

Westpac Office Trust

ARSN 103 853 523



December 2005 Half-Year

Westpac Funds Management Limited
ABN 28 085 352 405
AFS Licence No 233718

Level 8, 255 Elizabeth Street
SYDNEY NSW 2000

28 February 2006

Investor Update

Dear Investor

Highlights

- Investment in Woolworths National Support Office;
- Distribution increased to 7.57%;
- Construction on plan at 275 Kent Street, Sydney; and
- First time adoption of Australian equivalents to International Financial Reporting Standards.

Distribution

The responsible entity, Westpac Funds Management Limited, is pleased to report cash distributions of 0.9375 cents per unit for the 30 September 2005 quarter and 0.9542 cents per unit for the 31 December 2005 quarter after deducting Instalment Receipt interest for the respective quarters. These cash distributions are in line with the updated Product Disclosure Statement ("PDS") forecast. A cash distribution payment for the quarter ended 31 December 2005 was paid on 16 February 2006.

The 31 December 2005 half-year report is the Trust's first financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ("A-IFRS"). The Trust's financial statements until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). AGAAP differs in certain respects from A-IFRS.

When preparing the Trust's interim financial report for the half-year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with A-IFRS.

Westpac Funds Management Limited is not an authorised deposit taking institution for the purposes of the Banking Act 1959. Investments in the Westpac Office Trust are not investments, deposits or other liabilities of Westpac Banking Corporation ABN 33 007 457 141. Westpac Banking Corporation has given a Pre-Completion Guarantee in relation to the Westpac Office Trust. Other than that Guarantee, Westpac Banking Corporation does not give any guarantee or assurance as to the performance of Westpac Funds Management Limited or the Westpac Office Trust or the repayment of any capital invested.

Consolidated Financial Summary for the half-year ended 31 December 2005

Financial Information	Per PDS (\$'000s)	Actual¹³ (\$'000s)	Variance (\$'000s)
Interest Income	4,150	4,371	221 ²
Rental income	3,423	3,423	- ³
Other income	-	3	3
Total Income	7,573	7,797	224
Trust Management Fee	(350)	(450)	(100) ⁴
Amortisation of Debt Establishment Costs	(150)	(176)	(26) ⁵
Interest expense	(1,000)	(819)	181 ⁶
Fair Value of Interest Rate Swap	-	(1,002)	(1,002) ⁷
Fair Value adjustment to Investment Property	-	(611)	(611) ⁸
Other Expenses	(700)	(303)	397 ⁹
Total Operating Expenses	(2,200)	(3,361)	(1,161)
Net Distributable Income	5,373	4,436	(937)
Distribution Summary	Per PDS (\$'000s)	Actual (\$'000s)	Variance (\$'000s)
Net Distributable Income	5,373	4,436	(937)
Add/(Deduct) Non-Cash Items: ¹			
Amortisation of Debt Establishment Costs	150	176	26
Fair Value of Interest Rate Swap	-	1,002	1,002 ¹⁰
Capital Return	9,490	8,655	(835) ¹¹
Total Cash Distributions	15,013	14,269	(744)
Less: Interest deducted on Instalment Receipts	(6,921)	(6,590)	331
Net Cash Payment	8,092	7,679	(413)
Cash Distribution (Cents Per Unit)	3.52	3.52	-
Annualised Cash Yield on First Instalment¹²	7.60%	7.57%	(0.03%)

