



Westpac Funds Management Limited

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Company Announcements
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Westpac Office Trust (“WOTCA”)

Full year results for year ended 30 June 2008

Westpac Funds Management Limited (“WFML” or “the Trust’s Manager”), the responsible entity of the Westpac Office Trust (“the Trust”) today announced the Trust’s results for the year ended 30 June 2008 and re-affirmed distribution guidance for the full year ending 30 June 2009.

Highlights for the period

- Distributable profit increased 156% to \$31.9 million compared to the year ended 30 June 2007
- Net Distributions per Instalment Receipt up 3.1% to 4.0 cents compared to previous corresponding period
- NTA per Instalment Receipt reduced by 8 cents to 74 cents from 30 June 2007
- Total property portfolio increased 11.4% to \$1,281.1 million from 30 June 2007
- Portfolio occupancy 98.2%

Financial Performance

Distributable Profit (after excluding fair value adjustments to properties and financial derivatives, straight lining of fixed rental increases and amortisation of debt establishment costs) was \$31.9 million, an increase of 156% over the previous corresponding period.

This is due largely to increased property income from property acquisitions during 2008 and rental received from Westpac Place 275 Kent Street, Sydney for the full period.

The Trust delivered a Net Loss of \$4.5 million for the period, including downward fair value adjustments of \$49.8m.

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Quarterly Distribution

Quarterly distributions of 1.8125 cents per Unit for each quarter to 30 June 2008 were declared and paid to Unitholders. This equates to a net distribution of 1.0 cent per Instalment Receipt per quarter after Debt Instalment interest has been deducted. The total net distribution for the year to 30 June 2008 was therefore 4.0 cents per Instalment Receipt, an increase of 3.1% over the previous corresponding period.

Distributions were 100% tax deferred for the year ended 30 June 2008.

FY09 Distribution Guidance

As previously announced, the distribution for the full year ending 30 June 2009, is expected to be 6.65 cents per Unit. This equates to 3.4 cents per Instalment Receipt after Debt Instalment interest has been deducted.

This guidance is based on the Trust changing its distribution policy to ensure distributions are payable from operating cash income of the Trust after provisioning for operating capital expenditure.

Gross and Net Assets

Total gross assets at 30 June 2008 were \$1,374.8 million, an increase of \$147.8 million from 30 June 2007. The increase comprises \$130.7 million from four property acquisitions after revaluation adjustment during the reporting period and \$17.1 million increase in current assets, primarily through an increase in the mark to market value of interest rate swap instruments.

Net Tangible Asset Value (NTA) decreased by \$37.8 million to \$606.1 million from 30 June 2007.

At 30 June 2008 the NTA per Unit was \$1.24 a decrease of 8 cents from 30 June 2007. The NTA per Instalment Receipt was \$0.74 after deducting Instalment Debt of \$0.50 per Unit.

Portfolio Valuations

The Trust's portfolio was revalued at 30 June 2008 with all properties excepting 33 Corporate Drive Cannon Hill Queensland independently valued. The Cannon Hill property had been independently valued at 31 December 2007 and was subject to Directors valuation at 30 June 2008.

The carrying value of the portfolio increased \$130.7 million or 11.4% to \$1,281.1 million at 30 June 2008 from prior year. Revaluation loss of \$49.8 million, including \$12.6 million write down of acquisition costs, was offset by acquisitions of \$165.2 million and capitalised expenditure of \$2.7 million during the year ended 30 June 2008.

The year end valuations reflected increasing investment yields, offset in part by continuing rental growth and sound fundamentals underpinning most markets.

The weighted average capitalisation rate ("WACR") for the portfolio was 6.22% at 30 June 2008. The capitalisation rate for the Trust's flagship asset, Westpac Place 275 Kent Street Sydney, was 5.75%, whilst the WACR for the remaining portfolio, excluding Westpac Place, was 7.00% at 30 June 2008.

Capital Management

The Trust initiated an early refinance of a \$251 million term debt facility with Westpac Banking Corporation due to mature in April 2009. The new facility will expire in July 2011 and includes revised loan to value ratio covenant of 70% and an interest cover ratio covenant of 1.5x. At 30 June 2008 the Trust's gearing ratio (debt/total assets) was 53.9% and the interest cover ratio was 1.8x.

