WESTPAC OFFICE TRUST AND CONTROLLED ENTITIES

APPENDIX 4D
HALF-YEAR REPORT – 31 DECEMBER 2008

Lodged with the ASX under Listing Rule 4.2A

Contents

Westpac Office Trust and Controlled Entities
(ARSN 103 853 523)

Period from 1 July 2008 to 31 December 2008
Half-year financial report

Results for announcement to the market
Westpac Office Trust (The Trust) was established on 4 March 2003. The reporting period is from 1 July 2008 to 31 December 2008.

The Trust currently invests in securely leased commercial properties in Australia.

				$'000
Total income *	Down	6 %	to	58,641
Net operating profit *	Down	1,003 %	to	(151,763)
Profit attributable to unitholders *	Down	1,003 %	to	(151,763)

* Note the comparative total income was for the period between 1 July 2007 and 31 December 2007.

Distributions

1st interim distribution – 30 September 2008	1.6625 cents per unit
2nd interim distribution – 31 December 2008	1.6625 cents per unit
Total for period ended 31 December 2008	3.3250 cents per unit

Record date 31 December 2008

The record date for the most recent distribution is 31 December 2008. This distribution for the quarter ended 31 December 2008 was paid on 16 February 2009.

Brief explanation of income, net profit/(loss) and distributions from ordinary activities
Refer to directors' report.

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Directors' report

The directors of Westpac Funds Management Limited ("WFML"), the responsible entity ("RE") of Westpac Office Trust (the "Trust"), present their report together with the financial report for the half-year ended 31 December 2008, of the Consolidated Entity consisting of the Trust (the "Parent Entity") and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

Directors
The following persons held office as directors of WFML during the half-year and up to the date of this report unless otherwise stated:

Alan Cameron	
Liam Forde	
Sean McElduff	
Steven Boulton	Appointed on 22 January 2009
Stephen Gibbs	Appointed on 24 February 2009
Mike Hutchinson	Appointed on 24 February 2009
Jim McDonald	Appointed on 24 February 2009
John McGee	Resigned on 24 February 2009
David Westaway	Resigned on 24 February 2009

Principal activities
The principal activity of the Trust is to invest in securely leased commercial properties in Australia. These investment criteria are disclosed in the Product Disclosure Statement dated 26 August 2005 ("PDS") and are in accordance with the Trust's revised Constitution dated 23 June 2005.

Review of operations

Debt funding
The term loan with Westpac Banking Corporation ("Westpac") was refinanced on 9 July 2008 to a 3-year term loan with Westpac. The term loan limit of $251 million is secured against the Trust properties except Westpac Place and Woolworths NSO. Interest is at the bank bill rate plus a margin of 0.65% p.a. and a line fee of 0.45% p.a. Should the Loan to Value Ratio ("LVR") exceed 65%, the margin will increase to 0.90% p.a. The LVR is the ratio of drawn debt to the realisable value of all properties.

Settlement of property under construction on 19 Corporate Drive, Cannon Hill
On 20 August 2008, the Trust settled the property at Southgate Corporate Park, 19 Corporate Drive, Cannon Hill in Queensland. Total construction costs amounted to $28.7 million and the payment made at settlement was $7.3 million. The building is a two level A grade office building of 6,044 square metres offering large floors of flexible configuration with two street frontages that offer each floor an exclusive street entrance and identity. A total of 2,548 square meters is leased to Honeywell Limited until 30 June 2018 with 4% annual rent increases and two 5-year options.

The Trust entered into an agreement with Rivercity Motorway Pty Limited on 9 December 2008 to lease 1,000 square metres. The lease term is 10 years and provides for annual rental increases of the greater of 3% or CPI. The remaining vacant area is under rental guarantee until 20 August 2010.

Property valuations
The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

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Directors' report (continued)

Review of operations (continued)

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

Derivative financial instruments
The Trust has recognised a loss for a change in fair value of interest rate swaps of $103.6 million for the half-year ending 31 December 2008. These swaps were put in place to fix the interest payable on borrowings thus removing the volatility in interest expenses and protecting the Trust from the effect of rising interest rates. The fall in value of the swaps has resulted from interest rates falling below the fixed rate established by the swap. The loss is unrealised and, if the swaps are held until expiry, as is currently intended, will revert to zero at expiry.

