

Management report to Council

Agenda Item 6.6

Regent Management Company Pty Ltd: trading results to 30 June 2013

29 October 2013

Presenter: Phu Nguyen, Chief Financial Officer

Purpose and background

1. The purpose of this report is to inform the Council of the financial performance for the year ended 30 June 2013 of the Regent Management Company Pty Ltd (the Company). Good governance practice dictates that an organisation monitors performance of all entities in which they hold an equity interest.
2. The Company was incorporated under the then *Corporations Law* in April 1994. The Company was established pursuant to ministerial consent under section 193 of the *Local Government Act 1989*.
3. The Company's shares are held equally by the Council and the State Government.
4. 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

5. As per prior years, the Company reported an operating loss of \$394,263 for the year ended 30 June 2013. This loss was mainly due to depreciation of buildings and equipment of \$591,555. However, due to the revaluation of the Regent Theatre, the Company reported a total profit of \$2,592,662.
6. Whilst the Company is reporting an operating loss for the year due mainly to depreciation, it remains in a solid financial position and experienced an operating cash inflow of \$209,184.

Recommendation from management

7. That the Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2013.

Attachments:

1. Supporting Attachment
2. Regent Management Company Pty Ltd – Financial Performance Results to 30 June 2013
3. Financial Statements Regent Management Company Pty Ltd 30 June 2013 and VAGO Audit Opinion

SUPPORTING ATTACHMENT

Legal

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

Finance

1. There are no direct financial implications arising from the report.
2. While current maintenance and repairs are being undertaken by the tenant to ensure the building is kept to a high standard, at some point in the longer term additional funds may be required to meet asset management requirements. No immediate or medium term requirements are expected.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

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

Environmental sustainability

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

Regent Management Company Pty Ltd – Financial Performance Results to 30 June 2013

Financial Statements

1. The annual accounts for the year ended 30 June 2013 (refer Attachment 3) received an unqualified audit report from the Victorian Auditor General's Office.
2. The Company reported an operating loss of \$394,263 for the year ended 30 June 2013. This loss was mainly due to depreciation of buildings and equipment of \$591,555.
3. The Company reported a total surplus of \$2,592,662 following the recognition of gain on the revaluation of the Regent Theatre which increased by \$2,986,925.
4. The Company's operating cash flow for the year was a positive increase in cash of \$209,184. Despite the retained loss at year-end, the Company is still a viable business due to its positive cash flow and the long term lease in place with the operator over the Regent Theatre. This will continue to provide a secure income stream for the remaining life of the lease which is approximately another 34 years.
5. Net assets amounted to \$16.29 million at 30 June 2013, an increase of \$2.6 million over the last financial year. This increase was predominantly due to the revaluation of land and buildings.
6. Total equity at year-end of \$16.29 million is made up of \$25.73 million of issued capital and reserves of \$9.23 million offset by accumulated losses of \$18.67 million. The accumulated losses are largely the result of building depreciation over the years.

Dividends

7. 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 2013.

Directors

8. The Board consists of one Council appointed director and one State Government appointed director, an alternate director is also appointed by each organisation. There are no fees paid to directors.
9. Dr Kathy Alexander, Council's Chief Executive Officer, is the Council's appointed director and Mark Stoermer, Director Corporate Business is Council's alternate director.

Audit Issues

10. The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2013. There are no matters arising from the financial audit for the year.

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

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

REGENT MANAGEMENT COMPANY PTY LIMITED

**FINANCIAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2013**

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REGENT MANAGEMENT COMPANY PTY LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30TH JUNE 2013

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

- a) The accompanying financial statements and notes 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 2013 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 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 19 day of September 2013

Signed in accordance with a resolution of the directors:



Mark Stoermer
Director



Mark Turnbull
Director

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2012 \$
Revenue from operations	2	225,841	240,292
Depreciation	6	(591,555)	(319,273)
Other expenses	2	<u>(28,549)</u>	<u>(21,090)</u>
Profit/(loss) for the year		<u><u>(394,263)</u></u>	<u><u>(100,071)</u></u>
Other Comprehensive income for the year			
Net gain/(loss) on revaluation of non current assets	6	<u>2,986,925</u>	<u>-</u>
Total comprehensive income for the year		<u><u>2,986,925</u></u>	<u><u>-</u></u>
Total comprehensive income/(loss) attributable to members		<u><u>2,592,662</u></u>	<u><u>(100,071)</u></u>

The accompanying notes form part of these accounts.