- 1 The Trust adopted Australian equivalents to International Financial Reporting Standard ("A-IFRS") from 1 July 2005. The trust distributes income on a cash basis. The Net Distributable Income presented in the Product Disclosure Statement ("PDS" - dated 26 August 2005) and "actual" above, in line with previous generally accepted accounting principles and A-IFRS, includes non-cash items such as amortisation of debt establishment costs and unrealised loss on interest rate swap. These items are added back to the accounting Net Distributable Income and together with the Capital Return, comprise the total Cash Distribution of the trust.
- 2 In order to part fund the investment in the Woolworths National Support Office, a drawdown of \$175.3 million from the Trust's Deposit account was made in August 2005. The PDS half-year result reflects half of the total interest income forecast spread over the full year, where as "Actual" interest income includes a higher interest earned in the first quarter pre-drawdown of the \$175.3 million.
- 3 Rental income includes two months rental income from the Woolworths' sub-lease commencing on 1 November 2005 at \$1.4 million per month. Rental income is recognised on a "straight-line" basis over the term of the lease and includes an A-IFRS adjustment to rent of \$611,000. See Note 8.
- 4 Per the PDS, the Responsible Entity is entitled to \$100,000 transaction specific management fee relating to the Entitlements Issue. Whilst the PDS forecast this expense as part of "Other Expenses", see Note 9, the same expense is accounted for as part of Trust Management Fee under "actual" results.
- 5 The difference results from the forecast applying a more conservative method of amortising the debt establishment costs.
- 6 Interest expense reflects actual interest paid on the Bridge Loan Facility taken up to part-fund the investment in the Woolworths National Support Office in August 2005. This Bridge Loan Facility was fully repaid in September 2005 from the issue of additional equity, in the form of an Entitlements Issue of new units and new Instalment Receipts to existing investors. The repayment of the Bridge Loan Facility was effected early than forecast thereby reducing the interest to be paid.
- 7 Under A-IFRS, interest rate swaps not eligible for hedge accounting must be reported at fair value as at reporting date. This resulted in an unrealised loss of \$1 million. The PDS did not forecast the fair value adjustment. As the Trust distributes on a cash basis, by adding back the A-IFRS adjustment to Net Distributable Income, there is no A-IFRS impact on Trust distributions. At expiry of the swap all fair value adjustments relating to the swap will net to zero. Refer to Note 10.
- 8 "Actual" results include fair value adjustments to investment properties reported to offset the A-IFRS gross up in rental income of (\$611,000). See Note 2. The PDS did not forecast an equivalent rental income adjustment, as the relevant A-IFRS standard was revised after releasing the PDS in August 2005. As the Trust distributes on a cash basis, by adding back the A-IFRS adjustments to Net Distributable Income, there is no impact on Trust distributions as a result of the fair value adjustment. At expiry of the lease of the property all fair value adjustment will net to zero.
- 9 Other expenses include audit fees, registry costs, costs relating to publishing financial reports and mailing expenses. "Actual" expenses is lower than forecast due to several management initiatives. As mentioned in Note 4, the PDS included a \$100,000 transaction management fee in other expenses, whereas actual results have accounted for this expense as part of Trust Management Fees.
- 10 "Actual" A-IFRS adjustments include adjustments to a forward start fixed interest rate swap taken up to hedge against future borrowings. Refer to Note 7.
- 11 Per the PDS, distribution to unitholders will comprise return of capital. The PDS forecast capital return is higher than actual, due principally to the non recognition of A-IFRS adjustments in the PDS.
- 12 Per the PDS, A-IFRS forecast yield is 7.6% for the year ending 30 June 2006. This is based on a weighted average number of Instalment Receipts on issue of 425.9 million. "Actual" numbers reflects Instalment Receipts on issue of 365 million for the September 2005 quarter and 446.1 million for the December 2005 quarter, based on inclusion of additional 81.1 million Entitlements Issue on 29 September 2005. As such, investors receive a net return of 0.9375 cents per unit for the quarter ended 30 September 2005 and 0.9542 per unit for the quarter ended 31 December 2005. For the half-year ended 31 December 2005, the annualised yield amounts to 7.57%. The Woolworths Investment is forecast to increase the Trust's consolidated cash yield on the First Instalment from 7.50% to 7.60% in the full year ending 30 June 2006.
- 13 The "actual" numbers shown in the Financial Summary have been reviewed by the Trust's auditors.

Fund Manager Report

Woolworths National Support Office, 1 Woolworths Way, Norwest Business Park NSW

The acquisition of the first addition to the initial Trust portfolio, the Woolworths National Support Office, was completed in September 2005.