Following this action the Trust has debt facilities with a weighted average duration of 3.3 years and has no refinancing requirement until July 2011.

The balance of the Trust's debt facilities comprise a \$505 million Commercial Mortgage Backed Securities issue maturing in November 2011, and an undrawn working capital facility of \$15m. Total debt facilities of the Trust at 30 June 2008 are \$771 million and total drawn facilities are \$741.7 million.

99.7% of total borrowings are hedged until 2011 and the Trust's weighted average hedge duration is 4.7 years from 30 June 2008.

The total average interest rate on all borrowings, inclusive of margin, is 6.55% per annum.

Portfolio Activity

The Trust acquired four properties during the year.

- Laffer Drive, Bedford Park, SA was acquired in October 2007 for \$20.26 million. The 6,174 sq.m. suburban office building adjoins Flinders University and is wholly leased to Westpac Banking Corporation for 12 years.
- 55 Coonara Avenue, West Pennant Hills, NSW comprises a campus of seven interconnecting buildings totalling 34,080 sq.m. The facility is known as IBM Cumberland Forest and is wholly occupied by IBM on leases with a weighted average term of 6.2 years. The purchase price was \$92.5 million and the Trust is working with IBM on a significant upgrade programme for the facility.
- 19 Corporate Drive, Cannon Hill, Queensland is the second property acquired by the Trust in the Southgate Corporate Park. The Trust acquired the site for \$3 million in

November 2008 and entered into a Development Agreement with the Anthony John Group to develop a 6,000 sq.m office building for an estimated cost of \$28.6 million. The project achieved completion in May 2008 and, to date, 2,500 sq.m. has been leased to Honeywell Ltd for 10 years. The Anthony John Group has provided a two year rental guarantee for the balance.

- o 66 – 78 Talavera Road, North Ryde, NSW was acquired in December 2007. The site is currently occupied by a Data Centre wholly leased to Westpac Banking Corporation until 2014. The large corner site has future redevelopment potential in a location sought after by corporate tenants. The property was acquired jointly with the Westpac Diversified Property Fund, another fund for which WFML acts as the responsible entity. The Trust's 50% interest in the property was acquired for \$20.25 million.

Fixed rent reviews were completed during the year over more than 136,425 square metres of tenanted space representing 70.1% of the total portfolio net lettable area. Rent increases varied from 2.75% to 4.00%.

Portfolio occupancy was 98.2% at 30 June 2008 with the only non tenanted area being the rental guaranteed area of 19 Corporate Drive Cannon Hill Queensland. The portfolio maintains one of the longest average lease term profiles in the listed property sector with a weighted average lease expiry of 10.2 years and the Trust has no material lease expiry exposure until mid 2011 when 5.7% of leases expire.

Outlook

The Australian listed real estate investment trust sector has suffered a turbulent year due to the dislocation in capital markets. The Trust's Manager expects the correction to continue for the balance of 2008 with low transaction levels and deferment of new development likely as companies give priority to rebuilding balance sheets and re-establishing confidence in asset pricing.

Despite the volatility, the fundamentals of most Australian property markets remain sound and offer a positive medium term outlook for participants with quality portfolios.

Office market indicators showed the first signs of easing in the second quarter of the year as tenant demand moderated. It is too early to predict if this downturn will push vacancy rates above trend averages and therefore begin to impact projected rental growth. The strong leasing profile of the Trust's portfolio and a bias in favour of the deepest office market in the country, Sydney, should insulate it from near term leasing market movements.

The Trust's simple investment approach which focuses on quality assets in Australia and New Zealand has it well placed to weather current market volatility. Steps announced on 9 July by the Trust's Manager to adopt a more prudent approach to future distributions and removing all near term debt refinance risk have reinforced that approach.

These steps bolster the ability of the Trust to deliver predictable and sustainable future distributions. The Trust's Manager has therefore maintained the practice of providing full year guidance and expects the Trust to pay a gross distribution of 6.65 cents per unit for the full year to 30 June 2009. The net distribution, after payment of the instalment debt interest of 3.25 cents per unit, is expected to be 3.40 cents per unit. This distribution is again expected to be 100% tax deferred.

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Yours sincerely
Westpac Funds Management Limited



Sean Ward
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