

Management report to Council

Agenda item 6.3

Regent Management Company Pty Ltd: Trading Results for the financial year ended 30 June 2022

Council

Presenter: Michael Tenace, General Manager Finance and Corporate and Chief Financial Officer

27 June 2023

Purpose and background

1. The purpose of this report is to inform Council of the financial performance for the year ended 30 June 2022 of Regent Management Company Pty Ltd (the Company). Good governance practice dictates that an organisation monitors performance of all entities in which it holds an equity interest.
2. The Company's shares are held equally by Melbourne City Council and the Victorian Government.
3. The Company was incorporated to oversee the reconstruction of the Regent Theatre, operate as landlord of the Regent Theatre and to enter into a refurbishment agreement for the restoration and lease of the theatre. The refurbishment has been completed and the Company operates solely as landlord of the Regent Theatre.

Key issues

4. The Company reported an operating loss of \$0.89 million for the financial year ended 30 June 2022. The main revenue during the year was operating lease income of \$0.63 million. The loss was mainly as a result of depreciation expense of \$1.43 million from the post renovation capitalisation of increased building value of \$12.50 million in financial year 2019–20.
 - 4.1. During the financial year, the Company continued to have the rental waiver in place up to January 2022 to assist the Marriner Group to cope with the decreased patrons following the pandemic.
5. The Company's cash and cash equivalents had slightly decreased by \$0.03 million and was sitting at \$0.23 million. The term deposit investment was \$1.26 million, up \$0.25 million compared to last year.
6. Total equity of \$19.24 million is made up of \$25.73 million of issued capital and \$3.63 million of reserves, which is offset by accumulated losses of \$10.12 million. The accumulated losses are largely the result of building depreciation over the years.

Recommendation from management

7. That Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2022.

Attachments:

1. Supporting Attachment (Page 2 of 27)
2. Regent Management Company Pty Ltd – Financial Results for the year ended 30 June 2022 (Page 3 of 27)
3. Financial Statements Regent Management Company Pty Ltd 30 June 2022 and VAGO Audit Opinion (Page 4 of 27)

Supporting Attachment

Legal

1. There are no direct legal issues arising from the recommendation in this report.

Finance

2. There are no direct financial implications arising from the report.

Conflict of interest

3. Alison Leighton, Acting Chief Executive Officer and Katrina McKenzie, General Manager City Economy and Activation, are respectively member and alternate member of the Company Board. Megan Bowler, Legal Counsel is the Secretary of the Company. No other member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a general or material conflict of interest in relation to the matter of the report.

Health and Safety

4. In developing this report, no health and safety issues or opportunities have been identified.

Stakeholder consultation

5. Consultation with Mutual Trust Pty Ltd as accountants for the Company has been undertaken in preparation of this report.

Relation to Council policy

6. The report is prepared in accordance with the governance requirements of the Income and Investments Panel.

Environmental sustainability

7. There is no significant impact on environmental sustainability associated with the recommendation in this report.

Regent Management Company Pty Ltd – Financial Results for the year ended 30 June 2022

Financial Performance for FY2021-22

1. The Company reported an operating loss of \$0.89 million for the year ended 30 June 2022. The main revenue during the year was operating lease income of \$0.63 million, which was offset by the high depreciation expense of \$1.43 million resulting from the post renovation capitalisation of increased building value of \$12.50 million in FY2019-20.

During the financial year, the Company continued to have the rental waiver in place up to January 2022 to assist the Marriner Group to cope with the decreased patrons following the pandemic. There was no intention for the company to increase subsequent rent payment to recoup the waiver. Rental waived that related to past occupancy had been expensed in the Profit and Loss statement as rent abatement, and rental waiver for the future months have been embedded in the lease income calculation and will be reallocated to and recognised over the remaining lease term.

