensitivity to 2011 debt margin on refinance

Debt margin on refinance	FY10	FY11	FY12	FY13	FY14	FY15
250	6.7	6.7	4.9	5.0	5.7	5.9
275	6.7	6.7	4.6	4.7	5.4	5.5
300	6.7	6.7	4.4	4.4	5.0	5.2
325	6.7	6.7	4.1	4.0	4.7	4.9
350	6.7	6.7	3.9	3.7	4.3	4.5

Source: StoneBridge

We are reasonably confident WOT will not breach its debt covenants during this valuation cycle, WOT's closest peer, Commonwealth Property Office Fund (ASX: CPA) had gearing at 30 June 2009 of 28% v a 45% covenant limit and an ICR of 3.3x v 2.0x covenant limit. With this in mind, it appears the trust's capital structure is unsustainable in its current form and highly unlikely that all debt will be able to be refinanced at current levels, necessitating a debt reduction program involving one or a combination of distribution cuts, asset sales or an equity raising.

We consider WOT's debt reduction alternatives below:

Distribution cuts: We forecast WOT to pay out distributions of \$64M combined for FY10 and FY11 which if utilized to pay debt would only see gearing fall by ~3% assuming constant asset values. We see this option as unlikely to be taken however given the large retail shareholder base reliant on distribution income.

Asset sales: Along with distribution cuts, asset sales represent a less dilutive course of action for unit holders, however the analysis set out in the table below highlights the conundrum WOT faces in that each asset sale WOT completes at current book values (7.32% cap rate) is EPU dilutive given an all in cost of debt of 6.55%. Furthermore to get gearing to ~40% WOT would need to sell every other asset in the portfolio excluding Westpac Place at which point you would question the merit of the vehicle remaining listed anyway.

WOT asset sale scenarios

	30/06/2009	50.0	100.0	150.0	200.0	250.0	300.0
Asset Sale amount							
Debt Drawn	743.1	693.1	643.1	593.1	543.1	493.1	443.1
Asset Value	1,172.4	1,122.4	1,072.4	1,022.4	972.4	922.4	872.4
LVR		62%	60%	58%	56%	53%	51%
Covenant		70%	70%	70%	70%	70%	70%
EBITDA	85.8	81.8	77.8	73.7	69.7	65.7	61.7
Est Interest Expense	48.1	44.8	41.5	38.3	35.0	31.7	28.4
Est ICR		1.8	1.9	1.9	2.0	2.1	2.2
Covenant		1.5	1.5	1.5	1.5	1.5	1.5
Avg Cap Rate excl Westpac Place	8.1%						
Avg Cost of Debt	6.6%						
Income Reduction	-	4.0 -	8.1 -	12.1 -	16.1 -	20.1 -	24.2
Debt reduction benefit		3.3	6.6	9.8	13.1	16.4	19.7
Net Income change	-	0.8 -	1.5 -	2.3 -	3.0 -	3.8 -	4.5
No units	482.2						
FY10 EPU est ©	7.0	6.8	6.7	6.5	6.4	6.2	6.1
EPU change ©	-	0.156 -	0.311 -	0.467 -	0.622 -	0.778 -	0.933
% EPU change		-2%	-4%	-7%	-9%	-11%	-13%

Source: StoneBridge

Equity raising: Represents the quickest solution to WOT's debt issues and below we outline a range of scenarios incorporating a raise at \$0.70/unit (slight discount to last price & excl issue costs) which indicates a raise in the order of \$150-\$200M would be required to reduce gearing to what we view as more sustainable levels. We also note that trading in fully paid units now makes it easier for WOT to raise additional equity than would have been the case under an IR structure.

