Westpac Funds Management Limited

Westpac Office Trust

ARSN 103 853 523

December 2006 Half-Year

Your half-yearly investor update

Westpac Funds Management Limited
ABN 28 085 352 405 / AFS Licence No 233718
Level 6, 275 Kent Street Sydney NSW 2000

Welcome to Westpac Office Trust Investor Update

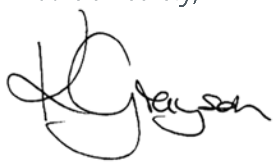
December 2006 Half-Year

Westpac Funds Management Limited ABN 28 085 352 405 (the "Responsible Entity") is the responsible entity of Westpac Office Trust (the "Fund") and issuer of units in the Fund. The Responsible Entity is not an authorised deposit taking institution for the purposes of the Banking Act 1959. Investments in the Fund are not investments, deposits or other liabilities of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac"). None of the Responsible Entity, Westpac nor any other member of the Westpac Group gives any guarantee or assurance as to the performance of the Fund or the repayment of capital. The information contained in this investor update is general, is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This investor update contains material provided directly by third parties. While such material is published with the necessary permission, no company in the Westpac Group accepts responsibility for the accuracy or completeness of, or endorses any such material.

Welcome to the Investor Update for the Westpac Office Trust ("the Trust"). This update will detail the Fund's performance for the half-year ending 31 December 2006 and provide a look ahead on property market trends that are relevant to your Fund.

If you have any queries in relation to your investment please contact Westpac Funds Management Limited on **1300 766 855** (for callers within Australia) and **+61 2 8280 7072** (for callers outside Australia), or visit **www.westpacfunds.com.au**

Yours sincerely,



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Highlights

13% increase in Net Asset Value to $0.70 per Instalment Receipt

Trust to acquire new office property

Cash distribution in line with forecast

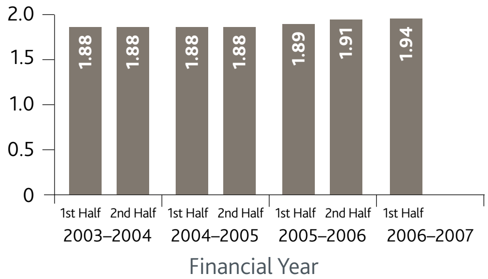
Market guidance provided on 2007 cash distribution

Cash distributions for the half-year ended 31 December 2006

Investors will receive a net distribution of 0.97 cents per Instalment Receipt, after Debt Instalment interest, for the quarter to 31 December 2006, resulting in a total net distribution for the half-year ended 31 December 2006 of 1.94 cents per Instalment Receipt. This is an increase of 1.7% above net distributions for the half year to 30 June 2006.

Based upon this result, WFML has re-affirmed guidance that for the full year ending 30 June 2007, distributions are expected to be 7.13 cents per unit, equating to 3.88 cents per Instalment Receipt. The full year distribution is expected to be 100% tax deferred.

Westpac Office Trust Actual Distribution History
Cents Per Instalment Receipt



Trust acquires third property

On 18 December 2006 the Trust entered into a binding commitment to acquire its third property for $41 million from the University of New South Wales ("UNSW").

Located at 221–227 Anzac Parade Kensington NSW, the transaction was completed on 12 January 2007. The building, adjacent to the UNSW campus, completed in May 2005, has received awards from the Royal Australian Institute of Architects and the Master Builders Association.

The property will add diversity to the portfolio and meets the Trust's investment criteria, offering a long-term investment grade tenant and a new building in a location that is likely to improve significantly in the future.

Above: *New property by Bligh Voller Nield Architects, photographed by John Gollings*

Market Report
The Australian Office Markets

The Trust's Sydney properties are well placed to benefit from strong market growth.

Forecasts for office employment from BIS Shrapnel suggest that office employment in the major metropolitan areas will continue at around 2.9% for 2007, but slow thereafter to 0.5% in 2008 and 1.1% in 2009. However, the positive growth factor will ensure that demand for office space continues into the future.

