Dexus Regional Property Fund
Interim Report
31 December 2022

ARSN: 110 488 821

Contents

Dexus Regional Property Fund consists of three entities, HoneySuckle House Unit Fund, HoneySuckle House Unit Fund No.2 and Dexus Regional Property Fund, collectively referred to as Dexus Regional Property Fund or the Group. Dexus Asset Management Limited (DXAM) is the Responsible Entity of the Group.

The registered office of the Responsible Entity of the Group is Level 25, Australia Square, 264-278 George Street, Sydney, NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne, VIC 3000.

HY23 Operating and Financial Review

Strategy

The principal investment objective of Dexus Regional Property Fund and its controlled entities (the Group) is to provide unitholders with sustainable distributions with the potential for income and capital growth from commercial property investments.

Review of operations

The results of the Group's operations are disclosed in the Consolidated Statement of Comprehensive Income. A summary of results for the six months to 31 December 2022 is as follows:

Key financial performance metrics:	**31 December 2022**	**31 December 2021**	**Change**
Net profit/(loss) after tax ($'000)	841	(1,091)	177.1%
Distribution per security (cents)	3.2400	4.2234	(23.3)%

Profit & loss	**31 December 2022 $'000**	**31 December 2021 $'000**	**Change**
Net rental income	1,498	1,361	10.1%
Interest income	8	-	100.0%
Other income	-	115	(100.0)%
Total revenue	**1,506**	**1,476**	**2.0%**
Management fees	(208)	(228)	(8.8)%
Finance costs	(323)	(294)	9.9%
Corporate costs	(78)	(75)	4.0%
Total expenses	**(609)**	**(597)**	**2.0%**
Net operating income (EBIT)	**897**	**879**	**2.0%**
Fair value gain/(loss) on derivatives	(56)	379	n.a.
Fair value gain/(loss) on investment properties	-	(2,349)	n.a.
Statutory net profit/(loss)	**841**	**(1,091)**	**177.1%**

Financial results

The Group reported a statutory net profit after tax of $0.8 million for the half year, up $1.9 million, primarily driven by no valuation changes on investment properties, compared to valuation loss of $2.3 million in HY22.

Summary and guidance

The Australian real estate market continued to face challenges throughout the period, as rising inflation and interest rates increased the costs of owning property. Despite the macro challenges, Dexus Regional Property Fund continued to execute on the strategy of reducing vacancy to generate additional income to support distributions, whilst also enhancing future sale prospects.

The Group remains on track to meet its FY23 distribution guidance despite the leasing market within Newcastle remaining testing, with increasing A-grade office supply and changing work patterns in the wake of COVID-19. Leasing agreed during the period included 744 square meters on level 3 of 26 Honeysuckle Drive to an ASX-listed tenant for a 7-year lease term. The tenant was particularly attracted to the views from the building, a feature that has underpinned strong renewal outcomes throughout our period of ownership.

The predominant capital works focus remains on removing the Aluminium Composite Panels installed at 26 Honeysuckle Drive and it is anticipated works will commence in the coming months. This follows multiple delays resulting from supply chain issues and the availability of suitable contractors.

The financial position of the Group remains strong, with a loan to value ratio (LVR) of 38% considerably below the 55% debt covenant. The interest coverage ratio (ICR), which is the multiple of income received compared to interest expense, is 4.4 times compared to the debt covenant of 2.0 times. In terms of interest rate protection, 86% of the Group's debt is hedged at a fixed rate until August 2024; and the maturity of the debt facility is December 2024 – resulting in no near-term refinancing risk.

Directors' Report

The Directors of Dexus Asset Management Limited (DXAM) as Responsible Entity of Dexus Regional Property Fund (the Fund and parent entity) and its controlled entities (together the Group) present their Directors' Report together with the Interim Consolidated Financial Statements for the half year ended 31 December 2022.

Directors

Directors

The following persons were Directors of DXAM at all times during the half year and to the date of this Directors' Report, unless otherwise stated:

Directors	Appointed
Howard Brenchley, BEc[1]	16 March 1998
Danielle Carter, BA/BCom, Grad DipAppFin, CA, GAICD[2]	17 October 2022
Deborah Coakley, BBus, GAICD	19 August 2021
Jennifer Horrigan, BBus, GradDipMgt, GradDippAppFin, MAICD	30 April 2012
Michael Johnstone, BTRP, LS, AMP (Harvard)[3]	25 November 2009
Emily Smith, BCom, GAICD	19 April 2022
Jonathan Sweeney, BCom, LLB, CFA, GAICD[4]	17 October 2022
Brett D Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley	1 March 2022

1. Mr Brenchley resigned from the DXAM Board effective 17 October 2022.
2. Ms Carter was appointed as a Non-Executive Director on 17 October 2022.
3. Mr Johnstone resigned from the DXAM Board effective 17 October 2022.
4. Mr Sweeney was appointed as a Non-Executive Director on 17 October 2022.

Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is set out on page 2 of the Interim Report and forms part of this Directors' Report.

Significant changes in the state of affairs

During the period, the Group had no significant changes in its state of affairs.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this Directors' Report.

Rounding of amounts and currency

As the Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Interim Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Interim Consolidated Financial Statements were authorised for issue by the Directors on 16 March 2023.

Jennifer Horrigan
Chair
16 March 2023

Auditor's Independence Declaration

As lead auditor for the review of Dexus Regional Property Fund for the half-year ended 31 December 2022, 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 Dexus Regional Property Fund and the entities it controlled during the period.

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
16 March 2023

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from ordinary activities			
Property revenue	2	**2,105**	1,925
Total revenue from ordinary activities		**2,105**	1,925
Other income			
Interest revenue		**8**	-
Net fair value gain of derivatives		**-**	379
Other income		**-**	115
Total other income		**8**	494
Total income		**2,113**	2,419
Expenses			
Property expenses		**(607)**	(564)
Management fee expense		**(208)**	(228)
Finance costs	3	**(323)**	(294)
Other expenses		**(78)**	(75)
Net fair value loss of investment properties	5	**-**	(2,349)
Net fair value loss of derivatives		**(56)**	-
Total expenses		**(1,272)**	(3,510)
Profit/(loss) for the period		**841**	(1,091)
Other comprehensive income for the period		**-**	-
Total comprehensive income/(loss) for the period		**841**	(1,091)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets			
Cash and cash equivalents		**805**	693
Receivables		**161**	73
Derivative financial instruments		**-**	25
Other current assets		**170**	77
Total current assets		**1,136**	868
Non-current assets			
Investment properties	5	**61,589**	61,500
Derivative financial instruments		**984**	1,014
Total non-current assets		**62,573**	62,514
Total assets		**63,709**	63,382
Current liabilities			
Payables		**(569)**	(562)
Provisions		**(135)**	(167)
Other current liabilities		**(150)**	-
Total current liabilities		**(854)**	(729)
Non-current liabilities			
Interest bearing liabilities	6	**(23,287)**	(23,113)
Total non-current liabilities		**(23,287)**	(23,113)
Total liabilities		**(24,141)**	(23,842)
Net assets		**39,568**	39,540
Equity			
Contributed equity	9	**19,563**	19,563
Retained profits		**20,005**	19,977
Total equity		**39,568**	39,540

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Note	Contributed equity $'000	Retained profits $'000	Total equity $'000
Opening balance as at 1 July 2021		19,563	27,358	46,921
Net loss for the period		-	(1,091)	(1,091)
Other comprehensive income for the period		-	-	-
Total comprehensive income/(loss) for the period		-	(1,091)	(1,091)
Transactions with owners in their capacity as owners:				
Distributions paid or payable	4	-	(1,059)	(1,059)
Total transactions with owners in their capacity as owners		-	(1,059)	(1,059)
Closing balance as at 31 December 2021		19,563	25,208	44,771
Opening balance as at 1 July 2022		**19,563**	**19,977**	**39,540**
Net profit for the period		**-**	**841**	**841**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period		**-**	**841**	**841**
Transactions with owners in their capacity as owners:				
Distributions paid or payable	4	**-**	**(813)**	**(813)**
Total transactions with owners in their capacity as owners		**-**	**(813)**	**(813)**
Closing balance as at 31 December 2022		**19,563**	**20,005**	**39,568**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**2,198**	2,335
Payments in the course of operations (inclusive of GST)	**(1,086)**	(867)
Interest received	**8**	-
Finance costs paid	**(267)**	(290)
Net cash inflow from operating activities	**853**	1,178
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(62)**	(1,552)
Net cash outflow from investing activities	**(62)**	(1,552)
Cash flows from financing activities		
Proceeds from borrowings	**166**	1,628
Distributions paid to unitholders	**(845)**	(1,105)
Net cash (outflow)/inflow from financing activities	**(679)**	523
Net increase in cash and cash equivalents	**112**	149
Cash and cash equivalents at the beginning of the period	**693**	277
Cash and cash equivalents at the end of the period	**805**	426

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

In this section

This section sets out the basis upon which the Group's Interim Consolidated Financial Statements are prepared.