REGENT MANAGEMENT COMPANY PTY LIMITED

BALANCE SHEET
AS AT 30TH JUNE 2013

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	3	391,745	2,084,667
Trade and other receivables	4	15,321	19,389
Investments	5	<u>1,902,107</u>	<u>-</u>
TOTAL CURRENT ASSETS		<u>2,309,173</u>	<u>2,104,056</u>
NON CURRENT ASSETS			
Property, plant and equipment	6	<u>14,417,217</u>	<u>12,021,847</u>
TOTAL NON CURRENT ASSETS		<u>14,417,217</u>	<u>12,021,847</u>
TOTAL ASSETS		<u>16,726,390</u>	<u>14,125,903</u>
CURRENT LIABILITIES			
Trade and other payables	7	<u>14,084</u>	<u>6,488</u>
TOTAL CURRENT LIABILITIES		<u>14,084</u>	<u>6,488</u>
NON CURRENT LIABILITIES			
Trade and other payables	7	<u>423,073</u>	<u>422,844</u>
TOTAL NON CURRENT LIABILITIES		<u>423,073</u>	<u>422,844</u>
TOTAL LIABILITIES		<u>437,157</u>	<u>429,332</u>
NET ASSETS		<u>16,289,233</u>	<u>13,696,571</u>
EQUITY			
Contributed equity	9	25,731,000	25,731,000
Asset Revaluation Reserve		9,229,396	6,242,471
Accumulated losses	8	<u>(18,671,163)</u>	<u>(18,276,900)</u>
TOTAL EQUITY		<u>16,289,233</u>	<u>13,696,571</u>

The accompanying notes form part of these accounts.

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	<u>Issued Capital</u>			Total
		Ordinary	Retained Earnings	Asset Revaluation Reserve	
BALANCE AT 1 JULY 2011		25,731,000	(18,176,829)	6,242,471	13,796,642
Profit/(loss) for the year	8	-	(100,071)	-	(100,071)
BALANCE AT 30 JUNE 2012		<u>25,731,000</u>	<u>(18,276,900)</u>	<u>6,242,471</u>	<u>13,696,571</u>
Profit/(loss) for the year	8	-	(394,263)	-	(394,263)
Revaluation increment (decrement)	6	-	-	2,986,925	2,986,925
BALANCE AT 30 JUNE 2013		<u>25,731,000</u>	<u>(18,671,163)</u>	<u>9,229,396</u>	<u>16,289,233</u>

The accompanying notes form part of these accounts.

REGENT MANAGEMENT COMPANY PTY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$ Inflows (Outflows)	2012 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and other income		243,783	262,667
Payments to suppliers		(34,599)	(36,916)
Net cash (outflow) / inflow from operating activities	11(b)	<u>209,184</u>	<u>225,751</u>
CASH FLOW FROM FINANCING ACTIVITIES			
		<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for investments	11(c)	<u>(1,902,107)</u>	<u>-</u>
Net increase in cash held		(1,692,922)	225,751
Cash at beginning of financial year		2,084,667	1,858,916
Cash at end of financial year	11(a)	<u><u>391,745</u></u>	<u><u>2,084,667</u></u>

The accompanying notes form part of these accounts.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Local Government Act 1989, Australian Accounting Standards, Urgent Issues Group Consensus Views and 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 and 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 by the Directors of the company on 19 September 2013.

a) Property, Plant, and Equipment

Property, Plant and Equipment

Property, plant and equipment are carried at cost or at independent valuation less, where applicable, any accumulated depreciation and impairment losses. The company currently measures land and buildings at independent valuation performed by Mr Adam Wallace AAPI, Certified Practising Valuer, AssetVal Pty Ltd. Plant and equipment 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 income statement. A revaluation deficit is recognised in the income statement, 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 plant and equipment 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.

The depreciation rates used for plant and equipment range from 10% to 40%. The depreciation rate used for property ranges from 2.5% to 5%. No change in depreciation rates has occurred during the financial year.

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 2013**

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.

d) Trade and Other Receivables

Interest receivable is recorded up to 30 June 2013 on the term deposit which matures on the 23 October 2013.

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

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

Rent revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

h) Expenses from Transactions

Expenses from transactions are recognised as they are incurred and reported in the financial year in which they relate.

i) Events occurring after reporting date

To our knowledge there is no matter occurring after balance day which affects the information provided in the financial statements.

j) 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 2013**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

REGENT MANAGEMENT COMPANY PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2012 \$
NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS		
The specific operating revenues for the year are made up as follows:		
Interest revenue	89,387	103,838
Rent received	136,454	136,454
	<u>225,841</u>	<u>240,292</u>
Profit for the year includes the following specific expenses:		
Accountancy Expenses	21,550	14,250
Auditing Expenses (Victorian Auditor-General's Office)	5,700	5,544
Filing Fees	230	227
Insurance	1,069	1,069
	<u>28,549</u>	<u>21,090</u>
NOTE 3 – CASH AND CASH EQUIVALENTS		
Cash at Bank	391,745	275,727
Term Deposits	-	1,808,940
	<u>391,745</u>	<u>2,084,667</u>
NOTE 4 – TRADE AND OTHER RECEIVABLES		
Interest receivable	<u>15,321</u>	<u>19,389</u>
NOTE 5 - INVESTMENTS		
Term Deposit	<u>1,902,107</u>	-