Performance fee
The Trust has accrued a performance fee of $7.8 million for the 12 month period ending 31 December 2008. The fee is payable in the form of fully paid Performance Units. In accordance with the Trust's constitution, the Performance Units will not be issued to the RE until the Trust makes a positive total return for the next or any subsequent calendar year. Consequently the performance fee payable has been classified as a non-current payable as at 31 December 2008.

Results

The performance of the Consolidated Entity, as represented by the results of its operations, was as follows:

	Half-year	
	2008 $'000	2007 $'000
Net (loss)/profit	(151,763)	16,803
Distributions to unitholders		
30 September 2007 distribution paid	-	8,720
31 December 2007 distribution payable	-	8,720
30 September 2008 distribution paid	8,016	-
31 December 2008 distribution payable	8,016	-
Total	16,032	17,440

The net loss for the half-year ended 31 December 2008 includes unrealised losses from fair value adjustments relating to derivative financial instruments of $103.6 million, investment properties of $59.3 million and the investment in Macquarie Park of $1.4 million.

Matters subsequent to the end of the financial period

The directors are not aware of any significant events since the reporting date.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts to the nearest thousand dollars

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Business development agreement

The ASX has granted a waiver from ASX Listing Rule 10.1 to permit the Trust to acquire interest in property investments from Westpac Banking Corporation or one of its subsidiaries from time to time in accordance with the terms of a Business Development Agreement governing these transactions without obtaining investor approval for each transaction. The waiver operates for a defined period following investor approval of the Business Development Agreement. Refer to Annexure A for further information.

Additional information

The financial report for the half-year includes additional information to give a true and fair view of the Trust's financial position and performance. This additional information can be found in Notes 1 to 16.

The report is made in accordance with a resolution of the directors.

Director
Steve Boulton

Date: 26 February 2009

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Auditor's Independence Declaration

As lead auditor for the review of Westpac Office Trust for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Westpac Office Trust and the entities it controlled during the period.

JW Bennett
Partner
PricewaterhouseCoopers

Sydney
26 February 2009

Westpac Office Trust and Controlled Entities
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Consolidated income statement
For the half-year ended 31 December 2008

		Consolidated Half-year	
	Note	31 December 2008 $'000	31 December 2007 $'000
Income			
Rental and other property income	2	52,234	46,473
Interest income		5,429	4,658
Distribution income		890	65
Change in fair value of derivative financial instruments	1(a)	-	10,867
Other income	3	88	88
Total income		58,641	62,151
Expenses			
Rates, taxes and other property outgoings		5,357	5,078
Auditor's remuneration		98	55
Responsible entity's fees	5	10,110	3,485
Interest expense		30,249	22,611
Change in fair value of investment properties	7(c)	59,348	12,249
Change in fair value of other financial assets held at fair value through profit and loss	8	1,350	1,520
Change in fair value of derivative financial instruments	1(a)	103,590	-
Other expenses		302	350
Total expenses		210,404	45,348
(Loss)/profit attributable to unitholders	12	(151,763)	16,803

The above income statement should be read in conjunction with the accompanying notes.

	31 December 2008 Cents	31 December 2007 Cents
Basic earnings per unit (Cents Per Unit)	(31.48)	3.49

Westpac Office Trust and Controlled Entities
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Consolidated balance sheet
As at 31 December 2008

		Consolidated	
	Note	31 December 2008 $'000	30 June 2008 $'000
Current assets			
Cash and cash equivalents		27,617	45,831
Loans and receivables		1,244	3,516
Other assets	6	525	908
Derivative financial assets	1(a)	-	43,494
Total current assets		29,386	93,749
Non-current assets			
Investment properties	7	1,207,515	1,260,628
Financial assets designated at fair value through profit and loss	8	19,085	20,435
Total non-current assets		1,226,600	1,281,063
Total assets		1,255,986	1,374,812
Current liabilities			
Deferred income		6,506	6,175
Payables	9	12,946	24,178
Interest bearing liabilities	10	5,272	243,790
Derivative financial liabilities	1(a)	60,096	-
Total current liabilities		84,819	274,143
Non-current liabilities			
Payables		7,845	-
Interest bearing liabilities	10	733,740	503,296
Total non-current liabilities		741,585	503,296
Total liabilities		826,405	777,439
Net assets		429,581	597,373
Equity			
Unitholders' equity	11	463,390	463,390
(Accumulated losses)/retained earnings	12	(33,809)	133,983
Total equity		429,581	597,373

The above balance sheet should be read in conjunction with the accompanying notes.