- New supply under construction totalled some 846,000 square metres, with 120,000 square metres of refurbishment underway. Of this 996,000 square metres of construction, some 67% is pre-committed.
- Highest construction is in Canberra where 224,000 square metres is underway.
- New starts on pre-committed projects and refurbishments has pushed projects under construction in the Sydney CBD to just over 200,000 square metres. However, this is still only 4.2% of existing stock levels.

Of this total 111,300 square metres is in new projects, which has a 95% pre-commitment rate.

New supply totalling some 154,200 square metres was completed in the second half of 2006, bringing total office completions for the year to 743,000 square metres, the highest annual total since 1992. However, continued strong demand and withdrawal of stock of almost 1 million square metres for the year, resulted in vacancy falling from 7.5% at the start of the year to 6.1% in December 2006. This was the lowest vacancy rate since 1990. As at the end of the year CBD office market vacancy was 5.6%, while non-CBD was 7.3%.

- The lowest vacancy is found in the Perth CBD at 0.9%, followed by West Perth at 1.1%, Brisbane CBD at 1.7% and Canberra at 1.8%.
- The only markets experiencing a rise in vacancy in the second half of the year were Melbourne CBD, North Sydney, St Kilda Road and Newcastle. While the two Melbourne markets experienced negative net absorption, new supply was the cause of rising vacancy in the other two.

Demand, as measured by net absorption, continued to be strong with some 309,600 square metres absorbed in the latter half of 2006, although this amounted to growth in occupied stock of 1.6% in the half year, it was lower than the 391,000 square metres in the first half of the year.

Strongest demand was in the Sydney CBD, although Brisbane and Canberra continued to surprise on the upside.

Rentals have increased over 2006 in all markets, with growth ranging between 1.6% in Parramatta and 50% in Perth. In the Sydney CBD prime rents rose by 11%.

The outlook for vacancy rates is for further declines in most markets, although high supply in Canberra and Adelaide and a combination of tenant relocation and new supply in North Sydney could see vacancies rise in these markets.

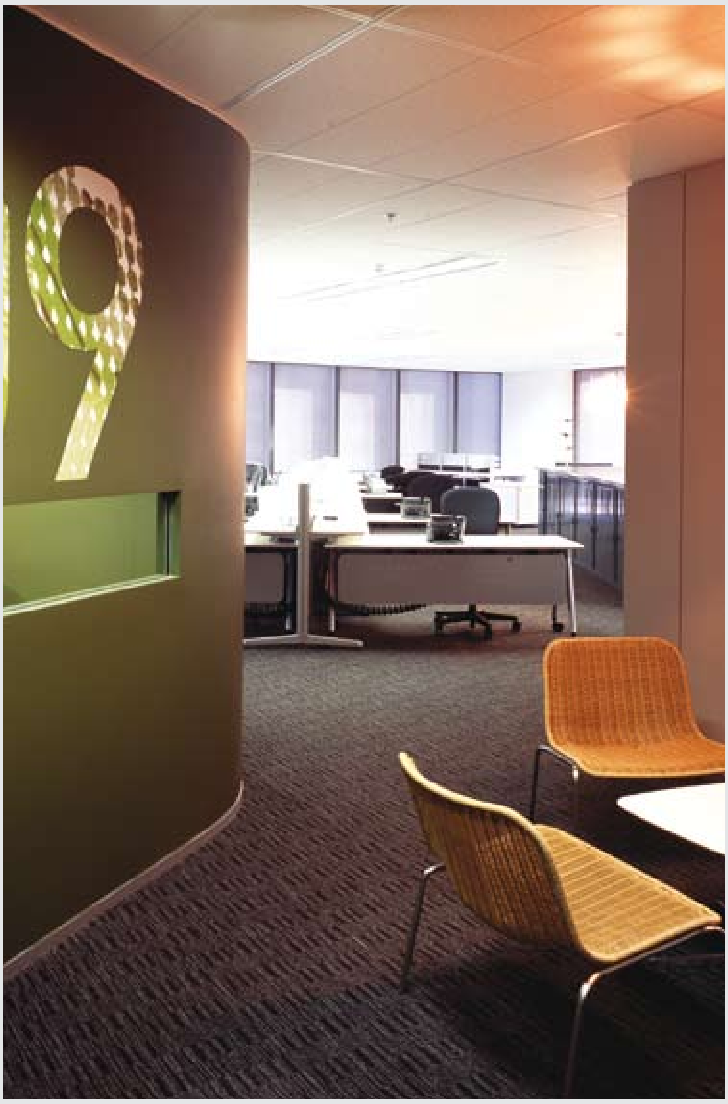
Sydney CBD vacancy is forecast to fall to 8.9% by end 2007.

