

Westpac Office Trust

ARSN 103 853 523

June 2006 Financial Year



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

Level 6, 275 Kent Street
SYDNEY NSW 2000

14 August 2006

Investor Update

Dear Investor

Highlights

- Practical Completion of Final Stages of the Westpac headquarters at 275 Kent Street, Sydney achieved;
- Revaluation of 275 Kent Street, Sydney to \$750 million. An increase of 11.9% over initial on-completion valuation;
- Naming of the Westpac headquarters at 275 Kent Street, Sydney as Westpac Place;
- Cash distribution is in line with forecast; and
- Market guidance provided on 2007 cash distribution.

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.

Fund Manager Report

June 2006 Financial Year



Naming of Westpac Place

Westpac Banking Corporation (“Westpac”) has now confirmed that the new headquarters located at 275 Kent Street, Sydney and previously known internally at Westpac as OGP (“Our Great Place”) has been named Westpac Place.

Completion of Westpac Place

The construction of Westpac Place achieved completion of a number of stages over the course of the last six months. In February 2006, Practical Completion of Stages 1A, 1B and 2 were achieved. This covered Levels 5 to 9, 1 to 3 and 10 to 14 respectively, enabling Westpac to begin staff migration into the building in March 2006. Practical Completion of Stage 7, the final stage of construction, was achieved over Levels 30 to 32, on 5 June 2006 resulting in the entire project being completed five months earlier than the original construction programme.

External Revaluation of the Westpac Place

The earlier than scheduled achievement of Practical Completion enabled the Fund Manager to bring forward the first revaluation of Westpac Place since the initial on-completion valuation undertaken in January 2003. Knight Frank determined a market value of \$750 million at 30 June 2006 which is an increase of \$80 million or 11.9% over the initial on-completion valuation.

The Net Asset Value of the Trust, after providing for 30 June 2006 quarter cash distributions, adjustments to borrowing costs on the construction facility post practical completion and the revaluation of Westpac Place, increased to \$1.12 per \$1.00 unit. After deducting 50 cents for the Debt Instalment component of each unit, the Net Asset Value per 50 cent Instalment Receipt increased to 62 cents.

Asset Managers Report

Both properties in the Trust’s portfolio continue to perform in line with Trust forecasts for the reporting period.

Westpac Place, 275 Kent Street, Sydney

It has been a busy six months at this site with practical completion of Stages 1 through 7 being achieved, the food court opening, Westpac commencing occupation and the facility manager commissioning and taking control of the buildings plant and equipment.

Westpac began migrating staff into the building in March 2006 and by the end of July 2006 had a little over 4,000 staff members working in Westpac Place.

Retail leasing continues, with 100% of the food court opening in March 2006 along with the Westpac Bank Branch, Childcare facility, newsagent and travel agents. Leases have also been signed with an operator for Unit 11 which is the bar/restaurant facility overlooking the Urban Park. Only three units remain available for lease, two of which are located on Sussex Lane.



Woolworths National Support Office, Bella Vista



Woolworths are now in full occupation of the building, having moved in during October and November of 2005. The Facilities Management Plan has been completed and agreed to by Woolworths and the Fund Manager. This Plan sets out the standards by which all plant and machinery in the building is to be maintained by Woolworths. Regular dialogue is being maintained with Woolworths with regard to matters of maintenance and lessee works.