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Consolidated statement of changes in equity
For the half-year ended 31 December 2008

		Consolidated Half-year	
		31 December 2008 $'000	31 December 2007 $'000
Total equity at the beginning of the half-year		597,376	635,230
(Loss)/profit for the half-year	12	(151,763)	16,803
Total recognised income and expense for the half-year		(151,763)	16,803
Distributions to unitholders	4	(16,032)	(17,440)
Total equity at the end of the half-year		429,581	634,593

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Consolidated cash flow statement
For the half-year ended 31 December 2008

	Consolidated Half-year	
	31 December 2008 $'000	31 December 2007 $'000
Cash flows from operating activities		
Rental income received (inclusive of goods and services tax)	52,179	44,891
Interest income received	1,314	1,874
Other income received	7,132	2,403
Interest expense paid	(32,823)	(26,219)
Other expenses paid (inclusive of goods and services tax)	(8,453)	(8,490)
Goods and services tax paid to the Australian Taxation Office	(3,545)	(4,628)
Net cash inflow from operating activities	15,804	9,831
Cash flows from investing activities		
Capital expenditure	(5,291)	(102,033)
Distributions received from joint venture	877	-
Payments for property under construction	(7,349)	(12,773)
Payment for investment in joint venture	-	(22,274)
Net cash outflow from investing activities	(11,763)	(137,080)
Cash flows from financing activities		
Distribution to unitholders	(16,755)	(17,296)
Repayment of borrowings	(17,500)	(66,500)
Proceeds from borrowings	12,000	229,200
Net cash outflow/inflow from financing activities	(22,255)	145,404
Net (decrease)/ increase in cash and cash equivalents	(18,214)	18,155
Cash and cash equivalents at the beginning of the half-year	45,831	51,353
Cash and cash equivalents at the end of the half-year	27,617	69,508

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1 - Summary of significant accounting policies

Westpac Office Trust (the "Trust") was constituted and registered as a managed investment scheme on 4 March 2003 with the Australian Securities & Investments Commission ("ASIC").

Westpac Funds Management Limited ("WFML") is the responsible entity ("RE") of the Trust. The RE's registered office is Level 20, 275 Kent Street, Sydney, New South Wales 2000.

(a) Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with the requirements of Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Act 2001*.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust comply with International Financial Reporting Standards ("IFRS").

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Trust for the year ended 30 June 2008.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

As at 31 December 2008 the Trust had a deficiency of current net assets of $55.4 million. This deficiency arose as a result of the fall in value of interest rate swaps held by the Trust. These swaps were put in place to fix the interest payable on borrowings, thus removing volatility in interest expenses and protecting the Trust from the effects of rising interest rates. The fall in value of the swaps has resulted from interest rates falling below the fixed rate established by the swap. The loss is unrealised and, if the swaps are held until expiry, as is currently intended, will revert to zero at expiry. As a consequence the accounts have been prepared on a going concern basis.

The financial statements were authorised for issue by the directors on 26 February 2009.

(b) Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Westpac Office Trust (the "Trust" or "Parent Entity") as at 31 December 2008 and the results of all subsidiaries for the period ended 31 December 2008. Westpac Office Trust and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a unit holding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Consolidated Entity trusts are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Note 1 - Summary of significant accounting policies (continued)

(c) Income

Rental income is recognised on a straight-line basis over the term of the lease. An asset or a liability is recognised to represent the portion of operating lease revenue in a reporting period relating to fixed changes in operating lease rentals in future periods. These are recognised as components of investment properties.

Interest income is recognised using an effective interest rate method.

Other income represents the fair value movements on interest rate swaps (refer also to Note 1(p)) and other revenue items that are brought to account on an accruals basis.

(d) Expenses

Property expenditure, including state taxes, rates, insurance and other costs associated with the up-keep of a building are recognised on an accruals basis. Other amounts, which improve the condition of the investment property, are capitalised only when it is probable that future economic benefits associated with the items will flow to the Trust and the cost of the item can be measured reliably.

