Dexus Regional Property Fund
(Formerly APN Regional Property Fund)
Interim Report
31 December 2021

ARSN: 110 488 821

Contents

Dexus Regional Property Fund consists of three consolidated entities, HoneySuckle House Unit Trust, HoneySuckle House Unit Trust No.2 and Dexus Regional Property Fund, collectively referred to as Dexus Regional Fund or the Group. Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) is the Responsible Entity of the Fund. The registered office of the Fund and its principal place of business is Level 30, 101 Collins Street, Melbourne, VIC 3000.

HY22 Operating and Financial Review

Strategy

The principal investment objective of Dexus Regional Property Fund and its controlled entities (the Group) is to maximise unitholder value through investment in properties located in major regional centres with strong lease covenants, secure income streams and the potential for capital growth.

Review of operations and financial results

The results of the operations of the Group are disclosed in the Consolidated Statement of Comprehensive Income. The Group's total comprehensive loss for the half year ended 31 December 2021 was $1,091,000 (31 December 2020: total comprehensive income of $13,267,000) of which $2,349,000 related to a fair value decrease in properties due to a write down of capital expenditure that has been incurred. The fair value was based on an independent valuation completed with a capitalisation rate of 6.00% adopted for each property. Compared to the previous independent valuation of $66.0 million undertaken as at 31 December 2020, the assets have increased in value by $1.5 million or 2.3% to $67.5 million. The slight increase from the previous independent valuation is attributed to a reduction in below the line present value adjustments.

The Group has performed below expectations for the first 6 months of FY22 which ultimately saw a reduction in the distribution rate from 1 November 2021. The lower distribution rate was considered appropriate as a result of persistent vacant tenancies exacerbated by a COVID-19 affected leasing environment in NSW. Despite these factors impacting the Fund's cashflows, the Directors of the Responsible Entity remain confident that the Group is well placed for the future, can continue trading and realise assets and discharge liabilities in its ordinary course of business.

The Group remains well placed for the following reasons:

- The buildings are occupied by quality tenants across a broad range of services and industries including Federal government tenants, resource sector tenants, legal services and other service industries with government related contracts;
- The Group continues to have positive discussions with a number of tenants regarding their lease expiries in FY22;
- The Group's loan to value ratio (LVR) is currently 32.53%, below the debt covenant of 55%;
- The interest coverage ratio (ICR), which is the multiple of income received compared to the interest expense, is 5.42 times compared to the debt covenant of 2.0 times;
- In order to protect the Group against fluctuations in interest rates, 91% of the Group's debt interest expense is hedged at a fixed rate; and
- Both the bank debt facility and interest rate hedge are due to expire in December 2024, ensuring there is no near-term refinancing risk.

Overview and outlook

The Group will continue to seek to increase the value of its properties through active property management, leasing the vacant space and extending the lease terms of the tenants to maximise the properties income and the weighted average lease expiry ("WALE").

Directors' Report

The Directors of Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) as the Responsible Entity of Dexus Regional Property Fund (the Fund, previously known as APN Regional Property Fund) and its controlled entities (the Group), present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2021.

On 5 October 2021, the Responsible Entity approved the change of name for the Fund from APN Regional Property Fund to Dexus Regional Property Fund.

Directors

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

Directors	Appointed
Geoff Brunsdon AM, B.Com, CA, F Fin, FAICD[1]	19 October 2009
Howard Brenchley, BEc	16 March 1998
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD	30 April 2012
Michael Johnstone, BTRP, LS, AMP (Harvard)	25 November 2009
Deborah Coakley, BBus, GAICD[2]	19 August 2021
Joseph De Rango, BCom, BBIS (IBL), MAICD - Alternate Director for Howard Brenchley	2 September 2019

1. On 2 February 2022, Mr Brunsdon announced his resignation from the DXAM Board effective 28 February 2022.
2. Ms Coakley was appointed an Executive Director on 19 August 2021.

Principal activities

The principal activity of the Group is to own and manage commercial properties that offer sustainable distributions with the potential for income and capital growth. There has been no significant change in the activities of the Group during the half year. The Group did not have any employees during the period.

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on page 2 of this Interim Report.

Significant changes in the state of affairs

During the six months to 31 December 2021, the Group had the following significant changes in its state of affairs:

1. On 13 August 2021, Dexus PG Limited (DXPG, previously APN Property Group Limited or APN), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus, listed on the ASX under code "DXS")). Accordingly, APN and its controlled entities are now wholly owned subsidiaries of Dexus. APN Regional Property Fund was rebranded to Dexus Regional Property Fund effective 5 October 2021.

Distributions

Distributions of $1,059,000 were declared by the Group during the half year ended 31 December 2021 (31 December 2020: $1,279,000).

Details of distributions paid and/or payable during the half year are outlined in note 2 of the interim Consolidated Financial Statements.