Market Report

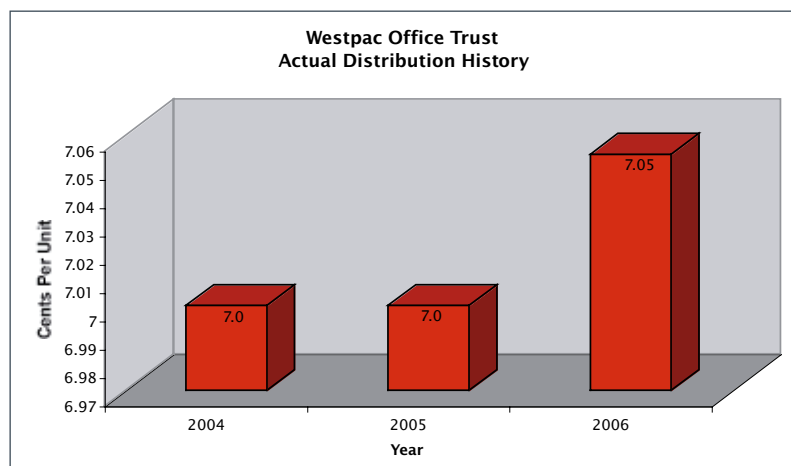
The Australian Office Markets

- New supply hit the office markets during the first half of 2006, although in most centres strong demand has continued driving vacancy lower. Sydney CBD vacancy fell from 11.1% in December 2005 to 10.9% as at June 2006. Melbourne CBD vacancy fell to 8.4%, while Adelaide's office market experienced a fall to 8.0%. Vacancies continued to decline in most markets
 - Lowest vacancy is found in Canberra and Brisbane, below 3%.
 - The only markets experiencing a rise in vacancy in the first half of the year were North Sydney, Chatswood and the Melbourne Fringe CBD. All experienced negative net absorption in the second quarter of the year.
- Demand, as measured by net absorption, was high in nearly all markets indicating continued demand for expansion space in the current economy. Net absorption in the first half of 2006 for the major markets totalled some 358,000 square metres or 1.8% of total stock at the first half of 2006.
 - Demand continued to surprise in Melbourne with nearly 100,000 square metres absorbed in the first six months.
- Forecasts for office employment from Access Economics suggest continued expansion in all markets, albeit at a slower rate than the present. By June 2009 they are forecasting office employment to grow by 1.7% per annum, compared with 2.7% per annum for the previous three years.
- Office completions in the Sydney and Melbourne CBDs have resulted in little new stock still under construction in the country's two largest office markets. Sydney has just 50,000 square metres of office space under construction, which amounts to just over 1.0% of existing stock.
 - However, in the Canberra office market, some 292,000 square metres were under construction, which is around 20% of stock.
- The outlook for vacancy rates is for declines in most markets, with the exception of Canberra, North Sydney, Adelaide, Melbourne and Brisbane. However, while Brisbane vacancies should rise, it will remain a landlords market.
 - Sydney CBD vacancy is forecast to fall to 8.9% by end 2007.
- Rentals have increased over the second quarter of 2006 in all markets, with growth ranging between 0.3% in Parramatta and 14.3% in Perth.
- Forecast rental growth is expected to average slightly ahead of inflation for the next three years, the exceptions being Brisbane and Perth where a double digit rental growth is expected over at least the next year.
- Yields have continued to firm in a number of markets. Sydney CBD prime office yields firmed by 0.50% at the higher end of the prime range and 0.25% at the lower end. They ranged from 5.5% to 6.5% as at July 2006.
- Forecasts are for further yield compression in the major markets, particularly for prime well leased properties, as the weight of funds looking for investment in offices continues to grow.

Cash Distribution

You will shortly receive your cash distribution and accompanying statements for the financial year ended 30 June 2006.

The responsible entity, Westpac Funds Management Limited, is pleased to report financial year cash distributions amounting to 7.05 cents per unit. These distributions which equate to a return on the first instalment of 7.60%, are in line with the forecasts contained in the August 2005 Product Disclosure Statement ("PDS").



Consolidated Financial Summary for the financial year ended 30 June 2006

The 30 June 2006 report is 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.

Financial Information	Per PDS¹ (\$'000s)	Actual² (\$'000s)	Variance (\$'000s)
Interest Income	8,300	7,765	(535) ³
Rental Income	13,700	13,691 ⁴	(9)
Other Income	-	3	3
Net Fair Value of Interest Rate Swap	-	1,733	1,733 ⁵
Change in Fair Value of Investment Property	-	131,221	131,221 ⁶
Total Income	22,000	154,413	132,413
Trust Management Fee	(700)	(800)	(100) ⁷
Amortisation of Debt Establishment Costs	(346)	(349)	(3)
Interest Expense	(1,000)	(3,048)	(2,048) ⁸
Fair Value adjustment to Investment Property	-	(2,445)	(2,445) ⁹
Other Expenses	(1,400)	(698)	702 ¹⁰
Total Operating Expenses	(3,446)	(7,340)	(3,894)
Net Distributable Income	18,554	147,073	128,519

