

9 July 2008

Company Announcements  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

**WESTPAC OFFICE TRUST COMPLETES PORTFOLIO REVALUATION AND PROVIDES 2009 DISTRIBUTION GUIDANCE**

- Portfolio independently revalued to \$1,287.4m, down 2.37%
- New debt facility with Westpac secures all existing funding until 2011
- Confirms June 2008 quarter distribution
- Future distribution policy realigned to adjusted operating income
- FY09 distribution guidance of 6.65 cents per unit or 3.40 cents per instalment receipt
- Net Asset Value reduced by 9 cents to \$1.23 per unit or 73 cents per instalment receipt
- Changes place the Trust in a sustainable position with secure funding and a resilient property portfolio

Portfolio Revaluation

Westpac Funds Management Limited (“WFML”), as Responsible Entity of Westpac Office Trust (“the Trust”), today announced portfolio carrying values at 30 June 2008 based on independent external valuations of its major properties.

The portfolio’s carrying value (subject to audit) at 30 June 2008 is \$1,287.4 million, a fall of 2.37% since 31 December 2007. Net asset value (“NAV”) has fallen 9 cents, reflecting the \$31.3 million fall in the carrying value of the portfolio; refinance costs and capital expenditure on Pennant Hills.

The changes result in the weighted average capitalisation rate for the portfolio increasing by 0.34% from 5.88% at 31 December 2007 to 6.22% at 30 June 2008. The weighted average ten year internal rate of return for the portfolio increased by 0.30% from 8.44% to 8.74% over the corresponding period.

The following is a summary of changes to individual property values and capitalisation rates:-

Building	Tenant	Valuation 30/06/2008 <sup>(1)</sup>	Valuation 31/12/2007	Valuation Movement	Valuation Movement %	Cap Rate 30/06/2008	Cap Rate 31/12/2007	Cap Rate Movement %
<b>Westpac Place</b>	Westpac	\$805.0m	\$820.0m	-\$15.0m	-1.83%	5.75%	5.50%	0.25%
<b>Woolworths NSO</b>	Woolworths	\$250.0m	\$270.0m	-\$20.0m	-7.41%	6.75%	6.15%	0.60%
<b>Pennant Hills</b>	IBM <sup>(3)</sup>	\$101.5m	\$92.5m	\$9.0m	9.73%	7.25%	7.25%	0.00%
<b>Kensington</b>	UNSW	\$39.1m	\$41.0m	-\$1.9m	-4.63%	6.75%	6.10%	0.65%
<b>Cannon Hill 2</b>	Honeywell <sup>(4)</sup>	\$29.7m <sup>(4)</sup>	\$31.2m	-\$1.5m	-4.65%	7.25%	6.75%	0.50%
<b>Cannon Hill 1 <sup>(2)</sup></b>	Westpac	\$21.9m	\$22.5m	-\$.6m	-2.78%	7.25%	6.75%	0.50%
<b>North Ryde</b>	Westpac	\$20.5m	\$21.3m	-\$.8m	-3.53%	8.00%	7.00%	1.00%
<b>Bedford Park</b>	Westpac	\$19.7m	\$20.3m	-\$.6m	-2.72%	7.75%	7.50%	0.25%
<b>Total <sup>(5)</sup></b>		<b>\$1,287.4m</b>	<b>\$1,318.7m</b>	<b>-\$31.3m</b>	<b>-2.37%</b>	<b>6.22%</b>	<b>5.88%</b>	<b>0.34%</b>

(1) Independent Valuations at 30/06/08, with the exception of Cannon Hill 1

(2) Directors Valuation at 30/06/08. Prior Independent Valuation at 31/12/07.

(3) Inclusive of \$8.6m of capital expenditure on the upgrade programme for the facility.

(4) At practical completion.

(5) Capitalisation rates calculated on a weighted average basis.

The Trust's Fund Manager, Keith Grayson, said the independent revaluation, along with the renegotiation of one debt facility and changes to the future distribution policy are important and positive steps for the Trust.

"We have moved early to institute changes that provide clarity and greater certainty to unitholders on future performance," said Mr. Grayson.

"These changes place Westpac Office Trust in a sound and sustainable position as the listed property sector works its way through a period of significant change and volatility," he added.

The supporting valuation reports note that:-

- The Trust's properties benefit from long term leases and total lease expiry exposure of only 7% during the next five years;
- Rental growth prospects, particularly in Sydney where the majority of the Trust's portfolio is located, remain positive; and
- Yield and discount rates have increased to reflect changed investor expectations.

"Uncertainty about property values is clearly a significant issue at present," said Mr. Grayson.