REGENT MANAGEMENT COMPANY PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2012 \$
NOTE 6 – PROPERTY, PLANT AND EQUIPMENT		
Land - at independent valuation	8,800,000	8,000,000
Buildings - at independent valuation	6,050,000	5,500,000
Accumulated depreciation - Buildings	(507,932)	(1,566,680)
	<u>5,542,068</u>	<u>3,933,320</u>
Plant & Equipment - at cost	4,396,050	4,396,050
Accumulated depreciation - Plant & Equipment	(4,320,901)	(4,307,523)
	<u>75,149</u>	<u>88,527</u>
Total Property, Plant and Equipment	<u><u>14,417,217</u></u>	<u><u>12,021,847</u></u>

A revaluation of land and buildings was performed as at 25 October, 2012 on the basis of market value. In accordance with this review an adjustment to the valuation as at 25 October 2012 was required. The valuation was performed by Mr Adam Wallace AAPI, Certified Practising Valuer, AssetVal Pty Ltd

Reconciliation of Carrying Amount	2013		2013	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	8,000,000	3,933,320	88,527	12,021,847
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(578,177)	(13,378)	(591,555)
Revaluation Increments/(Decrements)	800,000	2,186,925	-	2,986,925
Balance at end of period	<u><u>8,800,000</u></u>	<u><u>5,542,068</u></u>	<u><u>75,149</u></u>	<u><u>14,417,217</u></u>

Reconciliation of Carrying Amount	2012		2012	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	8,000,000	4,235,928	105,192	12,341,120
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(302,608)	(16,665)	(319,273)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	<u><u>8,000,000</u></u>	<u><u>3,933,320</u></u>	<u><u>88,527</u></u>	<u><u>12,021,847</u></u>

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2012 \$
NOTE 7 - TRADE AND OTHER PAYABLES		
Current		
Accounts Payable	11,770	3,905
GST Payable	<u>2,314</u>	<u>2,583</u>
	<u>14,084</u>	<u>6,488</u>
Non Current		
Amount due to tenant - Sinking Fund	145,330	145,118
Amount held in trust		
Repairs and Maintenance Account	27,743	27,726
Income in Advance	250,000	250,000
	<u>423,073</u>	<u>422,844</u>

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	(18,276,900)	(18,176,829)
Net profit/(loss) from operations	(394,263)	(100,071)
Accumulated Losses at the end of the Financial Year	<u>(18,671,163)</u>	<u>(18,276,900)</u>

NOTE 9 - CONTRIBUTED EQUITY

Paid up capital		
12,865,500 "A" class ordinary shares	12,865,500	12,865,500
12,865,500 "B" class ordinary shares	12,865,500	12,865,500
	<u>25,731,000</u>	<u>25,731,000</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$

NOTE 10 – RELATED PARTY TRANSACTIONS

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

S. Sweeney
K. Alexander
M. Turnbull (alternate)
M. Stoermer (alternate)

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

NOTE 11 – CASH FLOW INFORMATION

a) Reconciliation of Cash

Cash at the end of the financial year as shown in

Cash at Bank	<u>391,745</u>	<u>2,084,667</u>
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b) Reconciliation of Cash flow from operations with

Profit / (Loss)	(394,263)	(100,071)
Depreciation non-cash flows in profit/(loss)	591,555	319,273
(Increase)/Decrease in receivables	4,068	7,843
Increase (Decrease) in trade creditors and accruals	7,825	1,294
	<u>209,185</u>	<u>225,751</u>

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

Term Deposits	<u>1,902,107</u>	<u>-</u>
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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 2013

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	2013 Total	2012 Total
		\$	\$	\$	\$	\$
Assets						
Cash	0.18%	218,671	-	173,073	391,744	275,727
Short Term deposits	4.80%	-	1,902,107	-	1,902,107	1,808,940
Accounts Receivable - Current		-	-	15,321	15,321	19,389
Total Financial Assets		218,671	1,902,107	188,394	2,309,172	2,104,056
Liabilities						
Accounts Payable - Current		-	-	14,084	14,084	6,488
Accounts Payable - Non Current		-	-	423,073	423,073	422,844
Total Financial Liabilities		-	-	437,157	437,157	429,332
Net Financial Assets		218,671	1,902,107	(248,763)	1,872,015	1,674,724

Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2013 if interest rates increase by 1% on cash held on deposit with all other variables remaining constant.