Forecast rental growth is expected to rise in most markets, given the falling level of vacancy. Strongest growth is expected in Brisbane and Perth, although we also expect that Sydney CBD prime rents could increase by around 8% per annum over the next three years.

Yields have continued to firm in a number of markets. Sydney CBD core premium office yields firmed by 0.8% to an average of 5.25%. The prime average for the CBD also firmed by 0.8% to an average of 6.2%.

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. However, the rate of compression should slow.

Source: Property Market data CB Richard Ellis Pty Ltd. Analysis Westpac Property Markets. CB Richard Ellis Ltd (CBRE) does not warrant the accuracy or completeness of the information in this publication, including any information sourced from CBRE, and CBRE accepts no, and disclaims all, liability for any loss or damage whether occasioned by reliance on such information or otherwise.



Revaluation of 275 Kent St Sydney to $773million

During the half-year to 31 December 2006 independent valuations were undertaken for both Westpac Place and the Woolworths National Support Office.

Westpac Place, located at 275 Kent Street Sydney, was valued at $773 million, representing an increase of $23 million above the previous 30 June 2006 valuation and carrying value. The Woolworths NSO, located at Norwest Business Park, Baulkham Hills Sydney, was valued at $255 million, an increase of $13 million above the valuation at 1 November 2005 and an increase of $4.1 million above the 30 June 2006 carrying value of $250.9 million.

Following these revaluations the value of the investment properties held by the Trust as at 31 December 2006 increased to $1.028 billion. This figure excludes the Trust's recent $41 million acquisition of 221–227 Anzac Parade Kensington New South Wales, which was completed following the balance date.

This result covers the period when the Trust completed its transition from a structured development vehicle for Westpac Place into an investment trust delivering stable long-term cash flows from corporate tenants. The quality of these tenancy covenants is reflected in the strong revaluations that are the highlight of this result.

***Above:** Westpac Place, 275 Kent Street Sydney.*

Queensland asset adds to diversity

The Trust has entered into a binding commitment to acquire its fourth property, a modern commercial building located at 33 Corporate Drive Cannon Hill Queensland.

The building, completed in 2003, is fully leased to Westpac Banking Corporation ("Westpac") until November 2014 on a lease which provides for minimum annual rental increases of 3.5%. Accommodation comprises a single level column free floorplate of 4218 square metres together with car parking for 300 cars. The site has development potential for a further 1000 square metres of office space.

The property is situated in the Southgate Corporate Park, a suburban office park located 6 km south east of the Brisbane CBD. The location is well serviced by public transport and has easy access to the Gateway Freeway. Other occupants in the Park include state headquarters for TYCO International, Canon, Bayer Health and Holden HSV.

The purchase price of $19.35 million is supported by an independent valuation from Knight Frank at an initial yield of 6.5% and an Internal Rate of Return of 8.74%.

The purchase will have no impact upon distributions for the year ending 30 June 2007 but will be rental growth accretive due to the minimum 3.5% annual rental structure.

The Trust will continue to offer one of the longest weighted average lease expiry ("WALE") profiles of any LPT with a WALE in excess of 12 years following the acquisition of Cannon Hill. As its first Queensland property, Cannon Hill, will contribute to the Trust's strategy of building portfolio diversification.