Construction of this Corporate Centre facility, initially totalling approx 45,000 square metres, was completed on 7 September 2005. Woolworths consolidated most of their business support functions into the facility by relocating approximately 3,000 staff from several locations during October 2005.

The sub-lease to Woolworths Limited commenced on 1 November 2005 for an initial term of 15 years, at an initial annual rent of \$16.8 million.

Westpac Place, 275 Kent Street Sydney NSW

Construction Progress

During the last six months the Developer, Leightons Properties Pty Limited had recovered all earlier delays against the Development Programme, and completion is due to occur prior to November 2006, with Leightons Properties Pty Limited now aiming to complete the project by May 2006.

By early February 2006, construction had progressed to include practical completion of various stages involving completion of the facades of the office towers and substantial completion of mechanical, hydraulic and lift services, and practical completion of office levels up to level 14.

The Barometer feature on the rooftop is currently being completed. This feature is designed as a Maritime Icon to reflect the nautical past of the site, which was once on the waters edge, and key to early Sydney maritime trade.

Westpac tenancy

The fitout and phased occupation of the Westpac Banking Corporation ("Westpac") tenancy is being integrated with the final stages of project construction. Tenants' fitout work is progressing throughout the office towers and the first Westpac business units moved into the lower floors on 25 February 2006.

Retail tenancies

The building includes twenty-one retail tenancies providing food and retail services for the expanding office worker population in this precinct of the city and we are on track to meet our target to have this important support component of the project fully leased and operating by the project completion date.



All nine tenancies in the Food Court have been committed and are programmed to open in line with Westpac occupation in late February 2006. Seven other tenancies have also been committed with four more tenancies in advanced stages of documentation.

National Office Markets

Although the Trust has no office vacancy risk exposure due to the long term lease commitments of Westpac and Woolworths, it is worth noting that the office market performance indicators trended increasingly positive during the second half of 2005.

Tenant demand and commitment increased in all capital cities with falling vacancy rates and improving rents also widely evident. The forecasts for new supply are not a concern at this point and investor sentiment to the office segment is strongly positive.



Operational Update

In accordance with the Corporations Act, Westpac Funds Management Limited ("WFML") is required to provide each investor periodically with additional information to assist investors in understanding their investment. The information includes Distribution Advice (sent quarterly) and any Issuer Sponsored Holding Statement issued over the year, together with a Periodic Statement.

The Periodic Statement is a new statement that you will be receiving on an annual basis. You will be receiving your first Periodic Statement for period 1 January 2005 to 31 December 2005 by early March 2006, and thereafter by September annually. The Periodic Statement contains details of:

- movements in investment transactions, if any;
- distribution received during the period;
- information relating to fees and charges;
- summary of return on investments; and
- other relevant details

The Net Tangible Assets ("NTA") calculation for the Trust as at 31 December 2005 was \$0.8754 per unit. Please note that the NTA per unit is not in any way indicative of the market value of each unit of the Trust. The market value of your unit/s may be more or less than the amount shown below, and therefore, this amount should not be considered to be indicative of the amount for which you could sell your Instalment Receipt. The table below provides details of the components for the NTA.

Description	Per Unit
Cash raised per unit	\$1.0000
Trust Establishment Expenses	(\$0.0430)
Amortisation of Debt Establishment Expenses	(\$0.0022)
A-IFRS Adjustments	(\$0.0023)
- Fair Value of Interest Rate Swap	
Return of Capital	(\$0.0771)
NTA as at 31 December 2005	\$0.8754

A copy of the Trust's half-year financial report can be found by going to www.westpac.com.au/structuredinvestments and clicking on the Westpac Funds Management Limited link.

If you have any queries in relation to your investment please contact the registry on 1300 766 855 (for callers within Australia) and +61 8280 7072 (for callers outside Australia).

Yours faithfully,

Westpac Funds Management Limited



Keith Grayson
Fund Manager
Telephone: +61 2 8254 8396