Basis of preparation

These Interim Consolidated Financial Statements have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board.

These Interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these Interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2022.

Unless otherwise stated, these Interim Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding Interim reporting period. Where required, comparative information has been restated for consistency with the current period's presentation.

The Interim Consolidated Financial Statements are presented in Australian dollars, with all values rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.

The Interim Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties and derivative financial instruments which are stated at their fair value.

Going concern

In line with the 2019 Product Disclosure Statement, the Directors of the Responsible Entity will commence a process to provide a liquidity opportunity by 30 June 2024. If a liquidity opportunity has not been provided by 31 December 2024, the Directors of the Responsible Entity will take steps to realise the Portfolio and wind up the Group. The Directors of the Responsible Entity regularly consider the investment strategy for the Group's assets and may explore a potential sale of the Group's two properties.

As at the date of the Interim Consolidated Financial Statements being signed, there is no committed sales campaign. In the event a sales campaign commences and delivers a result that is determined to be in the best interests of investors (on either one or both properties), the Directors of the Responsible Entity will consider whether to deploy the sale proceeds by acquiring additional properties in line with the investment objectives of the Group and distribute any excess proceeds, provide a liquidity opportunity or proceed to wind up the Fund. The Directors are of the view the Fund will continue for a period of at least 12 months from the date the accounts are signed and as such the Interim Consolidated Financial Statements should continue to be prepared on a going concern basis.

Critical accounting estimates

The preparation of the Interim Consolidated Financial Statements may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies.

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of inflation and rising interest rates.

Other than the inflationary and interest rate impacts and the estimates and assumptions used for the measurement of items held at fair value such as for investment properties and derivative financial instruments, no key assumptions concerning the future or areas of estimation uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Interim Consolidated Financial Statements.

Basis of preparation (continued)

Critical accounting estimates (continued)

The Notes to the Interim Consolidated Financial Statements are organised into the following sections:

Group performance	**Property portfolio assets**	**Capital management**	**Other disclosures**
1. Operating segment	5. Investment properties	6. Interest bearing liabilities	10. Related parties
2. Property revenue		7. Fair value measurement	11. Subsequent events
3. Finance costs		8. Commitments and contingencies	
4. Distributions paid and payable		9. Contributed equity	

Group performance

In this section

This section explains the results and performance of the Group.

It provides additional information about those individual line items in the Interim Consolidated Financial Statements that the Directors of the Responsible Entity consider most relevant in the context of the operations of the Group, including results by operating segment, property revenue, finance costs and distributions paid and payable.

Note 1 Operating segment

The Group derives its income from investment in properties located in Newcastle, New South Wales and is deemed to have only one operating segment which is consistent with the reporting reviewed by the chief operating decision makers.

Note 2 Property revenue

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Group provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*.

	31 Dec 2022 $'000	31 Dec 2021 $'000
Rental income	**1,893**	1,636
Outgoing and direct recoveries	**182**	287
Services revenue	**226**	202
Incentive amortisation	**(196)**	(173)
Other property income	**-**	(27)
Total property revenue	**2,105**	1,925

Note 3 Finance costs

	31 Dec 2022 $'000	31 Dec 2021 $'000
Interest paid/payable	**(327)**	(76)
Line fees	**(133)**	(133)
Amortisation of borrowing costs	**(8)**	(23)
Realised gain/(loss) of interest rate derivatives	**145**	(62)
Total finance costs	**(323)**	(294)

Note 4 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to unitholders

	31 Dec 2022 $'000	31 Dec 2021 $'000
Distribution paid during the period:		
July 2022	**126**	181
August 2022	**126**	181
September 2022	**125**	181
October 2022	**166**	181
November 2022	**135**	168
Distribution payable:		
December 2022	**135**	167
Total distribution to unitholders	**813**	1,059

b) Distribution rate

	31 Dec 2022 Cents per security	31 Dec 2021 Cents per security
Distribution paid during the period:		
July 2022	**0.5000**	0.7225
August 2022	**0.5000**	0.7225
September 2022	**0.5000**	0.7225
October 2022	**0.6600**	0.7225
November 2022	**0.5400**	0.6667
Distribution payable:		
December 2022	**0.5400**	0.6667
Total distribution rate	**3.2400**	4.2234

Property portfolio assets

In this section

Property portfolio assets are used to generate the Group's performance and are considered to be the most relevant to the understanding of the operating performance of the Group. The assets are detailed in the following note:

- *Investment properties*: relates to stabilised investment properties.