This is the second acquisition the Trust has been able to announce in the past three months and is further evidence that it is beginning to deliver disciplined growth consistent with its Investment Criteria. It is also pleasing that the strong working relationship between the Trust and Westpac has contributed to the creation of another investment opportunity for Trust investors.

Consistent performance key to strong cash flows

Westpac Funds Management Limited (WFML), the Responsible Entity of the Westpac Office Trust ("the Trust"), reported its half-year results to 31 December 2006. The result, in line with forecast, reflected the Trust's consistent performance and the portfolio's strong predictable cash flows.

Increase in Net Asset Value

Revaluations of the Trust's investment properties have resulted in a 13% increase in Net Asset Value to $0.70 per Instalment Receipt for the half to 31 December 2006, up from $0.62 as at 30 June 2006.

Before allowing for the $0.50 Debt Instalment adjustment, the revaluations result in an increase in the Trust's Net Asset Value (after providing for 31 December 2006 quarter distributions) to $1.20 per unit up from $1.12 per unit at 30 June 2006.

Profit Result

For the half-year to 31 December 2006, the Trust reported a net profit of $32.9 million. This includes a $24.3 million contribution from changes in value in the Trust's investment properties.

The profit result is not representative of the full income producing capability of the Trust as it includes only two months of rental income from the Westpac leases at Westpac Place, which commenced on 1 November 2006.

Debt refinancing

The Trust has finalised terms for the issuance of $505 million of Commercial Mortgage Backed Securities ("CMBS") to secure its medium term core debt. This funding has repaid the existing $505 million bridge facility provided by Westpac relating to the financing of Westpac Place and Woolworths National Support Office.

The weighted average margin of the debt rates is 0.326% over BBSW equating to 0.276% over BBSY. The pricing for this issue is a good result, particularly for a five year facility, and confirms that this was the right approach to optimise core debt requirements.

Consolidated Financial Summary
for the half year ended 31 December 2006

Financial Information	2006 Actual[13] ($'000s)	2005 Actual ($'000s)	Variance ($'000s)	
Rental Income	20,662	3,423	17,239	1
Interest Income	2,356	4,371	(2,015)	2
Change in Fair Value of Investment Property	24,307	(611)	24,918	3
Other Income	9,383	3	9,380	4
Total Income	56,708	7,186	49,522	
Trust Management Fee	(1,651)	(450)	(1,201)	5
Amortisation of Debt Establishment Costs	(183)	(176)	(7)	6
Fair Value of Interest Rate Swap Property	–	(1,002)	1,002	4
Finance costs	(20,121)	(819)	(19,302)	7
Other Expenses	(1,852)	(303)	(1,549)	8
Total Operating Expenses	(23,807)	(2,750)	(21,057)	
Net Distributable Income	32,901	4,436	28,465	
Distribution Summary				
Net Distributable Income	32,901	4,436	28,465	
Add / (Deduct) Non-Cash Items:[12]				
Amortisation of Debt Establishment Costs	183	176	7	
A-IFRS Adjustments	(37,407)	1,002	(38,409)	9
Capital Return	20,227	8,655	11,572	10
Total Cash Distributions	15,904	14,269	1,635	
Less: Interest Deducted on Instalment Receipts	(7,249)	(6,509)	(659)	
Net Cash Payment	8,655	7,679	976	
Cash Distribution (Cents Per Unit)	3.5650	3.5167	0.0483	
Annualised Cash Yield on First Instalment[11]	7.76%	7.57%	0.19%	

Balance Sheet as at 31 December 2006	$'000s
Assets	
Cash and Cash Equivalents	12,422
Receivables	499
Investment Properties	1,028,000
Derivative Financial Instruments	11,999
Other Assets	2,577
Total Assets	1,055,497
Liabilities	
Payables	(4,767)
Interest-Bearing Liabilities	(502,539)
Other Liabilities (Including Deferred Income)	(5,835)
Total Liabilities	(513,141)
Net Assets	542,356
NAV as at 31 December 2006 ($ per $1.00 Unit)[14]	$1.20
No. of Units on issue	446,111,111
NAV as at 31 December 2006 ($ per 50 cent Instalment Receipt)	$0.70