2. The Company's cash and cash equivalents decreased slightly by \$0.03 million from the previous year and was sitting at \$0.23 million. Term deposit investment increased by \$0.25 million at \$1.26 million.
3. Total equity of \$19.24 million is made up of \$25.73 million of issued capital and reserves of \$3.63 million offset by accumulated losses of \$10.12 million. The accumulated losses are largely the result of building depreciation over the years.

Dividends

4. Consistent with previous years, due to the retained losses incurred, the Board has neither declared nor paid any dividends from retained earnings for the year ended 30 June 2022.

Directors

5. The Board consists of one Council appointed director and one Victorian Government appointed director, an alternate director is also appointed by each organisation. There are no fees paid to directors.
6. Alison Leighton, Council's Acting Chief Executive Officer, is the Council's appointed director. Council's alternate director is Katrina McKenzie, General Manager City Economy and Activation.

Audit Issues

The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2022. There are no matters arising from the financial audit for this financial year.

**REGENT MANAGEMENT COMPANY PTY LIMITED
A.C.N. 062 841 043**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

REGENT MANAGEMENT COMPANY PTY LIMITED

**FINANCIAL REPORT
FOR THE YEAR ENDED
30th JUNE 2022**

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REGENT MANAGEMENT COMPANY PTY LIMITED

DIRECTORS' REPORT

The directors present their report on the company for the financial year ended 30 June 2022.

Directors

The names of the directors in office at anytime during or since the end of the year are:

Justin Hanney (resigned 21 November 2022)
Andrew Abbott (resigned 14 October 2022)
Max Coffman
Katrina Ann McKenzie
Claire Febey (appointed 14 October 2022)
Alison Leighton (appointed 20 November 2022)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The loss of the company for the financial year after providing for income tax amounted to \$893,703.

A review of the operations of the company during the financial year and the results of those operations are to operate solely as landlord of The Regent Theatre.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year were:

No significant changes in the nature of these activities occurred during the financial year.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends have been paid or declared since the start of the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the board of directors.

Director


Max Coffman

Director


Katrina McKenzie

REGENT MANAGEMENT COMPANY PTY LIMITED

DIRECTORS' DECLARATION

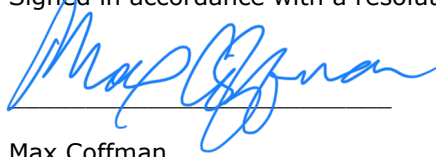
FOR THE YEAR ENDED 30th JUNE 2022

In the opinion of the directors of Regent Management Company Pty Ltd:

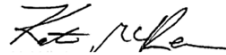
- a) The accompanying financial statements and notes, as set out on pages 4 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2022 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 2nd day of June, 2023.

Signed in accordance with a resolution of the directors:



Max Coffman
Director



Katrina McKenzie
Director

REGENT MANAGEMENT COMPANY PTY LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30th JUNE 2022**

	NOTE	2022 \$	2021 \$
Revenue from operations	2	636,840	606,915
Depreciation	6	(1,426,499)	(1,909,977)
Other expenses	2	<u>(104,044)</u>	<u>(189,138)</u>
(Loss)/profit for the year		<u>(893,703)</u>	<u>(1,492,200)</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income attributable to members		<u><u>(893,703)</u></u>	<u><u>(1,492,200)</u></u>

The above statement of comprehensive income should be read with accompanying notes.

