

WESTFIELD TRUST (NZ) LIMITED

Annual Report

For the year ended 31 December 2007

WESTFIELD TRUST (NZ) LIMITED

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WESTFIELD TRUST (NZ) LIMITED

Company Directory

As at 31 December 2007

Nature of Business Commercial property investment

Registered Office Level 2 Office Tower
277 Broadway
Newmarket
Auckland

Incorporation Number AK/934131

Directors Peter K Allen
William J Falconer
Andrew W Harnos

Auditor Ernst & Young
Sydney
AUSTRALIA

Banker Westpac Banking Corporation
Auckland
NEW ZEALAND

Solicitor Russell McVeagh
Auckland
NEW ZEALAND

Shareholder Westfield (NZ) Subtrust (100%)


WESTFIELD TRUST (NZ) LIMITED

Director's report

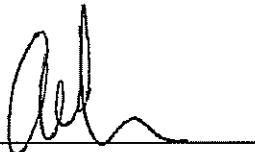
The board of directors present their annual report including the financial statements of the Company for the year ended 31 December 2007, and the auditor's report.

The shareholder of the Company has exercised its right under section 211(3) of the Companies Act 1993, and unanimously agreed that this annual report need not comply with any of paragraphs (a) and (e)-(j) of section 211 of the Act.

For and on behalf of the board:



Director



Director

30 May 2008
Date

30 May 2008
Date

Auditor's Report

To the Shareholders of Westfield Trust (NZ) Limited

We have audited the financial statements on pages 4 to 27. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 December 2007. This information is stated in accordance with the accounting policies set out on pages 7 to 11.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 December 2007 and of their financial performance for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries.

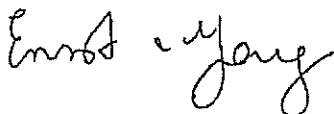
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 4 to 27:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company and group as at 31 December 2007 and their financial performance for the year ended on that date.

Our audit was completed on 30 May 2008 and our unqualified opinion is expressed as at that date.



Ernst & Young
Sydney

WESTFIELD TRUST (NZ) LIMITED

Income Statement

For the year ended 31 December 2007

	Note	Group		Company	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Continuing operations					
Revenue					
Rental income		210,722	199,769	-	-
Property revaluation	8	325,963	434,831	-	-
Other income	3	402	1,675	622	-
		<u>537,087</u>	<u>636,275</u>	<u>622</u>	<u>-</u>
Expenses					
Property expenses and outgoings		11,806	10,949	-	-
Property management costs		10,452	9,468	-	-
Other expenses	4	1,420	28,558	-	(17,225)
		<u>23,678</u>	<u>48,975</u>	<u>-</u>	<u>(17,225)</u>
Operating profit / (loss) before financing costs		513,409	587,300	622	17,225
Net finance expense	5	52,840	73,999	8,864	30,487
Profit / (loss) before tax		460,569	513,301	(8,242)	(13,262)
Income tax expense (credit)	6,12	96,809	173,349	(2,584)	(9,546)
Net profit / (loss) for the year		<u>363,760</u>	<u>339,952</u>	<u>(5,658)</u>	<u>(3,716)</u>

WESTFIELD TRUST (NZ) LIMITED

Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Group		Company	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Equity at start of year		831,438	491,486	973,355	1,126,363
Revaluation of investment in subsidiary		-	-	347,793	(149,292)
Net income recognised directly in equity		-	-	347,793	(149,292)
Net profit / (loss) for the year		363,760	339,952	(5,658)	(3,716)
Total recognised income and expense for the year		363,760	339,952	342,135	(153,008)
Equity at end of year	14	1,195,198	831,438	1,315,490	973,355