Leasing costs incurred to secure lease agreements with tenants, including leasing commissions paid to agents, rental inducements offered to tenants and other lease execution costs, are deferred and amortised over the lease term on a straight-line basis, as a reduction in rental income.

Other expense items are brought to account on an accruals basis.

(e) Debt establishment costs

Costs incurred for establishing and arranging borrowing facilities are offset against the carrying amount of the financial liability, and amortised over the period of the facility on an effective yield basis.

Where the costs relate to the property under construction, these costs are capitalised to the balance sheet. The capitalisation rate used to determine the amount of costs to be capitalised is the weighted average interest rate applicable to the Trust's outstanding borrowings during the period.

(f) Interest expense

Interest expense includes; interest costs on interest rate swaps, interest costs incurred on overdrafts, short-term and long-term debt that relate to the entity's main activity, property investment, which are expensed during the period to which they relate.

(g) Income tax

Under current legislation the Trust is not liable for income tax, provided its taxable income is distributed in full to unitholders.

(h) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(i) Loans and receivables

Loans and receivables include the deposit account and other receivables.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment losses. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Trust will not be able to collect the amounts due according to the original terms of the receivables.

Note 1 - Summary of significant accounting policies (continued)

(j) Financial assets held at fair value through profit or loss

Financial assets designated at fair value through profit & loss comprise of investments in sub-trusts wholly-owned and controlled by the parent and investments in joint ventures. Upon initial recognition, the investments are designated at fair value through profit or loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement.*

The investments are initially recognised at fair value with transaction costs expensed immediately in the income statement. They are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership. The investments are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the income statement within other income or other expenses in the period in which they arise.

If the market for a financial asset is not active, the Trust establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and pricing models using observable market inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

(k) Investment properties

The properties represent freehold and leasehold interests in land and buildings, including integral plant and equipment, held for the purpose of producing rental income.

The basis of valuation of the properties is at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Trust uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections.

The fair value of the investment properties is re-assessed at each reporting date, and is independently revalued at least every three years.

All changes in the fair value of the investment properties are recorded in the income statement.

(l) Other deferred assets

All costs incurred in obtaining the lease agreements are capitalised to investment properties and amortised over the period of the lease.

(m) Payables and financial liabilities

(i) Payables

Payables represent liabilities for amounts owing by the Trust at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method.

(n) Deferred income

This amount represents rental income received in advance by the Trust, which is capitalised to a deferred income account and released in the income statement in later periods when the services are rendered.

Note 1 - Summary of significant accounting policies (continued)

(o) Goods and services tax ("GST")

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

(p) Derivative financial instruments

Interest rate swaps are initially recognised at fair value on the date a swap contract is entered into and are subsequently remeasured to their fair value.

The fair value of interest rate swaps are determined using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the counterparty's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

Interest rate swaps are not hedge accounted. Changes in the fair value of interest rate swaps that do not qualify for hedge accounting are recognised immediately in the income statement.

(q) Unitholders' equity

Unitholders' equity is classified as equity (refer Note 1(x) for adoption of revised standard).

In accordance with the Trust Constitution the Trust fully distributes its distributable income to unitholders. In addition to the distributable income, the Trust may also distribute a portion of capital.

(r) Issue costs

All costs directly incurred in relation to the raising of equity for the Trust are offset against unitholders equity as a reduction of proceeds from the issue of the units.

(s) Earnings per unit

Basic earnings per unit is determined by dividing the profit attributable to unitholders of the Trust by the weighted average number of units outstanding during the reporting period.

(t) Rounding of amounts to the nearest thousand dollars

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(u) Provisions

A provision is recognised in the balance sheet when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate.

(v) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which

Note 1 - Summary of significant accounting policies (continued)

(v) Impairment of assets (continued)

are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(w) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Fair values of investment properties are determined using valuation techniques, including capitalisation, discounted cash flow and direct comparison methods, by reference to market evidence, to the extent practicable. These techniques also require the estimation of various inputs including appropriate market yields, discount rates, future annual cash flows, expected rental growth rates, ongoing capital expenditure and acquisition and disposal costs.