Note 5 Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently measured at fair value.

The primary assets of the Group comprise of two A-grade office buildings, being 26 and 28 Honeysuckle Drive in Newcastle, New South Wales.

a) Reconciliation of carrying amounts

	For the 6 months to 31 Dec 2022 $'000	For the 12 months to 30 Jun 2022 $'000
Opening balance at the beginning of the period	**61,500**	67,350
Additions	**35**	1,456
Lease incentives and fees	**27**	1,256
Amortisation of lease incentives and fees	**(196)**	(397)
Rent straightlining	**223**	70
Net fair value loss of investment properties	**-**	(8,235)
Closing balance at the end of the period	**61,589**	61,500

b) Fair value measurement and valuation inputs

The Group's policy requires investment properties to be internally valued at least every six months at each reporting period (interim and full-year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value, the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement of investment properties.

Class of property	**Fair value hierarchy**	**Inputs used to measure fair value**	**Range of unobservable inputs 31 Dec 2022**	Range of unobservable inputs 30 Jun 2022
Office	Level 3	Adopted capitalisation rate	**6.50%**	6.50%
		Adopted discount rate	**6.50%**	6.50%
		Adopted terminal yield	**6.875%**	6.875%
		Current market rental (per sqm)	**$456 - $491**	$455 - $487

Note 5 Investment properties (continued)

Key estimates: inputs used to measure fair value of investment properties

Judgement is required in determining the following key assumptions:

- *Adopted capitalisation rate:* The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- *Adopted discount rate:* The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other used having similar risk. The rate is determined with regard to market evidence and the prior external valuation.
- *Adopted terminal yield:* The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- *Net market rental (per sqm):* The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

c) Sensitivity information

Significant movement in any one of the valuation inputs may result in a change in the fair value of the Group's investment properties as shown below.

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	31 Dec 2022 $'000	30 Jun 2022 $'000
A decrease of 25 basis points in the adopted capitalisation rate	**2,763**	2,732
An increase of 25 basis points in the adopted capitalisation rate	**(2,557)**	(2,528)
A decrease of 25 basis points in the adopted discount rate	**1,271**	1,230
An increase of 25 basis points in the adopted discount rate	**(1,240)**	(1,201)
A decrease of 5% in the net market rental (per sqm)	**(3,068)**	(3,075)
An increase of 5% in the net market rental (per sqm)	**3,068**	3,075

Generally, a change in the assumption made for the adopted capitalisation rate is often accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the capitalisation approach while the adopted terminal yield forms part of the discounted cash flow approach.

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total net market rent and the adopted capitalisation rate may increase the impact to fair value.

The discounted cash flow (DCF) is primarily made up of the discounted cash flow of net income over the cash flow period used in the DCF's (generally not less than 5 years) and the discounted terminal value (which is largely based upon market rents grown at forecast market rental growth rates capitalised at an adopted terminal yield). An increase (softening) in the adopted discount rate may offset the impact to fair value of a decrease (tightening) in the adopted terminal yield. A decrease (tightening) in the discount rate may offset the impact to fair value of an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield may increase the impact to fair value.

A decrease (softening) in the forecast rental growth rate may result in a negative impact on the discounted cash flow approach values while a strengthening may have a positive impact on the value under the same approach.

Capital management

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from unitholders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Interest bearing liabilities* in note 6, *Fair value measurement* in note 7 and *Commitments* and *contingencies* in note 8; and
- Equity: *Contributed equity* in note 9.

Note 6 Interest bearing liabilities

	31 Dec 2022 $'000	30 Jun 2022 $'000
Non-current		
Secured		
Bank loans	**(23,318)**	(23,152)
Capitalised borrowing cost	**31**	39
Total secured	**(23,287)**	(23,113)
Total non-current liabilities - interest bearing liabilities	**(23,287)**	(23,113)
Total interest bearing liabilities	**(23,287)**	(23,113)

Financing arrangements

The Group has a $26,400,000 revolving credit facility with Bank of Melbourne which expires on 31 December 2024.