WESTFIELD TRUST (NZ) LIMITED

Balance Sheet

As at 31 December 2007

	Note	Group		Company	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current assets					
Cash and cash equivalents		21,608	10,154	18,170	9,331
Trade and other receivables	7	4,333	1,343	10	53
Derivative assets	13	2,276	3,701	2,017	3,658
Deferred costs		3,299	3,222	-	-
		<u>31,516</u>	<u>18,420</u>	<u>20,197</u>	<u>13,042</u>
Non-current assets					
Investment property	8	3,261,384	2,742,830	-	-
Investment in subsidiaries	9	-	-	2,170,580	1,800,519
Receivables	15	-	-	663,794	615,411
Deferred costs		17,373	14,043	-	-
Deferred tax assets	12	2,763	8,818	2,763	8,818
Derivative assets	13	97,588	51,019	97,588	50,545
		<u>3,379,108</u>	<u>2,816,710</u>	<u>2,934,725</u>	<u>2,475,293</u>
Total assets		<u>3,410,624</u>	<u>2,835,130</u>	<u>2,954,922</u>	<u>2,488,335</u>
Current liabilities					
Trade and other payables	10	99,451	89,964	8,482	10,120
Derivative liabilities	13	4,103	-	4,103	-
Interest bearing liabilities	11	2,277	2,379	-	-
		<u>105,831</u>	<u>92,343</u>	<u>12,585</u>	<u>10,120</u>
Non-current liabilities					
Interest bearing liabilities	11	1,613,359	1,505,868	1,595,331	1,486,973
Deferred tax liabilities	12	496,236	405,481	31,516	17,887
		<u>2,109,595</u>	<u>1,911,349</u>	<u>1,626,847</u>	<u>1,504,860</u>
Total liabilities		<u>2,215,426</u>	<u>2,003,692</u>	<u>1,639,432</u>	<u>1,514,980</u>
Equity					
Issued capital		569,040	569,040	569,040	569,040
Asset revaluation reserve		-	-	1,119,312	771,519
Retained earnings / (accumulated losses)		626,158	262,398	(372,862)	(367,204)
Total equity	14	<u>1,195,198</u>	<u>831,438</u>	<u>1,315,490</u>	<u>973,355</u>
Total equity and liabilities		<u>3,410,624</u>	<u>2,835,130</u>	<u>2,954,922</u>	<u>2,488,335</u>

The accompanying notes form part of these financial statements

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

1 CORPORATE INFORMATION

Westfield Trust (NZ) Limited (the "Company") is a company incorporated and domiciled in New Zealand. The consolidated financial statements of the Company comprise the Company and its subsidiaries (the "Group").

The Group's principal activity is the investment in and management of commercial property.

The financial statements of the Company and Group are for the year ended 31 December 2007. The financial statements were authorised for issue by the directors on 30 May 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions. These are the Group's first NZ IFRS financial statements and NZ IFRS 1 has been applied. The Group is a profit-orientated entity. The Company and Group are a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act.

The Company and Group qualify for differential reporting as it has no public accountability, and there is no separation between the owners and the governing body. The Company and Group have taken advantage of all available differential reporting exemptions.

An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Group is provided in note 19.

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$'000). The financial statements are prepared on the historical cost basis except for investment property, investments in investment property owning subsidiaries, and derivative financial instruments which are stated at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet at 1 January 2006 for the purposes of the transition to NZ IFRS.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of Westfield Trust (NZ) Limited and its subsidiaries as at 31 December each year.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(iii) Investment property

Investment property is initially measured at cost including all transaction costs, and borrowing costs during development.

Land and buildings are considered as investments and therefore are regarded as a composite asset, the overall value of which is predominately influenced by income yield, as opposed to the diminishment of the value of the building due to the passage of time. Accordingly, the building and all its components are not depreciated.

Subsequent to initial recognition investment property is stated at fair value as determined every year by an independent registered valuer. Gains or losses arising from changes in the fair values of investment property is included in the income statement in the year in which they arise. Any gains or losses on the sale of investment property is recognised in the income statement in the year of sale.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A property interest subject to an operating lease is classified and accounted for as an investment property, and is carried at fair value, where the Company hold it to earn rentals or for capital appreciation or both. Lease payments are accounted for as described in (xii) Finance lease payments.

Investment property is derecognised when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of investment property is recognised in the income statement in the year of derecognition.

(iv) Investments

Investments in investment property owning subsidiaries are initially recognised at cost, including acquisition charges associated with the investment. Investments in investment property owning subsidiaries are subsequently measured at fair value. Gains or losses arising from changes in the fair value of investments in investment property owning subsidiaries are included directly in equity in the asset revaluation reserve.