Changes in assumptions about these factors could affect the reported fair value of investment properties.

Financial assets held at fair value through profit and loss and derivative financial instruments

The valuation techniques set out in Note 1(j) and 1(p) require the estimation of various inputs including discount rates and future annual cash flows, and judgments about the applicability of recent market transactions.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Trust's assessment of the impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below. Apart from AASB 8 and revised AASB 132, the Trust has not early adopted these standards and interpretations.

Early adopted at 31 December 2008

(i) AASB 8 Operating Segments and AASB 2007 – 3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 will not affect the presentation of the financial report of the Trust as the Trust currently operates in only one operating segment.

(ii) Revised AASB 132 Financial Instruments: Presentation and AASB 2008-2 Amendments to Australian Accounting Standards-Puttable Financial Instruments and Obligations Arising on Liquidation

The revised AASB 132 is applicable for reporting periods commencing on or after 1 January 2009. It will not affect the amounts recognised in the financial statements however the amendments provide an exception to the definition of a financial liability to enable certain financial instruments to be classified as equity. Units issued to investors meet the exceptions to the definition of a financial liability to be reclassified as equity. Application of AASB 132 has resulted in liabilities of $430 million being reclassified as equity (June 2008: $597 million).

Note 1 - Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)

Not early adopted at 31 December 2008

(iii) Revised AASB 123 Borrowing Costs and AASB 1007-6 Amendments to Australian Accounting Standards arising from AASB 123

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Trust, as the Trust does already capitalise borrowing costs relating to qualifying assets.

(iv) Revised AASB 101 Presentation of Financial Statements, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.

The revised AASB 101 is applicable for annual reporting periods commencing on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

(v) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process & AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process

The AASB has issued amendments to Australian Accounting Standards which have arisen from the International Accounting Standards Board's (IASB) first annual improvements project. A number of these amendments will result in changes to the presentation, recognition or measurement of items. The amendments are applicable as follows:

- AASB 2008-5: applicable for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-6: applicable for annual reporting periods beginning on or after 1 July 2009

The amendments to AASB 140 *Investment Property* may be relevant to the Trust. The definition of an investment property has been amended to include property under construction or development for future use as investment property. As such, this will result in such property being within the scope of AASB 140 and subject to the fair value model (as elected by the Trust); currently it is within the scope of AASB 116 *Property Plant and Equipment.*

The impact however may not be significant to the Trust. Amended AASB 140 does allow that if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property, the entity is unable to reliably measure its fair value, then the entity is permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would then be able to measure the investment at fair value.

(vi) AASB Interpretation 17 Distributions of Non-cash Assets to Owners

The AASB has issued an Interpretation that will standardise practice in the accounting treatment of distributions of non-cash assets to owners. AASB Interpretation 17 is applicable for annual reporting periods beginning on or after 1 July 2009 and clarifies that:

- A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- An entity should measure the dividend payable at the fair value of the net assets to be distributed.

Note 1 - Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)

- An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

There is not expected to be a significant impact to the financial report of the Trust, as the Trust does not generally make distributions of non-cash assets to unitholders.

Note 2 – Rental and other property income

	Consolidated Half-year	
	2008	2007
	$'000	$'000
Rental income	41,478	36,171
Recovery of outgoings	5,659	4,866
Impact of straight-lining rental income	5,097	5,436
	52,234	46,473

Refer to Note 1(c) for an explanation of the treatment of rental income under A-IFRS.

Note 3 – Other income

	Consolidated Half-year	
	2008	2007
	$'000	$'000
Supervision fee income	88	88

Note 4 – Distributions

	Consolidated Half-year	
	2008	2007
	$'000	$'000
Distributions to unitholders		
30 September 2008 distribution paid	8,016	8,720
31 December 2008 distribution payable	8,016	8,720
Total distributions to unitholders	16,032	17,440

Note 5 – Responsible entity's fees

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
Responsible Entity's Management Fee	2,265	2,310
Responsible Entity's Performance Fee	7,845	1,175
	10,110	3,485

The Trust has accrued a performance fee of $7.8 million for the 12 month period ending 31 December 2008. The fee is payable in the form of fully paid Performance Units. In accordance with the Trust's constitution the Performance Units will not be issued to the RE until the Trust makes a positive total return for the next or any subsequent calendar year.