WOT equity raising scenarios

	30/06/2009						
Capital raised		25.0	50.0	75.0	100.0	125.0	150.0
Raising price		0.70	0.70	0.70	0.70	0.70	0.70
New units issued		35.7	71.4	107.1	142.9	178.6	214.3
Debt Drawn	743.1	718.1	693.1	668.1	643.1	618.1	593.1
Asset Value	1,172.4	1,172.4	1,172.4	1,172.4	1,172.4	1,172.4	1,172.4
LVR		61%	59%	57%	55%	53%	51%
Covenant		70%	70%	70%	70%	70%	70%
EBITDA	85.8	85.8	85.8	85.8	85.8	85.8	85.8
Est Interest Expense	48.1	46.4	44.8	43.2	41.5	39.9	38.3
Est ICR		1.8	1.9	2.0	2.1	2.2	2.2
Covenant		1.5	1.5	1.5	1.5	1.5	1.5
Avg Cap Rate excl Westpac Place	8.1%						
Avg Cost of Debt	6.6%						
Income Reduction		-	-	-	-	-	-
Debt reduction benefit		1.6	3.3	4.9	6.6	8.2	9.8
Net Income change		1.6	3.3	4.9	6.6	8.2	9.8
No units	482.2	517.9	589.3	696.5	839.3	1,017.9	1,232.2
FY10 EPU est ©	7.0	6.8	6.6	6.3	6.0	5.7	5.5
EPU change ©	-	0.17 -	0.44 -	0.74 -	1.03 -	1.27 -	1.47
% EPU change		-2%	-6%	-11%	-15%	-18%	-21%

Source: StoneBridge

VALUATION

We value WOT at \$0.73/unit using a DDM methodology (WACC 8.7%). WOT trades on a FY10 yield of 8.8%, a 12% discount to NTA (based on a unit price of \$0.76) and on an implied cap rate of 7.9% v 7.3% book value. Positive newsflow around capital structure improvements and/or debt refinancing remain the key catalysts for the stock in the medium term in our view.

WOT valuation sensitivities – Discount rates & debt margin on 2011 refinance

Debt margin on refinance	WACC				
	7.7%	8.2%	8.7%	9.2%	9.7%
250	0.94	0.87	0.81	0.75	0.70
275	0.90	0.83	0.77	0.71	0.67
300	0.85	0.78	0.73	0.68	0.64
325	0.80	0.73	0.69	0.64	0.60
350	0.75	0.68	0.65	0.60	0.56

Source: StoneBridge

WOT peer comparison

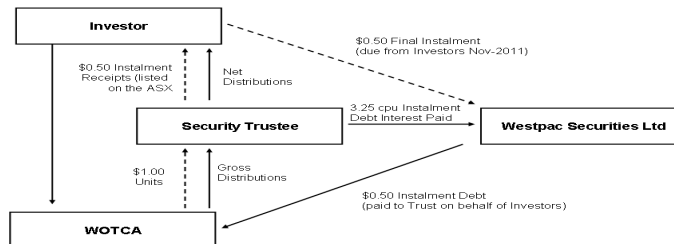
Security	WOT	CPA	DXS	IOF	MOF
Share price	\$0.76	\$0.95	\$0.82	\$0.58	\$0.30
Book Cap Rate	7.3%	7.7%	8.0%	7.4%	7.5%
DPS yield FY10F	8.8%	5.6%	6.5%	5.2%	10.8%
PE FY10F	10.6x	14.4x	11.5x	15.5x	6.5x
Gearing	61.0%	24.0%	32.0%	26.0%	46.0%
Discount to NTA	(12.2%)	(15.9%)	(19.3%)	(27.5%)	(37.2%)

Source: StoneBridge, Iress, Company Presentations. Prices as at 15/12/2009.

2 Capital and Shareholder Structure

INSTALMENT RECEIPT RESTRUCTURE

WOT was initially listed as a \$1.00 Instalment Receipt (ASX: WOTCA) with \$0.50 paid up front at the time of listing in August 2003 and the outstanding \$0.50 due to be paid in November 2011. At inception Westpac Securities Limited paid the balance of the issue price, \$0.50/unit on behalf of investors, constituting the Instalment Debt which carried a fixed interest rate of 6.5%. Investors did not have the option to pay the final instalment before November 2011.