(v) Foreign currency transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Income Statement.

(vi) Derivative financial instruments

The Group uses cross currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations.

Cross currency and interest rate swaps are recognised in the balance sheet at their fair value. Accounting standards require compliance with onerous documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements are not all met in all circumstances. As a result, derivative instruments are deemed not to qualify for hedge accounting and are recorded at fair value. Gains or losses arising from the movement in fair values are recorded in the income statement.

(vii) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) **Trade and other receivables**

Trade and other receivables are stated at cost less a provision for doubtful debts.

(ix) **Trade and other payables**

Trade and other payables are stated at cost.

(x) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Rental income from investment property is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

Certain tenant allowances that are classified as lease incentives are recorded as deferred costs and amortised over the term of the lease. The amortisation is recorded against rental income.

Interest income is recognised in the income statement as it accrues using the effective interest rate method.

All over revenues are recognised on an accruals basis.

(xi) **Operating lease payments**

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

(xii) **Finance lease payments**

Where a property interest subject to an operating lease agreement is classified as investment property, the property is accounted for as if it were a finance lease and the property is recognised at fair value.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

(xiii) **Interest expense**

Interest expense is recognised as an expense when incurred.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiv) Expenses

Expenses including rates, taxes and other outgoings are brought to account on an accruals basis and any related payables are carried at cost. Lease incentive payments are recognised in the Income Statement over the lease term as an integral part of total lease income. All other expenses are brought to account on an accruals basis.

(xv) Taxation

The income tax expense recognised in the Income Statement is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised through continued use or the liability is settled, based on tax rates enacted or substantially enacted at balance date. A deferred tax asset is recognised only to the extent that it is probable that that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(xvi) Goods and services tax

All amounts are stated exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

3 OTHER INCOME

	Group		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Gain on disposal of property	402	1,675	-	-
Other	-	-	622	-
	<u>402</u>	<u>1,675</u>	<u>622</u>	<u>-</u>

4 OTHER EXPENSES

	Group		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Auditor's remuneration:			-	-
Audit of the financial statements	187	123	-	-
Other	69	109	-	-
Bad and doubtful debts	425	325	-	-
Directors fees	50	50	-	-
Impairment loss - goodwill	-	43,943	-	-
Refund of guarantee fee	-	(17,214)	-	(17,214)
Other	689	1,222	-	(11)
	<u>1,420</u>	<u>28,558</u>	<u>-</u>	<u>(17,225)</u>

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

5 FINANCE INCOME AND EXPENSE

	Note	Group		Company	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Interest income - bank deposits		1,898	1,403	194	17
Interest income – related parties	15	-	-	52,374	48,059
Interest income – interest rate swaps		3,289	-	3,289	-
Fair value adjustments on derivatives		41,041	62,275	41,299	61,909
Net foreign exchange gain		3,246	-	3,246	-
Finance income		<u>49,474</u>	<u>63,678</u>	<u>100,402</u>	<u>109,985</u>
Interest expense - loans		109,266	100,101	109,266	100,091
Interest expense – finance leases		1,410	1,470	-	-
Interest expense – interest rate swaps		-	3,514	-	3,514
Interest capitalised		(8,362)	(4,275)	-	-
Net foreign exchange loss		-	36,867	-	36,867
Finance expense		<u>102,314</u>	<u>137,677</u>	<u>109,266</u>	<u>140,472</u>
Net finance (expense)		<u>(52,840)</u>	<u>(73,999)</u>	<u>(8,864)</u>	<u>(30,487)</u>