Note 6 – Other assets

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Other deferred assets	64	67
Prepayments	461	841
	525	908

Note 7 – Investment properties

(a) Fair value of investment properties

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Freehold - 275 Kent Street, Sydney	765,000	805,000
Leasehold - Woolworths National Support Office	240,000	250,000
Leasehold - 221-227 Anzac Parade, Kensington	38,000	39,100
Freehold - 33 Corporate Drive, Cannon Hill	21,340	21,875
Leasehold - 1 Hugh Cairns Avenue, Bedford Park	19,175	19,680
Freehold - Cumberland Forest IBM Head Office, 55 Coonara Avenue, West Pennant Hills	95,000	95,223
Freehold - 19 Corporate Drive, Cannon Hill	29,000	29,750
	1,207,515	1,260,628

Note 7 – Investment properties (continued)

(b) Change in carrying amount of investment properties

	Consolidated	
	31 December 2008 $'000	**31 December 2007 $'000**
Carrying amount at the beginning of the financial period	1,260,628	1,150,346
Acquisitions	-	122,717
Capitalised costs (including construction costs)	1,196	88
Adjustment to property cost base	-	(25)
Movement in lease incentives	(58)	402
Impact of straight-lining rental income	5,097	5,436
Change in fair value	(59,348)	(12,249)
Carrying amount at the end of the financial period	1,207,515	1,266,715

The 275 Kent Street, Woolworths and Pennant Hills properties are carried at independent valuation as at 31 December 2008. Valuations were conducted by Knight Frank and CB Richard Ellis.

The remaining properties are carried at directors' valuation as at 31 December 2008. The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

Note 8 –Financial assets held at fair value through profit and loss

(a) Investment in joint venture

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Carrying amount at the beginning of the financial period	20,435	-
Units in Joint Venture entity - cost	-	22,701
Change in fair value	(1,350)	(2,266)
Carrying amount at the end of the financial period	19,085	20,435

On 18 December 2007, the Trust acquired a 50% interest in North Ryde Office Trust ("NROT"), which owns a property leased by Westpac and used as a data centre on the corner of Talavera and Khartoum Roads at Macquarie Park, for a total purchase price of $42.5 million. The Trust jointly owns this investment with Westpac Diversified Property Fund, another fund for which WFML also acts as RE, who acquired the remaining 50% of NROT.

The Trust's interest in this joint venture called North Ryde Office Trust is classified as a financial asset at fair value through profit and loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The investment is accounted for in the consolidated financial statements of the Trust at fair value with changes in fair value recognised in the profit or loss in the period of change.

Summarised financial information of the jointly controlled entity is detailed below:

	North Ryde Office Trust 31 December 2008 $'000	North Ryde Office Trust 30 June 2008 $'000
Current assets	818	685
Non-current assets	38,300	41,000
Current liabilities	43	39
Non-current liabilities	39,075	41,646

	31 December 2008 Half-year $'000	31 December 2007 Half-year $'000
Income	1,951	2,904
Expenses	1,951	2,904
Total profit/ (loss)	-	-

Note 9 – Payables

	Consolidated	
	31 December 2008	30 June 2008
	$'000	$'000
Final payment for 19 Corporate Drive, Cannon Hill	-	9,582
Capital expenditure	-	2,723
Distributions payable	8,016	8,739
Interest payable on derivative financial instruments	1,240	-
Responsible Entity management fees payable	1,100	1,208
GST receivable/(payable)	599	-
Other expenses payable	1,991	1,923
	12,946	24,175

Note 10 – Interest bearing liabilities

	Consolidated	
	31 December 2008	30 June 2008
	$'000	$'000
Current		
Bank loans - secured	-	235,993
Interest payable	5,272	7,797
	5,272	243,790
Non-current		
Bank loans - secured	230,190	-
Commercial mortgage backed securities	503,550	503,296
	733,740	503,296

The balances above are shown net of unamortised debt establishment costs.

Financing arrangements

Access was available at balance date to the following lines of credit:

	Consolidated	
	31 December 2008	30 June 2008
	$'000	$'000
Bank loan facilities		
Cash advance facility	251,000	251,000
Working capital facility	15,000	15,000
Liquidity facility	23,800	23,800
Commercial mortgage backed securities	505,000	505,000
Used at balance date	(736,200)	(741,700)
Unused at balance date	58,600	53,100

The bank loan facilities above are shown excluding unamortised debt establishment costs.