Distribution Summary	Per PDS¹ (\$'000s)	Actual² (\$'000s)	Variance (\$'000s)
Net Distributable Income	18,554	147,073	128,519
Add / (Deduct) Non-Cash Items ¹¹ :			
Amortisation of Debt Establishment Costs	346	349	3
Net Fair Value of Interest Rate Swap	–	(1,733)	(1,733) ¹²
Change in Fair Value of Investment Property	–	(131,221)	(131,221)
Other	–	30	30
Capital Return	11,131	15,533	4,402 ¹³
Total Cash Distributions	30,031	30,031	–
Less: Interest Deducted on Instalment Receipts	(13,840)	(13,840)	–
Net Cash Payment	16,191	16,191	–
Cash Distribution (Cents Per Unit)	7.05	7.05	–
Annualised Cash Yield on First Instalment¹⁴	7.60%	7.60%	–

- 1 Reference to the PDS in this Financial Summary are references to the PDS issued by the Fund and dated 26 August 2005.
- 2 The Actual numbers shown in the Financial Summary are subject to audit.
- 3 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. This reduced the amount of interest income the Trust would receive. The PDS forecast a higher amount of interest income as it was forecast funds would be held on deposit for longer than they actually were.
- 4 Rental income includes income from the Woolworths' sub-lease that commenced 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 for the period to 30 June 2006, of \$2.4 million. See Note 9.
- 5 Under A-IFRS, forward start interest rate swaps not eligible for hedge accounting treatment must be reported at fair value as at the reporting date. This has resulted in a net unrealised gain of \$1.7 million. The PDS did not forecast any fair value adjustment. As the Trust distributes on a cash basis, by adding back the non-cash A-IFRS adjustments to Net Distributable Income, there is no A-IFRS impact on Trust cash distributions. At expiry of the swap all fair value adjustments relating to the swap will cancel out. Refer to Note 12.
- 6 The new valuation of the property at 275 Kent Street, Sydney at 30 June 2006 is \$750 million. The change in Fair Value of Investment Property represents the adjustments between Fair Value and its accumulated cost base prior to this investment revaluation.
- 7 The Responsible Entity is entitled to \$0.1 million transaction specific management fee relating to the Entitlements Issue. Whilst the PDS forecast this expense as part of "Other Expenses", see Note 10, the same expense is accounted for as part of Trust Management Fee in the actual accounts.
- 8 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 and interest expense on the construction facility post practical completion up to 30 June 2006.
 - The 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 earlier than forecast thus reducing the forecast amount of interest paid.
 - The property at 275 Kent Street, Sydney achieved practical completion on 5 June 2006, ahead of the initial forecast completion date of 1 November 2006. Once achieving practical completion, the nature of the property changed from a property under construction to an investment property. Consequently, any interest incurred in relation to the construction facility post practical completion is recognised as an interest expense.
- 9 Actual results include fair value adjustments to investment properties reported to offset the A-IFRS gross up in rental income of \$2.4 million for the period to 30 June 2006. See Note 4. The PDS did not forecast an equivalent rental income adjustment, as the relevant A-IFRS standard was revised after the issue of the PDS. As the Trust distributes on a cash basis, by adding back the A-IFRS adjustments to Net Distributable Income, there is no A-IFRS impact on Trust cash distributions.
- 10 Other expenses include audit fees, registry costs, valuation costs, costs relating to publishing financial reports and mailing expenses. As mentioned in Note 7, the PDS forecast \$0.1 million transaction management fee in other expenses, where as actual results have accounted for this expense as part of Trust Management Fees. Actual expenses is lower than forecast due to several management initiatives during the year which help considerably reduce operational expenses, thus enabling surplus cash to be utilised for other Trust means.
- 11 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") and actual above, in line with previous Australian Generally Accepted Accounting Principles ("AGAAP"), includes non-cash items such as amortisation of debt establishment costs and Australian International Financial Reporting Standards ("A-IFRS") adjustments. 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.
- 12 Actual A-IFRS adjustments include adjustments to the forward start fixed interest rate swap entered into to hedge against the interest rate risk on future borrowing. This is a non-cash item, see Note 5.
- 13 The PDS detailed that the distribution to unitholders would comprise a return of capital. The PDS capital return result is lower than actual, due principally to the non-recognition of A-IFRS adjustments to Fair Value on Investment Property, see Note 9, requiring a higher capital return. The PDS had forecast A-IFRS adjustment to rent as being distributable to investors. The relevant A-IFRS standard was revised after the issue of the PDS to more appropriately reflect Trust cash distributions. In addition, return of capital increased as a consequence of having to recognise interest expense on the construction facility in the income statement, see Note 8.
- 14 The A-IFRS forecast yield is 7.60% for the year ending 30 June 2006 in line with the August 2005 PDS. This is based on a weighted average number of Instalment Receipts on issue of 425.9 million. The actual numbers reflects Instalment Receipts on issue of 365 million for the September 2005 quarter and 446.1 million for all other quarters, based on inclusion of the additional 81.1 million Instalment Receipts on issue as a result of the Entitlements Issue on 29 September 2005. As such, investors have received a net return of:
 - 0.9375 cents per unit, for the quarter ended 30 September 2005;
 - 0.9542 cents per unit, for the quarter ended 31 December 2005;
 - 0.9542 cents per unit, for the quarter ended 31 March 2006; and
 - 0.9541 cents per unit, proposed for the quarter ended 30 June 2006.
For the year ended 30 June 2006, the annualised yield amounts to 7.60%.

