

Management report to Council

Agenda Item 6.4

Regent Management Company Pty Ltd: Trading Results to 30 June 2018

Council

Presenter: Michael Tenace, Chief Financial Officer

27 November 2018

Purpose and background

1. The purpose of the report is to inform the Council of the financial performance for the year ended 30 June 2018 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 the 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 income of \$1.72 million for the year ended 30 June 2018. This income was mainly due to revaluation of non-current assets of \$1.69 million.
5. The Company's operating cash flow for the year was a positive increase in cash of \$319,666.

Recommendation from management

6. That Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2018.

Attachments:

1. Supporting Attachment (Page 2 of 28)
2. Regent Management Company Pty Ltd – Financial Performance Results to 30 June 2018 (Page 3 of 28)
3. Financial Statements Regent Management Company Pty Ltd 30 June 2018 and VAGO Audit Opinion (Page 4 of 28)

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.
3. 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 term requirements are expected.

Conflict of interest

4. 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.

Occupational Health and Safety

5. In developing this report, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

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

Environmental sustainability

7. 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 2018

Financial Statements

1. The Company reported an operating income of \$1.72 million for the year ended 30 June 2018. This income was mainly due to revaluation of non-current assets of \$1.69 million.
2. The Company's operating cash flow for the year was a positive increase in cash of \$319,666.
3. Net assets amounted to \$17.68 million at 30 June 2018, an increase of \$1.72 million over the last financial year. This increase mainly due to the increase revaluation of Land and Buildings.
4. Total equity at year-end of \$17.68 million is made up of \$25.73 million of issued capital and reserves of \$11.52 million offset by accumulated losses of \$19.60 million. The accumulated losses are largely the result of building depreciation over the years.

Dividends

5. 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 2018.

Directors

6. The Board consists of one City of Melbourne appointed director and one State Government appointed director, an alternate director is also appointed by each organisation. There are no fees paid to directors.
7. Ben Rimmer, Council's Chief Executive Officer, is the Council's appointed director and Greg Stevens, Manager Parks, Property and Waterways is Council's alternate director.

Audit Issues

8. The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2018. 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 2018**

REGENT MANAGEMENT COMPANY PTY LIMITED

**FINANCIAL REPORT
FOR THE YEAR ENDED
30th June 2018**

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REGENT MANAGEMENT COMPANY PTY LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30th June 2018

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 2018 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 29th day of September, 2018.

Signed in accordance with a resolution of the directors:



Andrew Abbott
Director



Gregory Stevens
Director

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30th June 2018

	NOTE	2018 \$	2017 \$
Revenue from operations	2	556,632	216,097
Depreciation	6	(450,453)	(274,665)
Other expenses	2	<u>(69,769)</u>	<u>(23,534)</u>
Profit/(loss) for the year		<u>36,410</u>	<u>(82,102)</u>
Other Comprehensive income for the year			
Net gain/(loss) on revaluation of non current assets	6	<u>1,685,601</u>	<u>-</u>
Total comprehensive income for the year		<u>1,685,601</u>	<u>-</u>
Total comprehensive income/(loss) attributable to members		<u>1,722,011</u>	<u>(82,102)</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

BALANCE SHEET
AS AT 30th June 2018

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	501,461	417,897
Trade and other receivables	4	10,796	19,247
Investments	5	<u>3,024,798</u>	<u>2,602,115</u>
TOTAL CURRENT ASSETS		<u>3,537,055</u>	<u>3,039,259</u>
NON CURRENT ASSETS			
Property, plant and equipment	6	<u>14,590,439</u>	<u>13,355,290</u>
TOTAL NON CURRENT ASSETS		<u>14,590,439</u>	<u>13,355,290</u>
TOTAL ASSETS		<u>18,127,494</u>	<u>16,394,549</u>
CURRENT LIABILITIES			
Trade and other payables	7	<u>21,390</u>	<u>10,537</u>
TOTAL CURRENT LIABILITIES		<u>21,390</u>	<u>10,537</u>
NON CURRENT LIABILITIES			
Trade and other payables	7	<u>423,411</u>	<u>423,330</u>
TOTAL NON CURRENT LIABILITIES		<u>423,411</u>	<u>423,330</u>
TOTAL LIABILITIES		<u>444,801</u>	<u>433,867</u>
NET ASSETS		<u>17,682,693</u>	<u>15,960,682</u>
EQUITY			
Contributed equity	9	25,731,000	25,731,000
Asset Revaluation Reserve		11,519,863	9,834,262
Accumulated losses	8	<u>(19,568,170)</u>	<u>(19,604,580)</u>
TOTAL EQUITY		<u>17,682,693</u>	<u>15,960,682</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30th June 2018