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

6 INCOME TAX

	Group		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current	6,054	2,685	(16,284)	(19,844)
Deferred	90,755	170,664	13,700	10,298
Total income tax expense / (benefit)	96,809	173,349	(2,584)	(9,546)
Reconciliation of effective tax rate				
Profit / (loss) before tax	460,569	513,301	(8,242)	(13,262)
Income tax expense / (benefit) at company tax rate (33%)	151,988	169,389	(2,720)	(4,376)
Effect of tax rate change:				
Current year:				
Revaluation of investment property	(9,779)	-	-	-
Derivatives	(1,231)	-	(1,240)	-
Prior year	(40,548)	-	(825)	-
Refund of guarantee fee	-	(5,681)	-	(5,681)
Interest capitalised	(2,858)	(1,411)	-	-
Impairment loss – goodwill	-	14,501	-	-
Other	(763)	(3,449)	2,201	511
Current year tax expense / (benefit)	96,809	173,349	(2,584)	(9,546)

The Company has New Zealand tax losses available to carry forward of \$9,211,280 (2006: \$26,722,134) subject to shareholder continuity being maintained.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade receivables	4,323	1,309	-	-
Prepayments	10	34	10	53
	<u>4,333</u>	<u>1,343</u>	<u>10</u>	<u>53</u>

8 INVESTMENT PROPERTY

	Note	Group	
		2007 \$000	2006 \$000
Balance 1 January		2,742,830	2,189,454
Disposal of properties		(810)	(9,775)
Redevelopment costs		193,401	128,320
Net revaluation increment		325,963	434,831
Balance 31 December		<u>3,261,384</u>	<u>2,742,830</u>
Reconciliation of investment property at market value to carrying value:			
Investment properties at market value		3,261,751	2,738,822
Add ground leases included as finance leases	11	20,305	21,273
Less amounts included in deferred costs		(20,672)	(17,265)
Carrying value of investment properties		<u>3,261,384</u>	<u>2,742,830</u>

Investment properties are carried at the Directors' determination of fair value based on annual independent valuations where appropriate. A full independent valuation of a shopping centre is conducted at least once every three years. During the period between full independent valuations, shopping centre valuations are updated on the most recent independent valuation in conjunction with current financial information to prepare an updated valuation based on capitalisation of net income and the discounting of future net cash flows to their present value.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

9 INVESTMENTS

The Company has investments in the following significant subsidiaries:

	Ownership interest		Country of incorporation
	2007	2006	
Chartwell Shopping Centre Limited	100%	100%	New Zealand
Downtown Shopping Centre Limited	100%	100%	New Zealand
Downtown Shopping Centre (No.2) Limited	100%	100%	New Zealand
Glenfield Mall Limited	100%	100%	New Zealand
WestCity Shopping Centre Limited	100%	100%	New Zealand
Johnsonville Shopping Centre Limited	100%	100%	New Zealand
Manukau City Centre Limited	100%	100%	New Zealand
Shore City Centre (1993) Limited	100%	100%	New Zealand
St Lukes Square (1993) Limited	100%	100%	New Zealand
The Plaza Pakuranga Limited	100%	100%	New Zealand
Albany Shopping Centre Limited	100%	100%	New Zealand
Albany Shopping Centre (No. 2) Limited	100%	100%	New Zealand
Riccarton Shopping Centre (1997) Limited	100%	100%	New Zealand
Queensgate Centre Limited	100%	100%	New Zealand
St Lukes Group Limited	100%	100%	New Zealand
St Lukes Group Holdings Limited	100%	100%	New Zealand
St Lukes Group (No.2) Limited	100%	100%	New Zealand
St Lukes Group (No.3) Limited	100%	100%	New Zealand
Cedarville Properties Limited	100%	100%	New Zealand
Kroftfield Properties Limited	100%	100%	New Zealand
Petavid Investments Limited	100%	100%	New Zealand
Redisville Enterprises Limited	100%	100%	New Zealand
Copthorne Investments Limited	100%	100%	New Zealand
Abyssinian Holdings Limited	99.9%	99.9%	New Zealand

WESTFIELD TRUST (NZ) LIMITED**Notes to and Forming Part of the Financial Statements****For the year ended 31 December 2007****10 TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Trade payables due to related parties	15	6,609	16,837	-	-
Other trade payables		42,556	33,351	-	-
Non trade payables and accrued expenses		42,286	36,276	8,482	10,120
Non trade payables due to related parties	15	8,000	3,500	-	-
		<u>99,451</u>	<u>89,964</u>	<u>8,482</u>	<u>10,120</u>