REGENT MANAGEMENT COMPANY PTY LIMITED

BALANCE SHEET
AS AT 30th JUNE 2022

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	226,468	257,947
Trade and other receivables	4	1,189	5,374
Investments	5	<u>1,258,992</u>	<u>1,005,550</u>
TOTAL CURRENT ASSETS		<u>1,486,649</u>	<u>1,268,871</u>
NON CURRENT ASSETS			
Lease incentive	4	921,905	599,882
Fixed assets	6	<u>17,281,792</u>	<u>18,708,291</u>
TOTAL NON CURRENT ASSETS		<u>18,203,697</u>	<u>19,308,173</u>
TOTAL ASSETS		<u>19,690,346</u>	<u>20,577,044</u>
CURRENT LIABILITIES			
Trade and other payables	7	<u>24,524</u>	<u>17,548</u>
TOTAL CURRENT LIABILITIES		<u>24,524</u>	<u>17,548</u>
NON CURRENT LIABILITIES			
Trade and other payables	7	<u>423,642</u>	<u>423,613</u>
TOTAL NON CURRENT LIABILITIES		<u>423,642</u>	<u>423,613</u>
TOTAL LIABILITIES		<u>448,166</u>	<u>441,161</u>
NET ASSETS		<u>19,242,180</u>	<u>20,135,883</u>
EQUITY			
Contributed equity	9	25,731,000	25,731,000
Asset Revaluation Reserve		3,634,863	3,634,863
Accumulated losses	8	<u>(10,123,683)</u>	<u>(9,229,979)</u>
TOTAL EQUITY		<u>19,242,180</u>	<u>20,135,883</u>

The above balance sheet should be read with accompanying notes.

REGENT MANAGEMENT COMPANY PTY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30th JUNE 2022**

		<u>Issued Capital</u>			
		Ordinary	Accumulated Losses	Asset Revaluation Reserve	Total
	NOTE				
RESTATED BALANCE AT 30 JUNE 2020		<u>25,731,000</u>	<u>(7,737,779)</u>	<u>3,634,863</u>	<u>21,628,084</u>
Profit/(loss) for the year	8	-	(1,492,201)	-	(1,492,201)
Revaluation increment (decrement)	6	-	-	-	-
BALANCE AT 30 JUNE 2021		<u>25,731,000</u>	<u>(9,229,979)</u>	<u>3,634,863</u>	<u>20,135,883</u>
Profit/(loss) for the year	8	-	(893,703)	-	(893,703)
BALANCE AT 30 JUNE 2022		<u>25,731,000</u>	<u>(10,123,683)</u>	<u>3,634,863</u>	<u>19,242,180</u>

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

REGENT MANAGEMENT COMPANY PTY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30th JUNE 2022**

	NOTE	2022 \$ Inflows (Outflows)	2021 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and other income		284,447	5,916
Payments to suppliers		(65,956)	(91,841)
Net cash (outflow) / inflow from operating activities	11(b)	<u>218,491</u>	<u>(85,925)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Re-investment of term deposit		(250,000)	-
Net cash (outflow) / inflow from investing activities	11(c)	<u>(250,000)</u>	<u>-</u>
Net increase in cash held		(31,480)	(85,925)
Cash at beginning of financial year		257,947	343,872
Cash at end of financial year	11(a)	<u><u>226,468</u></u>	<u><u>257,947</u></u>

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

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2022**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The company is a profit entity, and financial reports have been prepared on a going concern basis. All amounts have been rounded to the nearest dollar unless otherwise specified.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for the entity Regent Management Company Pty Ltd as an individual entity. Regent Management Company Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Statement of Compliance

Compliance with AIFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). The financial report complies with Australian Accounting Standards.

The financial report is prepared on an accruals basis, except for the cash flow information, whereby assets, liabilities, equity, revenue and expenses are recognised in the reporting period to which they relate regardless of when the cash is received or paid. The financial report is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

These annual financial statements were authorised for issue as at the date of directors report.

a) Fixed Assets

Buildings are carried at fair value adjusted for any impairment losses.

The company currently measures land and buildings at independent valuation performed by Mr Terry Dwyer and Ms Taylah Theurna from Charter Keck Kramer. Fixtures and fittings are held at cost.

Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation

The depreciable amount of all buildings and fixtures and fittings is depreciated on a diminishing value method, over their useful lives to the company commencing from the time the asset is held ready for use. The depreciable amount of all buildings is depreciated on a prime cost basis, over their useful lives to the company commencing from the time the asset is held ready for use.