Auditor's Independence Declaration

A copy of the external Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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 interim Consolidated Financial Statements 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 23 February 2022.

Geoff Brunsdon AM

Chair

23 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Dexus Regional Property Fund for the half-year ended 31 December 2021, 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
23 February 2022

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Note	**31 Dec 2021 $'000**	31 Dec 2020 $'000
Revenue from ordinary activities			
Property revenue	1	**2,157**	2,857
Straight-line rental income recognition		**55**	49
Total revenue from ordinary activities		**2,212**	2,906
Other income			
Interest income		**-**	1
Net fair value (loss) / gain on investment properties		**(2,349)**	11,518
Fair value gain on derivatives		**379**	70
Total other income		**(1,970)**	11,589
Total income		**242**	14,495
Expenses			
Property costs		**(564)**	(563)
Management fees	8	**(228)**	(182)
Finance costs		**(294)**	(316)
Other expenses		**(247)**	(167)
Total expenses		**(1,333)**	(1,228)
(Loss) / profit for the period		**(1,091)**	13,267
Other comprehensive income		**-**	-
Total comprehensive income for the period		**(1,091)**	13,267

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 2021

	Note	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets			
Cash and cash equivalents		**426**	277
Trade and other receivables		**188**	218
Other assets		**309**	249
Total current assets		**923**	744
Non-current assets			
Derivative financial instruments	4	**229**	-
Investment properties	3	**67,500**	67,350
Total non-current assets		**67,729**	67,350
Total assets		**68,652**	68,094
Current liabilities			
Trade and other payables		**(1,800)**	(545)
Distribution payable	2	**(167)**	(213)
Derivative financial instruments	4	**-**	(73)
Total current liabilities		**(1,967)**	(831)
Non-current liabilities			
Derivative financial instruments	4	**-**	(77)
Borrowings	4	**(21,914)**	(20,265)
Total non-current liabilities		**(21,914)**	(20,342)
Total liabilities		**(23,881)**	(21,173)
Net assets		**44,771**	46,921
Equity			
Contributed equity	7	**19,563**	19,563
Retained earnings		**25,208**	27,358
Total Equity		**44,771**	46,921

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 2021

	Note	Contributed equity $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 2020		19,563	15,677	35,240
Profit for the period		-	13,267	13,267
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	13,267	13,267
Distributions paid and payable	2	-	(1,279)	(1,279)
Total transactions with owners in their capacity as owners		-	(1,279)	(1,279)
Balance at 31 December 2020		19,563	27,665	47,228
Balance at 1 July 2021		**19,563**	**27,358**	**46,921**
Loss for the period		-	**(1,091)**	**(1,091)**
Other comprehensive income		-	**-**	**-**
Total comprehensive income for the period		-	**(1,091)**	**(1,091)**
Distributions paid and payable	2	-	**(1,059)**	**(1,059)**
Total transactions with owners in their capacity as owners		-	**(1,059)**	**(1,059)**
Balance at 31 December 2021		**19,563**	**25,208**	**44,771**

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 2021

	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**2,129**	2,550
Payments in the course of operations (inclusive of GST)	**(661)**	(867)
Interest received	**-**	1
Finance costs paid	**(290)**	(322)
Net cash inflow from operating activities	**1,178**	1,362
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(1,552)**	(270)
Net cash outflow from investing activities	**(1,552)**	(270)
Cash flows from financing activities		
Proceeds from borrowings	**1,628**	198
Distributions paid	**(1,105)**	(1,271)
Net cash inflow / (outflow) from financing activities	**523**	(1,073)
Net increase in cash and cash equivalents	**149**	19
Cash and cash equivalents at the beginning of the period	**277**	699
Cash and cash equivalents at the end of the period	**426**	718

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 general purpose 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 2021.

The accounting policies and methods of computation adopted in the preparation of the interim Consolidated Financial Statements are consistent with those adopted and disclosed in the Group's annual Consolidated Financial Statements for the financial year ended 30 June 2021. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. 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.

The interim Consolidated Financial Statements were authorised for issue by the Directors on 23 February 2022.

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 Fund. The Directors of the Responsible Entity regularly consider the investment strategy for the Fund's assets and are currently exploring a potential sale of the Fund's two properties.

As at the date of the interim Consolidated Financial Statements being signed, a decision to commence a sales campaign had not been committed to. 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 Fund 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.

Net current asset deficiency

As at 31 December 2021, the Group had a net current asset deficiency of $1,044,000 (30 June 2021: deficiency of $87,000). This is primarily due to lease incentives payable to tenants of $1,172,000 (30 June 2021: nil). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of $4,439,000 (30 June 2021: $6,067,000). In determining the basis of preparation of the financial report, the Directors of the Responsible Entity, have taken into consideration the unutilised facilities available to the Group. As such the Group is a going concern and the interim Consolidated Financial Statements have been prepared on that basis.