11 INTEREST BEARING LIABILITIES

	Group		Company	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current				
Finance lease liabilities	2,277	2,379	-	-
	<u>2,277</u>	<u>2,379</u>	<u>-</u>	<u>-</u>
Non current				
Finance lease liabilities	18,028	18,894	-	-
Unsecured bank loans	1,595,331	1,486,974	1,595,331	1,486,973
	<u>1,613,359</u>	<u>1,505,868</u>	<u>1,595,331</u>	<u>1,486,973</u>
	<u>1,615,636</u>	<u>1,508,247</u>	<u>1,595,331</u>	<u>1,486,973</u>

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

11 INTEREST BEARING LIABILITIES (continued)

The terms and conditions of interest bearing liabilities are as follows:

	Nominal interest rate	Year of maturity	December 2007		December 2006	
			Face value \$000	Carrying amount \$000	Face value \$000	Carrying amount \$000
Finance leases	6.63%	2009-2068	20,305	20,305	21,273	21,273
Unsecured bank loans	7.2-7.7%	2010-2012	1,595,331	1,595,331	1,486,974	1,486,974
			<u>1,615,636</u>	<u>1,615,636</u>	<u>1,508,247</u>	<u>1,508,247</u>

Unsecured bank loans are subject to negative pledge arrangements which require the Westfield Group to comply with certain minimal financial requirements.

Finance lease liabilities are payable as follows:

	December 2007			December 2006		
	Minimum lease payment \$000	Interest \$000	Principal \$000	Minimum lease payment \$000	Interest \$000	Principal \$000
Less than one year	2,277	1,346	931	2,379	1,411	968
Between one and five years	9,438	4,727	4,711	7,953	3,850	4,103
More than five years	56,862	42,426	14,436	60,622	44,647	15,975
	<u>68,577</u>	<u>48,499</u>	<u>20,078</u>	<u>70,954</u>	<u>49,908</u>	<u>21,046</u>

Finance lease liabilities are operating lease agreements that the Group entered into and accounted for as if they were finance leases because the underlying property is held as investment property. The carrying amount of investment property subject to operating leases is \$20,305,359 (2006: \$21,273,478). There are no restrictions imposed by the lease agreements. No contingent rents are payable.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

12 DEFERRED TAX

Deferred tax assets and (liabilities) are attributable to the following:

Group	Group		Company	
	December 2007 \$000	December 2006 \$000	December 2007 \$000	December 2006 \$000
Tax value of loss carry forward	2,763	8,818	2,763	8,818
Tax assets	<u>2,763</u>	<u>8,818</u>	<u>2,763</u>	<u>8,818</u>
Depreciation for tax purposes	(138,583)	(133,394)	-	-
Revaluation of investment property to fair value	(338,315)	(264,259)	-	-
Derivatives	(19,338)	(7,828)	(31,516)	(17,887)
Tax liabilities	<u>(496,236)</u>	<u>(405,481)</u>	<u>(31,516)</u>	<u>(17,887)</u>
Net tax (liabilities)	<u>(493,473)</u>	<u>(396,663)</u>	<u>(28,753)</u>	<u>(9,069)</u>

13 FINANCIAL RISK MANAGEMENT

Group

The fair value of cross currency and interest rate swaps used as commercial hedges of interest bearing debt at 31 December 2007 was \$95,760,920 (2006: \$54,719,478) comprising assets of \$99,863,524 (2006: \$54,719,478) and liabilities of \$4,102,604 (2006: \$nil).

Company

The fair value of cross currency and interest rate swaps used as commercial hedges of interest bearing debt at 31 December 2007 was \$95,501,827 (2006: \$54,202,602) comprising assets of \$99,604,431 (2006: \$54,202,602) and liabilities of \$4,102,604 (2006: \$nil).