In accordance with AASB 108, there have been changes in accounting estimates with how the company's fixed assets are depreciated. The depreciation rates used for buildings, and fixtures and fittings range from 2.5% to 40%. See below:

- Buildings: 2.5%
- Fixtures and Fittings: 20%
- Technology-related items: 40%

Impairment of Assets

All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2022**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Income Tax

The company is exempt from income tax by virtue of Section 50-25 of the Income Tax Assessment Act 1997.

c) Cash and Cash Equivalents

For purposes of the report of cash flows, cash includes deposits at call with banks or financial institutions, investments in money market instruments maturing within three months, net of bank overdrafts.

Investments that mature more than three months after investment start date are classified separately.

d) Trade and Other Receivables

Interest receivable is recorded up to 30 June 2022 on term deposits.

e) Trade and Other Payables

Payables represent liabilities for goods and services provided to Regent Management Company Pty Ltd prior to the end of the financial period that are unpaid.

f) Contributed Equity

Contributed equity is made up of Class A and Class B shares. Class A shares are owned by the Melbourne City Council and Class B shares are owned by the Victorian State Government.

g) Revenue Recognition

The company has applied AASB 15: *Revenue from Contracts with Customers* recognised on receipt/overtime.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rent revenue is recognised according to AASB 9 (Financial Instruments) and AASB 16 (Leases), taking into account the impacts of the rent waivers due to the COVID-19 pandemic. As a result, rent waived that relates to past occupancy (already due and payable) is expensed immediately in the profit & loss (rent abatement). In addition, rent that is waived in advanced of the amounts becoming due and payable is taken into consideration when calculating the total revised consideration for the remaining lease and is reallocated to and recognised over the remaining lease term.

h) Events occurring after reporting date

Please see note 19 as a result of the COVID-19 pandemic.

i) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2022**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Risk Management

The company's activities expose it to a variety of risks including interest rate and other price risks. The company does not deal in any foreign currency and therefore has no exposure to foreign currency risk.

The company's overall risk management programme focuses on creating a natural hedge within the company. The company's experience in the past has been to mirror its exposure to risk to economic cycles and has always felt that this approach is appropriate for the company.

Risk management is the responsibility of the finance team under policies approved by the Board of Directors. The Board meet half yearly to discuss issues within the company and determine the best policies to assist with financial risk mitigation.

The company considers that the above approach is appropriate given the business model that it operates under. The Board feels that it is able to respond to risk mitigation issues in a timely and adequate manner.

k) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: *Revenue from Contracts with Customers*.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2022**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

I) Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2022 reporting period. The company has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

- *AASB 2021-3 Amendments to Australian Accounting Standards - Covid-10 Related Rent Concessions beyond 30 June 2021.*
- *AASB 2020-2 Amendments to Australian Accounting Standards - Covid-10 Related Rent Concessions: Tier 2 Disclosures.*
- *AASB 2020-7 Amendments to Australian Accounting Standards - Covid-19-Rent Related Concessions: Tier 2 Disclosures.*
- *AASB 2020-8 Amendments to Australian Accounting Standards - Interest rate benchmark reform - phase 2.*
- *AASB 2020-9 Amendments to Australian Accounting Standards - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.*
- *AASB 2021-2 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current*
- *AASB 2022-1 Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information*

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

	2022	2021
	\$	\$
NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS		
The specific operating revenues for the year are made up as follows:		
Interest revenue	4,538	5,396
Operating lease income*	632,302	601,519
	636,840	606,914
Profit for the year includes the following specific expenses:		
Accountancy Expenses	37,651	63,636
Auditing Expenses (Victorian Auditor-General's Office)	6,900	6,800
Bank Fees and Taxes	4	3
Filing Fees	276	273
Rent Abatement	51,713	103,427
Property Valuation Fees	7,500	15,000
	104,044	189,138
NOTE 3 – CASH AND CASH EQUIVALENTS		
Current		
Cash at Bank	226,468	257,947
	226,468	257,947
NOTE 4 – TRADE AND OTHER RECEIVABLES		
Current		
Interest receivable	1,189	118
GST refundable	-	5,256
	1,189	5,374
Non-Current		
Lease incentive	921,905	599,882
	921,905	599,882
NOTE 5 - INVESTMENTS		
Current		
Term Deposits	1,258,992	1,005,550
	1,258,992	1,005,550