The term loan with Westpac Banking Corporation ("Westpac") was refinanced on 9 July 2008 to a 3-year term loan with Westpac. The term loan limit is $251 million and is secured against all the Trust properties except Westpac Place and Woolworths NSO. Interest is at the bank bill rate plus a margin of 0.65% p.a. and a line fee of 0.45% p.a. Should the Loan to Value Ratio ("LVR") exceed 65%, the margin will increase to 0.90% p.a. The LVR is the ratio of drawn debt to the realisable value of all properties. On 23 December 2008, the trust repaid $17.5 million of this loan.

Total interest bearing liabilities are hedged by interest rate swaps with a total notional amount of $745.9 million (2007: $682.2 million).

Note 10 – Interest bearing liabilities (continued)

The Trust has $505 million of CMBS on issue, with a scheduled maturity date of 16 November 2011 and a weighted average equivalent margin of 0.276% over BBSY.

The AAA rated tranche of CMBS, totalling $320 million, were listed on the Australian Securities Exchange ("ASX") on 21 December 2007. The remaining tranches of CMBS, totalling $185 million, remain unlisted.

The Trust has a liquidity facility in place with Westpac Banking Corporation ("WBC"). The Trust has agreed to pay a commitment fee of 0.3% p.a. of the aggregate of the undrawn liquidity limits, calculated daily and payable in arrears on the payment date for the Notes to the extent that the funds are available. Should the Trust draw on the facility, interest is payable at BBSY plus a margin of 0.7%.

The $15 million working capital facility and $23.8 million liquidity facility both with Westpac remain undrawn.

Note 11 – Unitholders' equity

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
a) Movements in equity during the period were as follows:		
Balance at the beginning of the period	463,390	462,015
Issue of units	-	-
Balance at the end of the period	463,390	462,015

	Consolidated	
	31 December 2008 No. '000	31 December 2007 No. '000
b) Movements in the number of units during the period were as follows:		
Units on issue:		
Opening balance	482,154	481,111
Issue of units	-	-
Closing balance	482,154	481,111

Note 12 – (Accumulated losses)/retained earnings

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
Retained earnings at the beginning of the period	133,986	173,359
(Loss)/profit for the period	(151,763)	16,803
Distributions	(16,032)	(17,440)
Retained earnings at the end of the period	(33,809)	172,722

Note 13 – Segment information

Business segment

The Trust operates solely in the property investment industry.

Geographical segment

The Trust operates and holds property solely in Australia.

Note 14 – Commitments

The Trust has committed to spend $30.4 million (30 June 2008: $29.5m) in capital improvements on the IBM property at Pennant Hills. The unspent amount of this commitment is adjusted for on the lease anniversary date by the changes in the Building Price Index (NSW) ("BPI").

As at 31 December 2008, the Trust has approved tenders for the amount of $7.9 million (30 June 2008: $6.8 million).

Note 15 – Contingent assets and liabilities

The Trust does not have any contingent assets or liabilities at the end of the financial period.

Note 16 – Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

Westpac Office Trust and Controlled Entities
(ARSN 103 853 523)

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting standards and AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

Director
Steve Boulton

Date: 26 February 2009

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Independent auditor's report to the unit holders of Westpac Office Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Westpac Office Trust, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Westpac Office Trust Group (the consolidated entity). The consolidated entity comprises both Westpac Office Trust (the registered scheme) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Westpac Funds Management Limited ('WFML') (the responsible entity of the registered scheme) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Westpac Office Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide

PRICEWATERHOUSECOOPERS

Independent auditor's report to the unit holders of Westpac Office Trust (continued)

assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Westpac Office Trust (the registered scheme) for the half-year ended 31 December 2008 included on Westpac Office Trust's web site. The responsible entity's directors are responsible for the integrity of the Westpac Office Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Westpac Office Trust is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

JW Bennett
Partner

Sydney
26 February 2009

Annexure A – Business development agreement

(1) ASX waiver

The Australian Securities Exchange Limited ("ASX") has granted the Trust a waiver from compliance with ASX Listing Rule 10.1, which allows the Trust to acquire interests in properties from Westpac Banking Corporation ("Westpac") or one of its subsidiaries under a Business Development Agreement ("BDA") with Westpac without having to obtain unitholder approval for each transaction.