"We took the view that, regardless of the absence of transactional evidence, we should provide unitholders with a fresh and detailed independent opinion of the value of the Trust's portfolio due to fluctuating market and investor sentiment.

"The relatively modest reduction in the Trust's carrying values reflects the resilience of a high quality portfolio which has very little risk to projected net income in the next few years" Mr. Grayson added.

NAV per unit at 31 December 2007 was \$1.32, which equated to 0.82 cents per instalment receipt. On a proforma basis, the current revaluations, costs of refinance and capital

expenditure will reduce 31 December 2007 NAV per unit by approximately 9 cents to \$1.23. This equates to 73 cents per instalment receipt.

### Debt Facilities

The Trust's debt facilities comprise a \$505 million Commercial Mortgaged Backed Security issue maturing in November 2011 and a \$251 million debt facility from Westpac Banking Corporation ("Westpac") previously maturing in April 2009.

The Trust will enter into a new three year \$251 m debt facility with Westpac commencing July 2008. The early renegotiation of this facility provides certainty on the impact of future financing costs on Trust distributions. The interest margin will be 1.10% pa, an increase of 0.55% pa over the previous facility reflecting the continuing volatility in wholesale debt markets. The Trust will pay an establishment fee of 0.30% pa on the facility amount.

The loan to value ratio covenant ("LVR") on the new facility has been increased from 65% to 70% for prudence, subject to the margin increasing by a further 0.25% pa in the event that the LVR exceeds 65%. In order to exceed this threshold, WFML estimates that the Trust's portfolio value would have to reduce by a further \$150m, equivalent to the weighted average capitalisation rate on the portfolio increasing by a further 0.80%. The weighted average capitalisation rate on the portfolio at 30 June 2008 is 6.22%.

Existing hedging arrangements will maintain the average underlying interest rate for the new debt facility at 6.17% pa until June 2011.

Together with the interest rate hedging program for the CMBS issue, the Trust has 99.7% hedge cover with a combined average underlying interest rate of 6.00% pa until June 2011. Including margin on all drawn facilities this equates to a total average interest cost of 6.55% pa (assuming the Trust's LVR remains below 65%) for the same period.

Overall, the Trust's weighted average hedge duration is 4.7 years from 30 June 2008.

Completion of the new debt facility will result in the Trust having no debt facilities maturing until July 2011 and the average debt duration from 30 June 2008 will be 3.3 years.

Taking account of the revised 30 June 2008 carrying values, the Trust's position against its debt facility covenants will be;

	30/06/2008	30/06/2009
<b>LVR and ICR<sup>4</sup> Covenants.</b>		(1)
LVR	57.6% (2)	58.7% (3)
LVR Covenant	65.0%	70.0%
ICR	1.81x	1.70x
ICR Covenant	1.50x	1.50x

- 1) Assumes property values remain constant for FY09
- (2) At 30/06/08 the term debt facility was drawn to \$236.7m
- (3) Post completion of Cannon Hill 2, the term debt facility will be drawn to \$251m
- (4) "Interest Cover Ratio"

All existing capital expenditure commitments on the Trust's properties can be met from existing funding facilities. Future operating capital expenditure will be funded from operating cash income.

WFML is considering options to reduce the gearing level of the Trust over time.

### Distributions

As previously announced, the Trust will pay a gross distribution for the quarter ending 30 June 2008 of 1.8125 cents per unit or a 1.00 cent per instalment receipt net distribution after payment of the instalment receipt debt interest.

Commencing with fiscal 2009 distributions, the policy of the Trust will be to pay distributions that do not exceed operating cash income after provision for operating capital expenditure.

"We have been moving toward aligning distributions and operating income for the last three years and have had to provide minimal operating capital expenditure to date because of the nature of the properties and lease structures.

"Bringing forward these adjustments does have an impact on fiscal 2009 distribution but will improve the capital position of the Trust and contribute to stronger future earnings and distributions growth," Mr. Grayson said.

This new policy results in a reduction of 41 bps in fiscal 2009 compared with the distribution that would have been made under the previous policy. The higher margin payable on the renegotiated debt facility results in a further 31 bps reduction.

Reflecting these changes WFML provides preliminary guidance that it expects the Trust to pay a gross distribution of 6.65 cents per unit for the full year to 30 June 2009. This compares with a gross distribution of 7.25 cents per unit for the year ending 30 June 2008.

The net distribution, after payment of the instalment receipt debt interest of 3.25 cents per unit, is expected to be 3.40 cents per instalment receipt.

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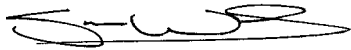
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