* Please note \$258,566.27 in rent (net amount of GST) was received in cash.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

	2022 \$	2021 \$
NOTE 6 – FIXED ASSETS		
Land - at independent valuation	3,300,000	3,300,000
Buildings	11,461,375	11,461,375
Accumulated depreciation - Buildings	(1,460,671)	(976,469)
	10,000,704	10,484,906
Furniture and Fittings	7,126,236	7,126,236
Accumulated depreciation - Furniture and Fittings	(3,145,148)	(2,202,851)
	3,981,088	4,923,385
Total Fixed Assets	17,281,792	18,708,291

2022

	Land \$	Buildings	Furniture & Fittings \$	Total \$
Reconciliation of Carrying Amount				
Balance at beginning of period	3,300,000	10,484,907	4,923,385	18,708,292
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(484,203)	(942,297)	(1,426,499)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	3,300,000	10,000,704	3,981,088	17,281,792

2021

	Land \$	Buildings	Furniture & Fittings \$	Total \$
Reconciliation of Carrying Amount				
Balance at beginning of period	3,300,000	11,044,052	6,274,217	20,618,269
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(559,145)	(1,350,832)	(1,909,977)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	3,300,000	10,484,907	4,923,385	18,708,291

The valuation of land and buildings is measured at fair value. Fair value is measured or disclosed in the financial statements within a fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purposes of fair value disclosures, the directors have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Based off the hierarchy, the fair value of land is measured at Level 2, and buildings at level 3.

In November 2020, a valuation of the land and buildings was undertaken by Terry Dwyer (API member no. 63316) and Taylah Theuma (API member no. 104608) of Charter Keck Kramer. The land was valued using the direct comparison method, which involved applying a value rate to the land area, with the adopted value rate derived from analysis of comparable sales evidence. The buildings were valued using the capitalisation income approach - which involves the valuer estimating the potential annual sustainable gross market rent of the buildings as at the date of valuation. Recurring annual outgoings are then deducted to derive the net annual market income to the owner. This net annual market income is then capitalised at an appropriate rate derived from analysis of comparable sales evidence to derive a capitalised income. The valuation also considered the heritage overlays that were in place. The directors of Regent Management Company Pty Ltd have reviewed this independent valuation and are satisfied as such.

The directors have also reviewed the carrying value of land and buildings and are satisfied no impairment should be recognised.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

	2022 \$	2021 \$
NOTE 7 - TRADE AND OTHER PAYABLES		
Current		
Accounts Payable	9,811	17,548
GST Payable	14,712	-
	24,524	17,548
Non Current		
Amount due to tenant - Sinking Fund	145,819	145,789
Amount held in trust		
Repairs and Maintenance Account	27,823	27,823
Income in Advance	250,000	250,000
	423,642	423,613

In accordance with clause 11.9 to 11.22 of the Regent Management Theatre Lease Agreement and clause 4 of the Variation Agreement, the Repairs and Maintenance and Sinking Fund accounts were set up with the intention of paying any repairs and maintenance for which the tenant is responsible for under lease or for which the tenant fails to undertake in breach of their obligations.

In accordance with the original Lease Agreement, rent was payable at \$250,000 per annum. The first year's rent was paid in advance and remains on the balance sheet thereon.