Basis of preparation (continued)

Critical accounting estimates

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

The economic impacts resulting from the Government imposed restrictions in a response to the COVID-19 pandemic, have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses.

The first half of the financial year saw the continuation of COVID-19 lockdowns in Sydney and Melbourne, which impacted the economy and the ability for business to trade normally. Despite this, the vaccine was successfully rolled out across Australia enabling the easing of restrictions before Christmas. Subsequently, the Omicron variant of COVID-19 continues to impact confidence, creating challenges in supply chains and delaying the new year return to the office which is expected to persist for the first quarter of 2022.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to COVID-19 related uncertainties. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments, and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

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

Group performance	Property portfolio assets	Capital structure, financing and risk management	Other disclosures
1. Property revenue	3. Investment properties	4. Borrowings	8. Related party transactions
2. Distributions paid and payable		5. Fair value measurement	9. Subsequent events
		6. Commitments and contingencies	
		7. 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 Property revenue and Distributions paid and payable.

Note 1 Property revenue

Revenue from investment properties comprises of lease components (including base rent and amortisation of incentives) and non-lease components that primarily consists of property outgoing recoveries.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Rental income	**1,669**	2,283
Outgoing recoveries	**488**	574
Total revenue	**2,157**	2,857

Note 2 Distributions paid and payable

	31 Dec 2021		31 Dec 2020	
	Cents per unit	**$'000**	Cents per unit	$'000
Distributions paid during the period	**3.5567**	**892**	4.250	1,066
Distributions payable	**0.6667**	**167**	0.850	213
Total distributions paid and payable	**4.2234**	**1,059**	5.100	1,279

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 operations of the Group. The assets are detailed in the following notes:

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

Note 3 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 and 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.

Reconciliation of carrying amount

	For the 6 months to 31 Dec 2021 $'000	For the 12 months to 30 Jun 2021 $'000
Carrying amount at beginning of the period	**67,350**	54,247
Capital additions to existing investment properties	**1,427**	1,112
Capitalised leasing incentives and fees	**1,190**	623
Amortisation of lease incentives and fees	**(173)**	(200)
Straight line rental revenue recognition	**55**	93
Net (loss) / gain on fair value adjustments[1]	**(2,349)**	11,475
Carrying amount at end of the period	**67,500**	67,350

[1] The net gain in fair value adjustments is unrealised and has been recognised as "Net fair value (loss)/gain on investment properties" in the Consolidated Statement of Comprehensive Income.

Individual valuation and carrying amounts

The Group's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties being valued. Independent valuations were performed by Colliers International Valuation & Advisory Services (30 June 2021: all properties were internally valued by internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms, reviewed and approved by the Board of the Responsible Entity).

Impact of COVID-19 on fair value of investment properties

There is a significant level of uncertainty in relation to the ultimate impact of COVID-19 on the Group's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 31 December 2021, including adjusted market rental growth, downtime and incentive assumptions within the discounted cashflow. Capitalisation and discount rates have remained unchanged since 30 June 2021, at 6.00% and 6.50% respectively. The Group considers that the assumptions used in the valuations are materially appropriate for the purposes of determining fair value of investment properties at 31 December 2021.

Capital structure, financing and risk 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: *Borrowings* in note 4, *Fair value measurement* in note 5 and *Commitments and contingencies* in note 6;
- Equity: *Contributed equity* in note 7.

Note 4 Borrowings

	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current		
Bank loans drawn – secured	**(21,961)**	(20,333)
Capitalised borrowing costs	**47**	68
Total non-current borrowings	**(21,914)**	(20,265)

Summary of borrowing arrangements

The cash advance facility is secured over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement). The facility expires on 31 December 2024.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Cash advance facility limit	**26,400**	26,400
Cash advance facility utilised at balance date	**(21,961)**	(20,333)
Cash advance facility undrawn	**4,439**	6,067

The facility agreement 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 as follows:

		31 Dec 2021	30 Jun 2021
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 55%.	**32.53%**	30.19%
Interest Cover Ratio ("ICR")	At all times, ICR is not less than 2.0 times.	**5.4 times**	5.0 times

Note 4 Borrowings (continued)

Derivatives – interest rate contract

The Group has exposure to a debt facility that is subject to floating interest rates. The Group uses a derivative financial instrument to manage its exposure to interest rates such as an interest rate swap (to lock in fixed interest rates).

The derivative financial instrument is entered into on terms that provide pari-passu security and cross collateralisation rights over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement) pursuant to the Group's debt facility.