2007 Distribution Guidance

The Responsible Entity provided preliminary guidance to the market in an announcement to the ASX on 3 July 2006 that, on an unchanged portfolio basis, it expects to pay gross cash distributions of at least 7.13 cents per unit for the full year ending 30 June 2007.

The net cash distribution, after payment of Debt Instalment interest of 3.25 cents per unit for the full year, is expected to be 3.88 cents per Instalment Receipt.

The distribution is expected to be 100% tax deferred.

This expected net cash distribution is 0.08 cents higher than the 3.80 cents net cash distribution per Instalment Receipt for the year ending 30 June 2006.

Operational Update

In the December 2005 investor update Westpac Funds Management Limited (“WFML”) in accordance with the Corporations Act, is required to provide each investor periodically with additional information to assist investors in understanding their investment. The next periodic statement that will be sent to investors relates to the half year from 1 January 2006 to 30 June 2006. Going forward periodic statements will be sent to investors on an annual basis.

The Net Asset Value (“NAV”) for the Trust as at 30 June 2006 was \$1.12 per \$1.00 unit, after providing for 30 June 2006 quarter distributions of 1.7666 cents per unit, adjustments to borrowing costs on the construction facility post practical completion and the revaluation of Westpac Place. Please note that, the NAV per unit is not in any way indicative of the market value of each unit or Instalment Receipt of the Trust. The market value of each unit or Instalment Receipt 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 unit/s or Instalment Receipt/s. After deducting 50 cents for the Debt Instalment component of each unit the NAV per 50 cent Instalment Receipt is 62 cents. The table below provides details of the components for the NAV.

Balance Sheet as at 30 June 2006	\$'000
Assets	
Cash and cash equivalents	11,334
Receivables	129,898
Investment Properties	1,000,917
Derivative financial instruments	1,733
Other assets	324
Total assets	1,144,206
Liabilities	
Payables	58,064
Interest-bearing liabilities	581,316
Other liabilities (including deferred income)	2,398
Total liabilities	641,778
Net assets	502,428
NAV as at 30 June 2006 (\$ per \$1.00 Unit)	\$1.12
No. of Units on issue	446,111,111
NAV as at 30 June 2006 (\$ per 50 cent Instalment Receipt)	\$0.62

A copy of the Trust's annual financial report will shortly be sent out if you have elected to receive a printed copy of this document. It will also 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 554 474 (for callers within Australia) and +61 3 9615 9999 (for callers outside Australia).

Yours faithfully,

Westpac Funds Management Limited

A handwritten signature in black ink that reads "Keith Grayson". The signature is stylized with large, flowing loops.

Keith Grayson
Fund Manager
Telephone number: +61 2 8254 8396