NOTE 8 – ACCUMULATED LOSSES

Accumulated Losses at the beginning of the Financial Year	(9,229,979)	(7,737,779)
Net profit/(loss) from operations	(893,703)	(1,492,200)
Accumulated Losses at the end of the Financial Year	(10,123,683)	(9,229,979)

NOTE 9 – CONTRIBUTED EQUITY

Paid up capital		
12,865,500 "A" class ordinary shares	1 f)	
		12,865,500
12,865,500 "B" class ordinary shares	1 f)	
		12,865,500
		25,731,000
		25,731,000

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

	2022	2021
	\$	\$

NOTE 10 – KEY MANAGEMENT PERSONNEL

(a) The names of the directors who held office during the period are:-

J. Hanney (resigned 21 November 2022)
A. Abbott (resigned 14 October 2022)
M. Coffman
K. McKenzie
C. Febey (appointed 14 October 2022)
A. Leighton (appointed 20 November 2022)

(b) The directors do not receive any form of remuneration from the company.

(c) There were no related party transactions that warrant disclosure.

NOTE 11 – CASH FLOW INFORMATION

a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

Cash at Bank	226,468	257,947
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b) Reconciliation of Cash flow from operations with operating loss after income tax

Profit / (Loss)	(893,703)	(1,492,200)
Non-Cash Income	(325,465)	(503,604)
Depreciation non-cash flows in profit/(loss)	1,426,499	1,909,977
(Increase)/Decrease in receivables	4,185	(2,474)
Increase (Decrease) in trade creditors and accruals	6,975	2,377
	218,491	(85,925)

c) Investments at the end of the financial year as shown in

Term Deposits	250,000	-
	250,000	-

NOTE 12 – CAPITAL COMMITMENTS

The company has not contracted for any capital expenditure on building and related equipment for delivery after balance date.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

NOTE 13 – FINANCIAL INSTRUMENTS

a) Market Risk

The following methods and assumptions are used to determine the net fair values of the financial assets and liability.

Cash and cash equivalents

The carrying amount approximates fair value because of their short term to maturity.

Short term deposits and other financial assets and liabilities

Financial assets and liabilities are recorded at cost and are readily traded on organised markets in a standardised form.

Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate %**	Floating Interest Rate *	Fixed Interest Rate Maturities 1 year or less	Non Interest Bearing	2022 Total	2021 Total
		\$	\$	\$	\$	\$
Assets						
Cash	0.03%	52,825	-	173,642	226,468	257,947
Short Term deposits**	1.63%	1,258,992	-	-	1,258,992	1,005,550
Accounts Receivable - Current		-	-	1,189	1,189	5,374
Total Financial Assets		1,311,818	-	174,831	1,486,648	1,268,870
Liabilities						
Accounts Payable - Current		-	-	24,524	24,524	17,548
Accounts Payable - Non Current		-	-	423,642	423,642	423,613
Total Financial Liabilities		-	-	448,166	448,166	441,161
Net Financial Assets		1,311,818	-	(273,335)	1,038,482	827,709

Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2022 if interest rates increase by 1% or decrease by 0.1% on cash held on deposit with all other variables remaining constant.

Cash held on deposit

	2022	2021
Change in Profit		
- Increase in interest rate*	9,080	11,559
- Decrease in interest rate*	(3,078)	(1,046)
Change in equity		
- Increase in interest rate*	9,080	11,559
- Decrease in interest rate*	(3,078)	(1,046)

* Rates are adjusted by an increase of 1% on Cash held on deposits and decrease of 0.1% on cash deposits held.

**Annualised interest rates on term deposits held for part of the year

An increase in interest rates will have a positive impact on profits given there are no borrowings within the business.

The board believe that the sensitivity applied to the bank rate on cash held in deposit is appropriate given its level of investment in cash and the current weighted average weight of interest charged.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

NOTE 14 – FINANCIAL INSTRUMENTS**Foreign Exchange Risk**

The entity does not deal in foreign exchange therefore is not exposed to any foreign exchange risk.

b) Credit Risk

The maximum exposure to credit risk, excluding the fair value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, as disclosed in the balance sheet and note to the financial report.

The company does not have any material credit risk exposure to any single debtor under financial instruments entered into by the company.

c) Liquidity Risk

The amount included for creditors approximate their fair value. There is no exposure to interest rate fluctuations or other price adjustments given the amounts are fixed payments. This excludes the Sinking Fund and Repairs and Maintenance account, however the movements in these accounts are not taken to profit and loss due to their nature and are therefore also not exposed to interest rate fluctuations or other price adjustments.