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

14 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves:

Group	Issued capital \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2006	569,040	(77,554)	491,486
Total recognised income and expense	-	339,952	339,952
Balance at 31 December 2006	<u>569,040</u>	<u>262,398</u>	<u>831,438</u>
Balance at 1 January 2007	569,040	262,398	831,438
Total recognised income and expense	-	363,760	363,760
Balance at 31 December 2007	<u>569,040</u>	<u>626,158</u>	<u>1,195,198</u>

Company	Issued capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Total equity \$000
Balance at 1 January 2006	569,040	(363,488)	920,811	1,126,363
Total recognised income and expense	-	(3,716)	(149,292)	(153,008)
Balance at 31 December 2006	<u>569,040</u>	<u>(367,204)</u>	<u>771,519</u>	<u>973,355</u>
Balance at 1 January 2007	569,040	(367,204)	771,519	973,355
Total recognised income and expense	-	(5,658)	347,793	342,135
Balance at 31 December 2007	<u>569,040</u>	<u>(372,862)</u>	<u>1,119,312</u>	<u>1,315,490</u>

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

14 CAPITAL AND RESERVES (continued)

Share capital

At 31 December 2007, share capital comprised 813,952,292 issued and fully paid ordinary shares (2006: 813,952,292). All shares have equal voting rights and share equally in dividends and surplus on winding up.

Asset revaluation reserve

The asset revaluation reserve relates to property owning subsidiaries carried at fair value.

15 RELATED PARTY TRANSACTIONS

The Company and Group have a related party relationship with its directors and executive officers. The company is a wholly-owned subsidiary of Westfield (NZ) Sub Trust. The ultimate holding entity is Westfield Trust, incorporated in Australia.

During the year the Company received funds of \$3,919,985 (2006: received \$27,866,057) and received interest of \$52,374,239 (2006: \$48,059,305) from St Lukes Group Limited, the Company's immediate subsidiary. At 31 December 2007 St Lukes Group Limited owed the Company \$663,793,471 (2006: \$615,411,217). The outstanding balance is secured over the assets of the subsidiary. Interest is payable at 9.13% pa (2006: 7.54%).

At 31 December 2007 the Group owed Westfield (New Zealand) Limited, a company related by common ultimate ownership \$8,000,000 (2006: \$3,500,000). The outstanding balance is unsecured, repayable on demand unsecured and is non-interest bearing.

At 31 December 2007 the Group owed Westfield Properties (New Zealand) Limited, a company related by common ultimate ownership \$6,608,687 (2006: \$16,836,844) for construction services. Transactions with Westfield Properties (New Zealand) Limited are priced on a cost recovery basis.

Unless otherwise stated, transactions with related parties are on an arms length basis on normal commercial terms. There have been no guarantees provided or received for any related party receivables. No related party debts were forgiven or written off during the year (2006: nil).

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

16 CAPITAL COMMITMENTS

At balance date the Group had capital commitments of \$21,589,900 (2006: \$142,662,000)

17 CONTINGENT LIABILITIES

The Group and Company are a party, (as cross guarantor) together with Westfield Holdings Limited, Westfield Trust, Westfield Americas Trust and various subsidiaries of those entities, to guarantee arrangements guaranteeing the Westfield group's banking and debt facilities. Guaranteed borrowings amount to \$7,891,800 (2006: \$10,951,800).

18 SUBSEQUENT EVENTS

There were no significant subsequent events at balance date (2006: nil)

19 EXPLANATION OF TRANSITION TO NZ IFRS

These are the Company and Group's first financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the year ended 31 December 2007, the comparative information presented for the year ended 31 December 2006, and in preparation of an opening NZ IFRS balance sheet at 1 January 2006 (the Company's date of transition).

In preparing its opening NZ IFRS balance sheet and restating the 2006 financial statements, the Company and Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