In light of the complete loss of market appeal of these structures following the BrisConnections (ASX: BCSCA) and Multiplex Prime Property Fund (ASX:MAFCA) disasters however, WOT sought and received approval in September this year to:

- Cease trading Instalment Receipts (IR's) and commence trading Units in the Trust on the ASX,
- Extend the term of the IR's from 1 November 2011 to 1 November 2013,
- Reduce the amount of the Instalment Debt payable on 1 November 2011 from \$0.50/IR to \$0.25/IR on this date with the remaining \$0.25/IR payable on 1 November 2013.

With the goals of:

- Broadening investor support for the stock through trading in units as opposed to IR's and improving market liquidity,
- Increasing flexibility for existing investors – who now have an option to convert to fully paid units but couldn't have done so under the previous instalment structure until November 2011,
- Reduce market risk around the final \$0.50 payment in November 2011,
- Potential for earlier REIT Index inclusion,
- Enhancing capital flexibility for the Trust (fully paid units better facilitate capital raising).

As a consequence, holders of the IR's now have the following options:

- Continue holding the IR's,
- Selling all or part of their IR's (by selling underlying units on the ASX and cancelling the IR's) – upon settlement, the proceeds from the sale of units will first be applied to repay the full amount of the instalment debt outstanding with the remaining proceeds paid to the investor. If units in the trust trade at a price less than is necessary to repay the instalment debt, the difference will be sought from the seller of the stock,
- Paying the instalment debt before 2013 to receive fully paid units (can be done on a quarterly basis up until November 2013),
- Selling the IR's off market.

DEBT

WOT's gearing on a Net Debt/Assets-Cash basis was 61% at 30 June 2009. Details of facilities are shown in the table below:

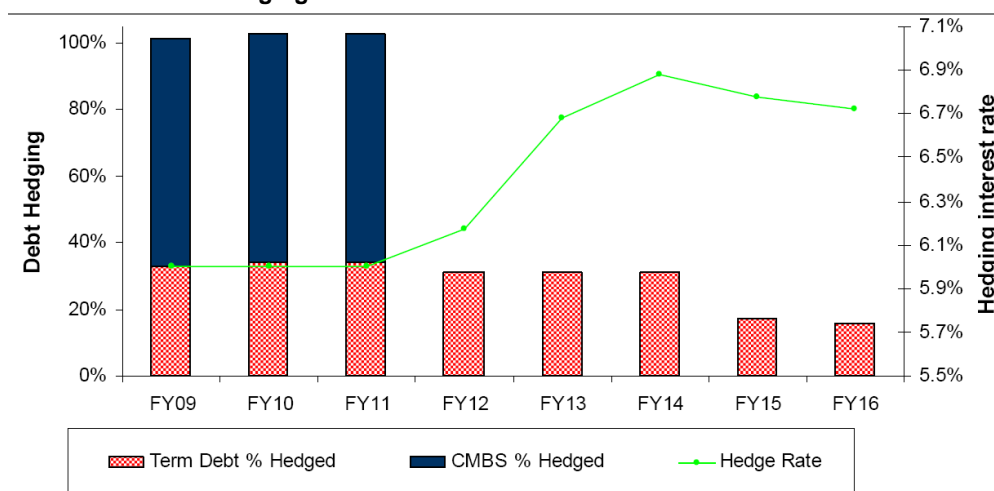
WOT debt facilities

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	\$5m	\$10m	16-Nov-11
Total	\$771m	\$741m	\$30m	

Source: WOT

The trust has interest rate swaps in place with a notional contract amount of \$746M (~101% of drawn debt) with the average fixed rate ~ 6.0%. The swaps average maturity term is 3.7 years. At 30 June 2009 the fair value of the hedges was a liability of \$27M which will be improved by the 75bpt increase in the cash rate since year end.