The interest rate contract settles on a quarterly basis coinciding with the dates on which the interest is payable on the underlying debt. The floating rate incurred on the debt is Australian BBSY. The difference between the fixed and floating interest rate is settled on a net basis with the relevant counterparty. The interest rate contract has not been identified as a hedging instrument and any movement in the fair value is recognised immediately in the Consolidated Statement of Comprehensive Income.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current assets		
Interest rate contracts	**229**	-
Current liabilities		
Interest rate contracts	**-**	(73)
Non-current liabilities		
Interest rate contracts	**-**	(77)
Total interest rate contracts	**229**	(150)

Note 5 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.

The derivative financial instrument was 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 6 Commitments and Contingencies

During the year, the Group entered into the following contractual obligations:

- a minor works agreement to complete retiling works on the podium levels for both investment properties at a contract value of $750,000. As at 31 December 2021, $56,000 remained outstanding.
- a minor works agreement to complete makegood works and bathroom upgrades for one of its investment properties at a contract value of $910,000. As at 31 December 2021, $86,000 remained outstanding.
- an Agreement for Lease was entered into with a tenant for a seven year lease term within one of the investment properties where a tenant incentive of $1,132,000 is to be paid at lease commencement. As at 31 December 2021 $1,066,000 remains outstanding.
- On 11 November 2021 the Group received a NSW Government directed Fire Safety Order requiring the removal of the cladding from the façade of 26 Honeysuckle Drive. Investigations are ongoing regarding cost, however the initial cost estimate is in the order of $2 million. The estimated cost has been allowed for within the present value adjustments of the 31 December 2021 independent valuation. A scope of works is being prepared with a full construction tender to be undertaken to remove the cladding.

The Directors of the Responsible Entity are not aware of any commitments or 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.

Note 7 Contributed equity

	31 Dec 2021		31 Dec 2020	
	No.'000	**$'000**	No.'000	$'000
At the beginning of the period	**25,078**	**19,563**	25,078	19,563
At the end of the period	**25,078**	**19,563**	25,078	19,563

Other disclosures

In this section

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

Note 8 Related party transactions

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.

Transactions with the Responsible Entity and related body corporates

The Responsible Entity and Manager of Dexus Regional Property Fund is DXAM. On 13 August 2021, Dexus PG Limited (ACN 109 846 068), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus). Effective from that date, APN and its controlled entities are wholly owned subsidiaries of Dexus. DXAM's immediate parent entity is Dexus PG Limited (previously APN Property Group Limited).

Accordingly, transactions with entities related to Dexus PG Limited are disclosed below:

	31 Dec 2021		31 Dec 2020	
	Paid $'000	**Payable $'000**	Paid $'000	Payable $'000
Management fees [1]	**113**	**115**	91	91
Registry fees	**5**	**5**	5	5
Accounting fees	**5**	**5**	5	5
Reimbursement of costs paid [2]	**1**	**1**	9	-
Total	**124**	**126**	110	101

[1] DXAM is entitled to a base management fee of 0.65% per annum of the Gross Asset Value of the Group. In addition, the Manager has been appointed, on a non-exclusive basis, to provide property management, financial management, leasing and rent review and project supervision services.

[2] The Responsible Entity/Manager is entitled to be reimbursed for all reasonable expenses properly incurred in the performance of services.

Unitholdings and associated transactions with related parties

The below table shows the number of the Fund's units held by related parties (including managed investment schemes for which DXAM is the Responsible Entity or Investment Manager) and the distributions received or receivable:

	31 Dec 2021		31 Dec 2020	
	No. of units	**Distributions $**	No. of units	Distributions $
Dexus PG Limited	**819,223**	**34,599**	971,162	152,274
Howard Brenchley	**91,474**	**3,863**	91,474	4,665
Chris Aylward[1]	**n/a**	**n/a**	2,439,704	124,425
Total	**910,697**	**38,462**	3,502,340	281,364

[1] Mr Aylward resigned as Director of Dexus PG Limited on 13 August 2021.

Note 9 Subsequent events

After the reporting period, lease documentation has been entered into with a tenant whereby they will surrender their current lease and enter into a new 10-year lease and increase the size of their tenancy from 588sqm to 1,003sqm. As part of the new lease, a tenant incentive of $670,000 is to be paid. In addition, a leasing fee of $68,000 is payable to the leasing agent.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Date*, the Group considered whether events after the reporting period confirmed conditions that existed before the reporting date, e.g., bankruptcy of customers. Consideration was given to the macro-economic impact of COVID-19 including any government imposed restrictions or border closures since 31 December 2021, and the Group concluded that the amounts recognised in the interim Consolidated Financial Statements and the disclosures therein are appropriate. The economic environment is subject to rapid change and updated facts and circumstances continue to be closely monitored by the Group.

Since the end of the period, other than the matters disclosed above, the Directors of the Responsible Entity 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 2021 and of its performance for the half year ended on that date.

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.

Geoff Brunsdon AM

Chair

23 February 2022

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 2021, 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 the 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 2021 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 (the Directors) 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 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 2021 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
23 February 2022