19 EXPLANATION OF TRANSITION TO NZ IFRS (continued)

Reconciliation of equity

	Note	Transition Balance Sheet 1 January 2006			Comparative Balance Sheet 31 December 2006		
		Previous GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000	Previous GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
Cash and cash equivalents		5,619		5,619	10,154		10,154
Trade and other receivables		2,632		2,632	1,343		1,343
Derivative assets	d	-	51	51	-	3,701	3,701
Deferred costs	c	-	2,335	2,335	-	3,222	3,222
Total current assets		8,251		10,637	11,497		18,420
Investment property	a,b	2,167,832	21,535	2,189,367	2,723,096	19,734	2,742,830
Intangibles		43,943		43,943	-		-
Deferred costs	c	-	10,007	10,007	-	14,043	14,043
Future income tax benefit	g,h	-	13,992	13,992	-	8,818	8,818
Derivative assets	d	-	4,742	4,742	-	51,019	51,019
Total non current assets		2,211,775		2,262,051	2,723,096		2,816,710
Total assets		2,220,026		2,272,688	2,734,593		2,835,130
Liabilities							
Trade and other payables		93,136		93,134	89,964		89,964
Interest bearing liabilities	b	909,787	2,364	912,151	-	2,379	2,379
Total current liabilities		1,002,923		1,005,285	89,964		92,343
Interest bearing liabilities	b	506,458	19,804	526,262	1,455,873	49,995	1,505,868
Derivative liabilities	d	-	12,349	12,349	-		-
Deferred taxation	e,f	-	237,306	237,306	-	405,481	405,481
Total non-current liabilities		506,458		775,917	1,455,873		1,911,349
Total liabilities		1,509,381		1,781,202	1,545,837		2,003,692
Equity							
Issued capital		569,040		569,040	569,040		569,040
Asset revaluation reserve	a	120,635	(120,635)	-	551,787	(551,787)	-
Retained earnings	a-h	20,970	(98,524)	(77,554)	67,929	194,469	262,398
Total equity		710,645		491,486	1,188,756		831,438
Total equity and liabilities		2,220,026		2,272,688	2,734,593		2,835,130

WESTFIELD TRUST (NZ) LIMITED**Notes to and Forming Part of the Financial Statements****For the year ended 31 December 2007****19 EXPLANATION OF TRANSITION TO NZ IFRS (continued)****Reconciliation of profit for 2006**

	Note	Previous GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
Revenue				
Rental income	c	202,103	(2,334)	199,769
Property revaluation	a	-	434,831	434,831
Other income		1,676		1,675
		<hr/>		<hr/>
		203,779		636,275
Expenses				
Property expenses and outgoings	b	13,313	(2,364)	10,949
Property management costs	c	11,245	(1,777)	9,468
Other expenses		28,558		28,558
		<hr/>		<hr/>
		53,116		48,975
Operating profit before financing costs				
		150,662		587,300
Finance income				
Finance income	d	(1,403)	(62,275)	(63,678)
Finance expense				
Finance expense	b,d	105,107	32,570	137,677
		<hr/>		<hr/>
Net finance expense		103,704		73,999
Profit before tax				
		46,959		513,301
Income tax expense				
Income tax expense	e-h	-	173,349	173,349
		<hr/>		<hr/>
Profit for the year		46,959	292,993	339,952
		<hr/>		<hr/>

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

19 EXPLANATION OF TRANSITION TO NZ IFRS (continued)

Notes to the reconciliation of previous GAAP

a) Investment property

Under previous GAAP the Group's policy has been to measure investment property at market value less an allowance for disposal costs, and to recognise cumulative changes in net market value in a revaluation reserve. NZ IFRS requires investment properties to be measured at fair value with no allowance for disposal costs, and changes in fair value of investment properties to be recognised in the income statement as they arise. Accordingly the value of investment properties has been increased to reflect disposal costs previously deducted from independent valuations, and the balance of the revaluation reserve relating to investment properties has been transferred to retained earnings in this opening balance sheet. The Group will recognise changes in the fair value of investment property in the income statement in the period in which they arise, with no recognition of disposal costs.

b) Capitalised operating leases

Under previous GAAP lease agreements on property classified as investment property were classified as operating leases based on legal ownership criteria. NZ IFRS requires those leases to be classified as finance leases and the related asset to be recognised on the balance sheet. Accordingly the value of investment property has been increased by the fair value amount of those operating lease payments.

c) Capitalised lease incentives

Under previous GAAP, the Group's policy has been to capitalise the cost of lease incentives to investment property. NZ IFRS requires lease incentives to be recognised as a separate asset in the balance sheet and amortised over the earlier of the asset life and the term of the lease. Accordingly lease incentives and associated costs have been reclassified from investment property and operating expenses respectively, to deferred costs, and income will be reduced by the amount of the amortisation charge for the period.