WOT interest rate hedging



Source: WOT

As shown in the analysis below WOT was compliant with its debt covenants as at 30 June 2009 (LVR 62.6% v 70% limit and ICR 1.7x v 1.5x limit) and we believe that given the strength of the trusts income streams, valuation support provided by recent asset sales and our view that the bottom of the valuation cycle is imminent any future ICR or LVR breaches are highly improbable. On our estimates WOT can withstand a further 10% decline in asset values and 15% decreased in EBITDA before covenant limits are breached.

WOT debt covenant tests – FY10 est.

Covenant Tests - FY10 est							
Westpac term debt facility							
Cap rate expansion		0.25%	0.50%	0.75%	1.00%	1.25%	1.50%
Average cap rate	7.32%	7.57%	7.82%	8.07%	8.32%	8.57%	8.82%
Implied income	85.8						
Debt Drawn	743.1	743.1	743.1	743.1	743.1	743.1	743.1
Asset Value	1,172.4	1,133.7	1,097.5	1,063.5	1,031.5	1,001.4	973.0
LVR	63%	66%	68%	70%	72%	74%	76%
Covenant	70%	70%	70%	70%	70%	70%	70%
Breach	NO	NO	NO	NO	YES	YES	YES
Asset value decline		-3%	-6%	-9%	-12%	-15%	-17%
EBITDA decline		2.5%	5.0%	7.5%	10.0%	12.5%	15.0%
EBITDA	83.7	81.5	79.4	77.2	75.1	72.9	
Est cost of debt		6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Est Interest Expense	48.1	48.1	48.1	48.1	48.1	48.1	48.1
Est ICR	1.7	1.7	1.7	1.7	1.6	1.6	1.5
Covenant	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Breach		NO	NO	NO	NO	NO	NO

Source: StoneBridge

SHARE REGISTER

WOT'S register is dominated by retail investors. Westpac Banking Corp is the only substantial shareholder with 13.5% of issued stock at present.

BOARD AND MANAGEMENT

Alan Cameron AM - Non-executive and Independent Chairman. Alan is a former managing partner of legal firm Blake Dawson, was Commonwealth Ombudsman from April 1991 until the end of 1992 and Chairman of the ASC and its successor, ASIC, from January 1993 to November 2000. Alan's present roles include chairing ASX Market Supervision Pty Limited, Hastings Funds Management Limited and Westpac's and St George's life and general insurance companies; and Reliance Rail group.

Liam Forde - Non-executive and Independent Director. Liam has held senior executive positions in a variety of industries, including Ford Motor Company in the UK, Simpson Holdings Limited, and Baulderstone Hornibrook in Australia where was formerly Chief Executive.

Steve Boulton - Executive Director. Steve Boulton was appointed to the role of Chief Executive of Hastings in September 2007. Prior to this role, Steve held the position of Chief Executive of Babcock & Brown Infrastructure and its Fund Manager, with assets spread globally across three continents. Steve has also held Chief Executive roles with Powerco Limited and Allgas.

Stephen Gibbs - Non-executive and Independent Director. Stephen has previously held roles as Chief Executive Officer of Australian Reward Investment Alliance (ARIA), a position he held for eight years and the Australian Institute of Superannuation Trustees.

Mike Hutchinson - Non-executive and Independent Director. From 1980 to 1999 Mike was a senior official with the Australian Government where he worked closely on reform of the Australian Government's state-owned enterprise sector from 1987 to 1996 and was acting Managing Director of the former OTC Ltd in 1989. He led the government's major privatisation program over the period 1996 to 1999, including Telstra, ANL Ltd, Australian National and most of Australia's airports, and was closely involved with the regulation of privatised infrastructure.

Jim McDonald - Non-executive and Independent Director. Jim has held roles as Managing Director and CEO of Australian Pipeline Trust from 2000 to 2005 and General Manager Pipeline Division of Australian Gas Light Company from 1996 to 2000.

Sean McElduff - Non-executive and Non-Independent Director since August 2003. Sean joined Westpac in 1977 and Westpac Institutional Bank in 1984. In 1990, he transferred to New York for three years and on return to Australia established Westpac's Securitisation Business Unit. Up until November 2008, Sean was responsible for Westpac's Specialised Capital Group.