	31 Dec 2022 $'000	30 Jun 2022 $'000
Loan facility limit	**26,400**	26,400
Amount drawn at balance date	**(23,318)**	(23,152)
Amount undrawn at balance date	**3,082**	3,248

The revolving cash advance facility is secured and cross collateralised over the Group's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" unit agreement).

The debt facility contains both financial and non-financial covenants and undertakings that are customary for secured debt facilities of this nature. The key financial covenants that apply to the Group are required to be assessed on an annual basis. As at 31 December 2022, the Group remains compliant with all covenants as follows:

		31 Dec 2022	30 Jun 2022
Loan to Value Ratio ("LVR")	LVR does not exceed 55%	**38.00%**	37.65%
Interest Cover Ratio ("ICR")	ICR is not less than 2.0 times	**4.4 times**	5.1 times

Note 7 Fair value measurement

The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

Level 1: the fair value is calculated using quoted prices in active markets.

Level 2: the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable data.

All derivative financial instruments were measured at Level 2 for the periods presented in this report.

All investment properties were measured at Level 3 for the periods presented in this report.

During the half year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Note 8 Commitments and contingencies

a) Commitments

Capital commitments

The following amounts represent capital expenditure of the Fund on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	31 Dec 2022 $'000	30 Jun 2022 $'000
Investment properties	**168**	1,000
Total capital commitments	**168**	1,000

b) Contingencies

The Directors of the Responsible Entity are not aware of any contingent liabilities in relation to the Group, other than those disclosed in the Interim Consolidated Financial Statements, which should be brought to the attention of unitholders as at the date of completion of this report.

Outgoings are excluded from contingencies as they are expensed when incurred.

Note 9 Contributed equity

Carrying amount

	For the 6 months to 31 Dec 2022 $'000	For the 12 months to 30 Jun 2022 $'000
At the beginning of the period	**19,563**	19,563
At the end of the period	**19,563**	19,563

Number of units on issue

	For the 6 months to 31 Dec 2022 No.	For the 12 months to 30 Jun 2022 No.
At the beginning of the period	**25,078,049**	25,078,049
At the end of the period	**25,078,049**	25,078,049

Other disclosures

In this section

This section includes information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

Note 10 Related parties

a) Transactions with key management personnel

The Group does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Group. As such there are no staff costs (including fees paid to Directors of the Responsible Entity) included in the Consolidated Statement of Comprehensive Income.

b) Transactions with the Responsible Entity and related body corporate

The Responsible Entity of the Group is DXAM. Dexus PG Limited (DXPG) (ACN 109 846 068), the immediate parent entity of DXAM and its controlled entities, are wholly owned subsidiaries of Dexus.

Accordingly, transactions with entities related to DXPG are disclosed below:

	31 Dec 2022		31 Dec 2021	
	Paid $'000	**Payable $'000**	Paid $'000	Payable $'000
Management fees	**(104)**	**(104)**	(113)	(115)
Registry fees	**(5)**	**(2)**	(5)	(5)
Accounting fees	**(5)**	**(5)**	(5)	(5)
Reimbursement of costs paid	**(3)**	**-**	(1)	(1)
Total	**(117)**	**(111)**	(124)	(126)

c) Unitholdings and associated transactions with related parties

The below table shows the number of units held by related parties (including other managed investment schemes for which DXAM is the Responsible Entity or Investment Manager) and the associated distributions paid, or payable are set out as follows:

	31 Dec 2022		31 Dec 2021	
	Number of units	**Distributions paid/payable $**	Number of units	Distributions paid/payable $
Dexus PG Limited	**819,223**	**27,581**	819,223	34,599
Howard Brenchley[1]	**-**	**-**	91,474	3,863
Total	**819,223**	**27,581**	910,697	38,462

[1] Mr Brenchley resigned as a Director of DXAM on 17 October 2022.

As at 31 December 2022, 3% (31 December 2021: 4%) of Group's units were held by related parties.

Note 11 Subsequent events

Since the end of the period, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Interim Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

Directors' Declaration

In the Directors' opinion:

(a) the Interim Consolidated Financial Statements and Notes set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*; including

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

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

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

Jennifer Horrigan

Chair

16 March 2023

Independent auditor's review report to the unitholders of Dexus Regional Property Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Dexus Regional Property Fund (the Fund) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Statement of Financial Position as at 31 December 2022, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, significant accounting policies and explanatory notes and the Directors' Declaration of Dexus Asset Management Limited (the Responsible Entity).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Dexus Regional Property Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors of the Responsible Entity for the half-year financial report

The Directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of 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*.

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. 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
16 March 2023