A condition attached to the waiver is that the Trust must include the following in each annual report following entry into a BDA with Westpac:

- a summary of the terms and conditions of the BDA; and
- full disclosure of all acquisitions from Westpac in accordance with the terms of the BDA in the relevant financial year.

On 20 July 2005 unitholders approved the entry by the Trust into a BDA with Westpac, and on the same date, the Trust executed the BDA. The Trust has elected to meet the reporting condition in this report.

(2) Summary of the terms and conditions of the BDA

(i) Business development services

Under the agreement, Westpac has agreed to assist the Trust by identifying and notifying the Trust of investment opportunities which meet the criteria contained in the Trust Constitution (the "investment criteria") and, as necessary, assisting the Trust with each acquisition.

(ii) Investment selection and acquisition

Westpac must identify investments which meet the investment criteria. For each investment identified, Westpac must prepare a scoping paper for the Trust. If the Trust so elects, Westpac must then conduct appropriate due diligence and provide the Trust with an investment proposal containing certain information to assist the Trust in determining whether to proceed with the acquisition of the investment, including independent certification that the investment meets the investment criteria.

If the Trust decides to bid for an investment, Westpac must assist the Trust to make a bid, and, if the bid is successful, assist the Trust to make the acquisition.

The Trust may request Westpac to hold the investment on the Trust's behalf if the Trust is unable to complete the acquisition within the required timeframe. If Westpac in its sole discretion elects to hold the investment, then it must transfer the investment to the Trust on request and the Trust must pay to Westpac the amount initially paid by Westpac to acquire the investment, the applicable fees, and the reasonable costs and expenses incurred by Westpac in connection with the arrangement.

(iii) Term, termination and amendment

The agreement had an initial term of one year, which was extended by mutual agreement until 20 July 2010. Either party may terminate the agreement for any reason by giving 90 days written notice. Each party may also terminate earlier if certain defined events occur. Approval by unitholders must be sought to amend any material terms of the BDA.

Annexure A – Business development agreement (continued)

(iv) Cost and fees

Westpac must bear any costs associated with bidding for new properties if the Trust elects not to proceed to acquire an investment or if it does but the bid is unsuccessful. If a bid is successful, the Trust will pay Westpac's reasonable costs and expenses, and if the Trust actually acquires the investment, it must also pay Westpac an arranging and advisory fee to be agreed by the parties for each investment. Any fee paid by the Trust to Westpac must be on commercially competitive terms.

(3) Acquisitions from Westpac Banking Corporation in the relevant half-year

For the half-year to 31 December 2008, the Trust did not acquire any investments from Westpac or its subsidiaries.

Supplementary Appendix 4D information

Additional distribution information
Record date on distribution = 31 December 2008
Date distribution is payable = 16 February 2009

Distribution reinvestment plans
The Trust does not have a distribution reinvestment plan.

Retained earnings

	Consolidated	
	31 December 2008 $'000	**31 December 2007 $'000**
Retained earnings at the beginning of the period	133,986	173,359
(Loss)/profit for the period	(151,763)	16,803
Distributions	(16,032)	(17,440)
Retained earnings at the end of the period	(33,809)	172,722

NTA backing

	2008	**2007**
Net tangible asset backing per unit	89.096 cents per unit	133.74 cents per unit

Controlled entities acquired or disposed of
No new entities were acquired or disposed of during the period.

Associates and joint venture entities
The Trust holds a 50% interest in North Ryde Office Trust ("NROT"). The remaining 50% interest in NROT is held by Westpac Diversified Property Fund.

Other significant information
There is no other significant information.

Commentary on results
Earnings per unit
The loss per unit for the period of operation was 31.48 cents per unit.

Returns to unitholders
Refer to financial report above.

Results of segments
The Trust operates solely in Australia.

Other factors that affected results in the period or which are likely to affect results in the future
Refer to directors' report above.

Foreign accounting standards
N/A

Audit
This report is based on accounts that have been subject to a review. The review report will be made available with the Trust's financial report.