



**Westpac Funds Management Limited**

ABN 28 085 352 405  
Level 20, 275 Kent Street  
SYDNEY NSW 2000 Australia

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Company Announcements  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

**WESTPAC OFFICE TRUST ('WOTCA')**

**Half year results for the six months ended 31 December 2007 and re-affirmation of FY08 guidance**

Westpac Funds Management Limited ("WFML"), the Responsible Entity of the Westpac Office Trust ("the Trust") today announced the Trust's results for the half year ended 31 December 2007 and re-affirmed distribution guidance for the full year ending 30 June 2008.

**Highlights for the period**

- Distributable profit increased 64.7% to \$15.0 million compared to the half year ended 31 December 2006 (pcp)
- Net Distributions per Instalment Receipt up 3.1% to 2.0 cents compared to pcp
- NTA per Instalment Receipt maintained at 82 cents from 30 June 2007
- Total portfolio value up 13.1% to \$1,301 million from 30 June 2007
- Portfolio occupancy 100%

Fund Manager for the Trust, Keith Grayson said "With four acquisitions in the first half of FY2008 the Trust made good progress in executing the strategy of disciplined growth within our Investment Criteria. The acquisitions contributed to a result which evidences that our quality portfolio continues to deliver performance in line with guidance"

**Financial Performance**

The Trust delivered a Net Profit of \$16.8 million for the period.

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 \$15.0 million, an increase of 64.7% over the previous corresponding period.

This is due largely to increased property income from property acquisitions during 2007 and rental received from Westpac Place for the full period.

## **Quarterly Distribution**

A distribution of 1.8125 cents per Unit for the quarter to 31 December 2007 has been declared and was paid to Unitholders on 18 February 2008. This equates to net distribution of 1.0 cents per Instalment Receipt after Debt Instalment interest has been deducted. The total net distribution for the half year to 31 December 2007 was 2.0 cents per Instalment Receipt, an increase of 3.1% over the previous corresponding period.

## **FY08 Distribution Guidance**

Based upon the half year result, WFML has re-affirmed guidance that for the full year ending 30 June 2008, distributions are expected to be 7.25 cents per Unit equating to 4.0 cents per Instalment Receipt after Debt Instalment interest has been deducted.

The distributions are expected to be 100% tax deferred for FY2008.

## **Gross and Net Assets**

Total gross assets at 31 December 2007 were \$1,413 million, an increase of \$186 million from 30 June 2007. The increase comprised of \$151 million resulting from four property acquisitions (including one property under construction) during the reporting period and a \$36 million increase in current assets.

Net Tangible Asset Value (NTA) decreased by \$0.5 million to \$643.5 million from 30 June 2007.

At 31 December 2007 the NTA per Unit was \$1.32 and remained unchanged from 30 June 2007. The NTA per Instalment Receipt was \$0.82 after deducting Instalment Debt of \$0.50 per Unit payable by investors on 1 November 2011.

## **Portfolio Valuations**

During the reporting period one property at 33 Corporate Drive, Cannon Hill, Queensland was revalued by independent valuation resulting in a gain of \$3.1 million to \$22.5 million. The increase was due to income growth and firming capitalisation rates since the acquisition of the property in March 2007.

The remainder of the Trust's portfolio was subject to Directors' review and it was determined that no adjustments to carrying values for these properties were necessary, other than adjustments made for the write down of acquisition costs in line with the Trust's accounting policy.

At 31 December 2007 the weighted average capitalisation rate for the Trust's portfolio was 5.88%. This figure is heavily weighted to the Trust's largest and highest quality property, Westpac Place 275 Kent Street Sydney, with a carrying value of \$820 million and a capitalisation rate of 5.5%. The balance of the portfolio, excluding Westpac Place, has a weighted average capitalisation rate of 6.51% reflecting the long leases and quality tenant covenants of the portfolio.

### **Performance Fee**

Strong relative total performance for the year to 31 December 2007 recovered the underperformance of the Trust for the year to 31 December 2006 resulting in the Trust's performance for the two year period to 31 December 2007 exceeding the Trust's Benchmark Index<sup>1</sup> by 5.68%.

This outperformance entitles WFML to a Performance Fee of \$1.38 million which will be issued as Performance Units post balance date at the 31 December 2007 NTA of \$1.32 per Unit.

The issue of 1.043m Performance Units decreases NTA per Unit by \$0.003 on a pro-forma basis at 31 December 2007.

The payment of the Performance Fee has no impact on distributions for the 30 June 2008 financial year.

### **Capital Management**

Debt funding of acquisitions during the half year increased borrowings by \$228 million to a reported \$731 million at 31 December 2007 resulting in the Trust's gearing ratio (debt/total assets) at 31 December 2007 being 51.7%. This is at the lower end of the Trust's preferred gearing range.

The Trust's drawn debt facilities comprise a Commercial Mortgage Backed Securitisation facility of \$505 million maturing in November 2011 and a Westpac term debt facility of \$229 million maturing in April 2009. The Trust's weighted average debt duration at 31 December 2007 was 3.1 years and the weighted average interest rate (including margin and fees) was 6.30%.

At 31 December 2007 the Trust's interest hedging cover ratio was 96%. This subsequently increased to 98% on 7 January 2008. The weighted average term of the Trust's hedging was 4.7 years and the weighted average interest rate on the hedged debt was 5.97% (excluding margin and fees).

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<sup>1</sup> The benchmark index is the S&P/ASX 300 Property Trust Accumulation Index adjusted for a 5% maximum weighting per constituent.

The Trust had Working Capital and Undrawn Funds, after commitments, of \$33.6 million at 31 December 2007.

### **Portfolio Activity**

The Trust acquired four properties during the half year to 31 December 2007.

- 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 until 2015. The purchase price was \$92.5 million and the Trust will work with IBM on a significant upgrade programme for the facility.
- 19 Corporate Drive, Cannon Hill, QLD 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 has 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 is due for completion in May 2008 and has secured a precommitment for a 10 year lease of 2,500 sq.m. to Honeywell. The Anthony John Group will provide a two year rental guarantee for any vacant space remaining at completion.
- 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 to which WFML acts as the Responsible Entity. The Trust's 50% interest in the property was acquired for \$20.25 million.

Portfolio occupancy was 100% for completed properties at 31 December 2007 with 96% (by rental) leased to tenants rated investment grade (or equivalent). The portfolio maintains one of the longest average lease term profiles in the listed property sector with a weighted average lease expiry of 10.7 years. The Trust has no material lease expiry exposure until 2011 when 6% of leases expire.

### **Outlook**

The investment focus of the Trust, the quality of the properties and the strong lease profile of the portfolio underpin the quality and low volatility of the Trust's earnings and values. These attributes leave the Trust well positioned in the current uncertainty surrounding the property market generally.

Whilst WFML anticipates that the volume of property market transactions will increase during 2008, the Trust will adopt a cautious approach to further acquisitions until there is greater

clarity on the extent of any asset value correction which may result from the changes currently playing out in the capital markets.

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Keith Grayson  
Fund Manager  
Westpac Funds Management Limited

**Contact Details:**

Mike Donaldson  
Head of Distribution  
02 8254 0682

Dennis Szabo  
Associate Director  
02 8254 9243

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