The table below lists the contractual maturities for financial liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted cash flows	Carrying Amount
Trade and other payables	24,524	-	-	-	423,642	-	448,166
	<u>24,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,642</u>	<u>-</u>	<u>448,166</u>

d) Net Fair Values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

	2022		2021	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Assets				
Cash and Cash Equivalents	226,468	226,468	257,947	257,947
Short term deposits	1,258,992	1,258,992	1,005,550	1,005,550
Accounts Receivable - Current	1,189	1,189	5,374	5,374
Total Financial Assets	<u>1,486,649</u>	<u>1,486,649</u>	<u>1,268,871</u>	<u>1,268,871</u>
Liabilities				
Accounts Payable - Current	24,524	24,524	17,548	17,548
Accounts Payable - Non Current	423,642	423,642	423,613	423,613
Total Financial Liabilities	<u>448,166</u>	<u>448,166</u>	<u>441,161</u>	<u>441,161</u>

Valuation of land and buildings were undertaken by Charter Keck Kramer. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. The directors of Regent Management Company Pty Ltd have reviewed this independent valuation and are satisfied as such.

The directors have also reviewed the carrying value of land and buildings and are satisfied no impairment should be recognised.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

NOTE 15 – OPERATING LEASE RECEIVABLE

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2022	2021
	\$	\$
Receivable		
- not later than 12 months	671,957	310,280
- between 12 months and 5 years	2,743,823	2,327,096
- greater than 5 years	12,823,173	13,135,166
	<u>16,238,953</u>	<u>15,772,541</u>

The current lease was entered into on 17 September 1996 and is for a term of 50 years.

NOTE 16 – CONTINGENT LIABILITY

The company has an obligation to pay the holding costs of the theatre land and buildings owned by the company. These holding costs are payable in the first instance by a tenant under a commercial lease entered into by the company. The company's obligation only arises if the tenant fails to comply with the terms of the lease.

NOTE 17 - COMPANY DETAILS

The registered office of the Company is:

Regent Management Company Pty Ltd
Level 3, 90 Swanston Street
Melbourne VIC 3000

The principal place of business is:

Regent Management Company Pty Ltd
Level 3, 90 Swanston Street
Melbourne VIC 3000

NOTE 18 - NON-ADJUSTING POST BALANCE DATE EVENT

Although Covid-19 restrictions largely scaled back to normal, an agreement was reached with the tenant to assist with decreased patrons. Notably, there were rental waivers in place up until December 2021.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th JUNE 2022

NOTE 19 - IMPACT OF COVID-19

In March 2020, the World Health Organisation declared COVID-19 pandemic. The company has identified the following impacts on its assets and operations for the year ended 30 June 2022:

Rental waivers with the Marriner Group ceased in January 2022, with rent being received again in February 2022 onwards - indicating a return to pre-Covid levels of business activity.

These rental waivers were agreed upon in order to assist with the decreased patrons following the pandemic.

Independent Auditor's Report

To the Directors of Regent Management Company Pty Limited

Opinion	<p>I have audited the financial report of Regent Management Company Pty Limited (the company) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • statement of comprehensive income for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> • giving a true and fair view of the financial position of the company as at 30 June 2022 and its financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
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Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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Other information	<p>The Directors of the company are responsible for the Other Information, which comprises the information in the company's annual report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
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Directors' responsibilities for the financial report	<p>The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the <i>Corporations Act 2001</i>, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors • conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial report (continued)

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
6 June 2023



Travis Derricott
as delegate for the Auditor-General of Victoria

Auditor-General's Independence Declaration

To the Board of Directors, Regent Mangement Company Pty Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Regent Mangement Company Pty Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
6 June 2023



Travis Derricott
as delegate for the Auditor-General of Victoria