Cash held on deposit

	2013	2012
Change in Profit		
- Increase in interest rate*	20,219	18,025
- Decrease in interest rate*	(18,860)	(17,565)
Change in equity		
- Increase in interest rate*	20,219	18,025
- Decrease in interest rate*	(18,860)	(17,565)

* Rates are adjusted by 1% on Cash held on deposits

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 2013

NOTE 14 – FINANCIAL INSTRUMENTS (continued)

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	14,084	-	-	-	423,073	-	437,157
	<u>14,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,073</u>	<u>-</u>	<u>437,157</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:

	2013		2012	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Assets				
Cash and Cash Equivalents	391,744	391,744	275,727	275,727
Short term deposits	1,902,107	1,902,107	1,808,940	1,808,940
Accounts Receivable - Current	15,321	15,321	19,389	19,389
Total Financial Assets	<u>2,309,172</u>	<u>2,309,172</u>	<u>2,104,056</u>	<u>2,104,056</u>
Liabilities				
Accounts Payable - Current	14,084	14,084	6,488	6,488
Accounts Payable - Non Current	423,073	423,073	422,844	422,844
Total Financial Liabilities	<u>437,157</u>	<u>437,157</u>	<u>429,332</u>	<u>429,332</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2013

NOTE 15 – INDEMNITY

If requested to do so by the Company, the City of Melbourne and the State Government of Victoria shall jointly and severally indemnify the Company against any liability, loss, cost, charge or expense incurred or suffered by the Company arising from or relating to any act, omission, matter or thing arising from or relating to –

- a) The carrying out of any object set out in the Memorandum of Association of the Company's or
- b) Any activity contemplated by any of those objects.

NOTE 16 – OPERATING LEASE RECEIVABLE

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

	2013	2012
	\$	\$
Receivable		
- not later than 12 months	139,865	138,492
- between 12 months and 5 years	559,461	553,968
- greater than 5 years	6,779,730	7,053,968
	<u>7,479,056</u>	<u>7,746,428</u>

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

NOTE 17 – 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.

23 September 2013

File No: 28946/01

Mr M Stoermer
Director
Regent Management Company Pty Ltd
c/o Melbourne City Council
PO Box 1603
MELBOURNE VIC 3001

Dear Mr Stoermer

Audited financial report for the year ended 30 June 2013

I enclose for your information the audited financial report of the Regent Management Company Pty Ltd and the original signed auditor's report for the year ended 30 June 2013.

Copies of the audited financial report and the auditor's report have also been forwarded to:

- the Minister for Local Government
- the Minister for Finance and Attorney-General
- the Secretary of the Department of Treasury and Finance
- the Secretary of the Department of Transport, Planning and Local Infrastructure.

The auditor's report incorporates a paragraph addressing the electronic presentation of your financial report. Where you present your financial report on your website, the enclosed auditor's report must be appended to these statements.

No significant issues arose during the audit that need to be brought to your attention.

In closing, I record my appreciation for the courtesy and co-operation extended by your staff during the audit.

Yours sincerely



Ron Mak
Sector Director, Financial Audit

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

23 September 2013

File No: 28946/01

Mr M Stoermer
Director
Regent Management Company Pty Ltd
C/O Melbourne City Council
PO Box 1603
MELBOURNE VIC 3001

Dear Mr Stoermer,

The *Corporations Act 2001* (the Act) requires an auditor to make a declaration of independence in relation to the audit of corporations.

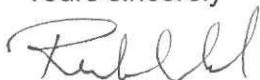
Section 307C of the Act requires the individual auditor, audit firm or audit company that conducts either an audit or review of a financial report to give the directors of the company a written declaration that, to the best of the auditor's knowledge and belief, there have been no contraventions of the auditor independence requirements of the Act or of any applicable code of professional conduct in relation to the audit or review.

The Act also requires the Annual Directors' Report to include a copy of the auditor's independence declaration in relation to the audit for the relevant financial year.

Accordingly, I now enclose a signed independence declaration for your company's financial report for the year ended 30 June 2013.

Please contact Remy Szpak, on (03) 8601 7077 if you have any queries concerning this matter.

Yours sincerely



Ron Mak
Sector Director, Financial Audit

INDEPENDENT AUDITOR'S REPORT

To the Directors of Regent Management Company Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of Regent Management Company Pty Ltd which comprises statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration has been audited.

The Directors' Responsibility for the Financial Report

The Directors of Regent Management Company Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion


In my opinion, the financial report of Regent Management Company Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance for the year ended on that date
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Regent Management Company Pty Ltd for the year ended 30 June 2013 included both in the Regent Management Company Pty Ltd's annual report and on the website. The Directors of Regent Management Company Pty Ltd are responsible for the integrity of the Regent Management Company Pty Ltd's website. I have not been engaged to report on the integrity of the Regent Management Company Pty Ltd's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
23 September 2013


John Doyle
Auditor-General

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, Regent Management Company Pty Ltd

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 any matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for the Regent Management Company Pty Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
23 September 2013


John Doyle
Auditor-General