Keith Grayson – Fund Manager. Keith joined Westpac's Specialised Capital Group (SCG) in June 2004 and is a member of Hastings' property group with particular responsibility for the listed Westpac Office Trust. Keith has 30 years experience in property and finance and previously worked for thirteen years in various leadership roles in property finance with Westpac Banking Corporation and for a decade in property investment and development roles with Legal and General Australia Group.

Important Notice

Analyst Certification

As at the time of writing this report, the author did not hold shares in Westpac Office Trust (WOT).

Provider of this publication

This report has been prepared on behalf of and issued by StoneBridge Securities Limited (ABN 92 067 161 755) (AFSL 238148) (StoneBridge). StoneBridge makes the statements in this Important Notice for itself and on behalf of each of its related bodies corporate and their respective officers, agents and employees from time to time (collectively, the StoneBridge Group). This report is provided only on the terms set out in this Important Notice. If you retain and use this report, each member of the StoneBridge Group relies on your acceptance of the terms set out in this Important Notice.

Information in this publication

References in this report to data may rely on third parties over which StoneBridge has no control and for which StoneBridge accepts no responsibility. Whilst all of the information and statements contained in this report have been prepared with all reasonable care, no responsibility or liability is accepted by any member of the StoneBridge Group for any errors or omissions or misstatements however caused or arising. Any opinions, forecasts or recommendations reflect the judgment and assumptions of StoneBridge on the basis of information as at the date of publication and may later change without notice.

This report is not, and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This report contains unsolicited general information only, without regard to any investor's individual objectives, financial situation or needs. StoneBridge is not aware that any recipient intends to rely on this report and StoneBridge is not aware of the manner in which a recipient intends to use it. This report does not contain specific advice for any particular investor. Before making any decision about the information provided, you must consider the appropriateness of the information in this report, having regard to your objectives, financial situation and needs and consult your own investment, tax and legal advisers. Investment in financial products involves risk. Past performance of financial products is no assurance of future performance.

This report is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of StoneBridge. All intellectual property rights in this report are, and at all times remain, the property of the StoneBridge Group, unless otherwise attributed.

Liability for this publication

To the fullest extent permitted by law, each member of the StoneBridge Group excludes all liability of whatever kind, whether in negligence, tort, contract or under fiduciary duties strict liability or otherwise, for any loss or damage of any kind (including without limitation indirect, incidental or consequential loss or damage, whether reasonably foreseeable or not) however arising in relation to the publication of this report, including any reliance on it or making any transaction in respect of any financial products or strategy mentioned in it.

Stonebridge's Interests

Each member of the StoneBridge Group may, from time to time hold positions in any securities included in this report (or derivatives of them) and may buy or sell such securities or derivatives or engage in other transactions involving such securities or derivatives, as principal or as agent for clients. A member of the StoneBridge Group from time to time may earn brokerage, fees or other benefits from securities mentioned in this publication or derivatives of them. These will be disclosed, as required, in the ordinary course of providing financial services.

No member of the StoneBridge Group has, or will receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any recommendation contained in this report. A member of the StoneBridge Group or a consultant to it may, from time to time perform paid services for the companies whose securities are the subject of recommendations in this report.

The StoneBridge Group has or may receive, whether directly or indirectly, commissions, fees, benefit or advantage, whether pecuniary or otherwise in connection with making any recommendation contained in this report. A member of the StoneBridge Group or a consultant to it, may from time to time perform paid services for the companies whose securities are the subject of recommendations in this report.

Under no circumstance, however, has any member of the StoneBridge Group been influenced, either directly or indirectly, in making any recommendation contained in this report.

Other important information

This Important Notice must be read in conjunction with the Legal Notice which can be found on our website at <http://www.StoneBridgegroup.com.au>. Further information is available on request.

© 2009 Copyright StoneBridge Securities Limited