Notes to the Financial Summary

1 Rental Income includes four months rent for the Woolworths sub-lease at $1.494 million per month and two months at $1.533 million per month, and two months rental income from the Westpac Place leases commencing on 1 November 2006 at $4.552 million per month plus recoveries. Rental Income is recognised on a straight-line basis over the term of the lease and includes an Australian equivalents to International Financial Reporting Standards ("A-IFRS") "straight-line" adjustment to rent of $2.835 million.

2 On 1 November 2006, the Trust's Deposit account matured and the cash was withdrawn and used to repay part of the construction finance debt facility.

3 Independent revaluations were obtained for both Westpac Place and Woolworths NSO. Westpac Place was valued at $773 million, being an increase of $23 million above the previous valuation at 30 June 2006. Woolworths was valued at $255 million, being an increase of $13 million above the valuation at 1 November 2005 when the property was acquired and an increase of $4 million above the previous carrying value which included $9 million of capitalised costs relating to the acquisition.

4 On 14 November 2006, four swaps were novated from Westpac Office Trust to WOT CMBS Pty Limited. The swaps were marked to market in both entities resulting in a consolidated unrealised gain of $8.76m. Other Income also includes interest income from the swaps of $419k and sundry income of $204k.

5 Per the PDS and the resolution passed at the extraordinary general meeting, the Responsible Entity is entitled to 0.3% of the gross asset value of the trust as the Trust is now out of its forecast period. In the previous year the fee was capped at $700k p.a.

6 On 18 December 2006, WOT CMBS Pty Limited issued $505 million in Commercial Mortgaged Backed Securities to refinance the construction finance debt facility. The Trust incurred new debt establishment costs on this transaction, which are now being amortised on an effective yield basis.

7 From the practical completion date on 5 June 2006, the interest on the $613 million construction finance facility for Westpac Place was expensed rather than capitalised. On 1 November 2006, $108 million was repaid and the facility was extended on a short term basis with the interest being cash settled on a weekly basis. The $505 million was refinanced into a 6 month bridge facility. On 18 December 2006, the interest on the bridge facility was cash settled and the $505 million was refinanced through a wholly owned subsidiary company, WOT CMBS Pty Limited, via an issue of Commercial Mortgaged Backed Securities ("CMBS"). The CMBS have a scheduled maturity date of 16 November 2011 and a weighted average equivalent margin of 0.276% over BBSY. The first interest payment is due on 16 February 2007 and has been accrued until 31 December 2006.

8 Other Expenses include property management fees, property outgoings, audit fees, registry costs, costs relating to publishing financial reports and mailing expenses.

9 A-IFRS Adjustments include unrealised gain/losses on the novation of swaps (refer to note 4), straight line fair value adjustments, change in fair value of investment properties and capital components of distribution income received.

10 The Capital Return is significantly higher than previous year, due principally to the expense treatment of interest on the construction finance facility from 5 June 2006 to 1 November 2006 (refer to note 7).

11 For the half-year ended 31 December 2006, the annualised yield amounts to 7.76% which is in line with the 3 July 2006 ASX announcement. Investors receive a net return of 0.97 cents per unit for both the quarter ended 30 September 2006 and the quarter ended 31 December 2006.

12 The trust distributes income on a cash basis. Non-cash items such as Amortisation of Debt Establishment Costs and A-IFRS Adjustments are added back to the accounting Net Distributable Income and together with the Capital Return, comprise the Total Cash Distribution of the trust.

13 The actual numbers shown in the Financial Summary have been reviewed by the Trust's auditors.

14 Excludes December 2006 quarter distribution which was paid on the 16 February 2007 ($0.02 per unit)

Please note that the NAV 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, and therefore, this amount should not be considered to be indicative of the amount for which you could sell your units. The table details the components of the NAV.