d) Derivatives and interest bearing liabilities

Under previous GAAP gains or losses on cross currency swaps and interest rate swaps entered into by the Group were deferred and recognised on the same basis as the underlying hedged item. The fair value of derivative instruments was disclosed in the notes to the financial statements. In accordance with NZ IFRS cross currency swaps and interest rate swaps have been recognised as assets and liabilities at their fair values by debiting assets, and crediting liabilities and retained earnings, and interest bearing liabilities are recognised at cost plus accrued interest. To the extent that the hedges do not qualify for hedge accounting the gains or losses arising from changes in fair value are reflected in the income statement immediately.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

19 EXPLANATION OF TRANSITION TO NZ IFRS (continued)

e) **Deferred tax - depreciation**

Under previous GAAP, the Group does not recognise deferred tax in respect of tax depreciation claimed on investment properties as it is not intended that the investment properties will be sold. NZ IFRS requires depreciation claimed for tax purposes to be treated as a temporary difference and a corresponding deferred tax liability to be recognised. Accordingly a deferred tax liability is recognised representing the accumulated tax effect of the accumulated tax depreciation claimed on existing properties in prior years, and in this year and subsequent years a deferred tax expense and a corresponding liability is recognised in respect of tax depreciation claimed each year.

f) **Deferred tax – property revaluations**

Under previous GAAP, the Group does not recognise a deferred tax liability in respect of investment property revaluations in excess of cost (excluding land), as gains on investment property are not subject to income tax. NZ IFRS requires the recognition of a deferred tax liability on such gains. Accordingly a deferred tax liability is recognised representing deferred tax on past revaluations, and a deferred tax expense and a corresponding liability is recognised in respect of investment property revaluations each year.

g) **Deferred tax – tax losses**

Under previous GAAP, the Group did not recognise a future income tax benefit for the carry forward of unused tax losses. In accordance with NZ IFRS such losses are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Accordingly, the Group has recognised tax losses that the Directors believe are probable, with a corresponding increase in retained earnings.

h) **Deferred tax – derivatives**

Under previous GAAP, the Group did not recognise a deferred tax liability in respect of changes in the fair value of cross currency and interest rate swaps. The fair value of derivative instruments was disclosed in the notes to the financial statements only. NZ IFRS requires deferred tax assets and liabilities to be recognised by reference to differences between the accounting and tax book value of derivatives. Accordingly a deferred tax liability is recognised representing the tax effect of the accumulated increase (or decrease) in the fair value of existing derivatives in prior years, and in this year and subsequent years a deferred tax expense and a corresponding liability is recognised in respect of the unrealised increase (or decrease) in the fair value of derivatives each year.

WESTFIELD TRUST (NZ) LIMITED

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2007

19 EXPLANATION OF TRANSITION TO NZ IFRS (continued)

i) The impact of the above adjustments on retained earnings is as follows:

	Note	Retained earnings \$000	Asset revaluation reserve \$000
Change in fair value of investment properties	a	139,052	(120,635)
Amortisation of lease incentives	c	(6,707)	-
Derivatives	d	(7,555)	-
Deferred tax – depreciation	e	(116,836)	-
Deferred tax – property revaluations	f	(120,470)	-
Deferred tax – future income tax benefit	g	11,499	-
Deferred tax – derivatives	h	2,493	-
Total adjustments to equity 1 January 2006		(98,524)	(120,635)
Adjusted balance at 1 January 2006		(98,524)	(120,635)
Change in fair value of investment properties	a	435,724	(431,152)
Amortisation of lease incentives	c	(557)	-
Derivatives	d	62,275	-
Change in fair value of loan	d	(31,100)	-
Deferred tax – depreciation	e	(16,558)	-
Deferred tax – property revaluations	f	(143,789)	-
Deferred tax – future income tax benefit	g	(2,681)	-
Deferred tax – derivatives	h	(10,321)	-
Total adjustments to equity 31 December 2006		194,469	(551,787)