	NOTE	Issued Capital			Total
		Ordinary	Retained Earnings	Asset Revaluation Reserve	
BALANCE AT 30 JUNE 2016		25,731,000	(19,522,478)	9,834,262	16,042,784
Profit/(loss) for the year	8	-	(82,102)	-	(82,102)
BALANCE AT 30 JUNE 2017		25,731,000	(19,604,580)	9,834,262	15,960,682
Profit/(loss) for the year	8	-	36,410	-	36,410
Revaluation increment (decrement)	6	-	-	1,685,601	1,685,601
BALANCE AT 30 JUNE 2018		25,731,000	(19,568,170)	11,519,863	17,682,693

REGENT MANAGEMENT COMPANY PTY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30th June 2018

	NOTE	2018 \$ Inflows (Outflows)	2017 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and other income		613,797	226,641
Payments to suppliers		(107,550)	(40,060)
Net cash (outflow) / inflow from operating activities	11(b)	<u>506,247</u>	<u>186,581</u>
CASH FLOW FROM FINANCING ACTIVITIES			
		<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for investments	11(c)	<u>(422,683)</u>	<u>(66,608)</u>
Net increase in cash held		83,564	119,973
Cash at beginning of financial year		417,897	297,924
Cash at end of financial year	11(a)	<u><u>501,461</u></u>	<u><u>417,897</u></u>

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th June 2018**

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 17 September 2018.

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 Richard Bowman, FAPI, Certified Practising Valuer, Ernst & Young. 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 2018**

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 reporting date are classified separately.

d) Trade and Other Receivables

Interest receivable is recorded up to 30 June 2018 on the term deposits which mature on 10 July 2018, 9 August 2018 and 10 September 2018.

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 2018**

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 2018

	2018	2017
	\$	\$
NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS		
The specific operating revenues for the year are made up as follows:		
Interest revenue	70,300	70,768
Rent received	486,332	145,329
	<u>556,632</u>	<u>216,097</u>
Profit for the year includes the following specific expenses:		
Accountancy Expenses	22,663	16,615
Auditing Expenses (Victorian Auditor-General's Office)	6,600	6,600
Bank Fees and Taxes	210	70
Filing Fees	332	249
Insurance	-	-
Legal Fees	2,464	-
Property Valuation Fees	37,500	-
	<u>69,769</u>	<u>23,534</u>
NOTE 3 – CASH AND CASH EQUIVALENTS		
Cash at Bank	501,461	417,897
	<u>501,461</u>	<u>417,897</u>
NOTE 4 – TRADE AND OTHER RECEIVABLES		
Interest receivable	<u>10,796</u>	<u>19,247</u>
NOTE 5 - INVESTMENTS		
Term Deposits	<u>3,024,798</u>	<u>2,602,115</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th June 2018

	2018 \$	2017 \$
NOTE 6 – PROPERTY, PLANT AND EQUIPMENT		
Land - at independent valuation	11,385,000	10,620,000
Buildings - at independent valuation	3,615,000	3,380,000
Accumulated depreciation - Buildings	(444,890)	(685,602)
	<u>3,170,110</u>	<u>2,694,398</u>
Plant & Equipment - at cost	4,396,050	4,396,050
Accumulated depreciation - Plant & Equipment	(4,360,721)	(4,355,158)
	<u>35,329</u>	<u>40,892</u>
Total Property, Plant and Equipment	<u>14,590,439</u>	<u>13,355,290</u>

A revaluation of land and buildings was performed as at 30 June, 2017 on the basis of capitalisation of net income approach. In accordance with this review an adjustment to the valuation was required. The valuation was performed by Mr Richard Bowman, FAPI, Certified Practising Valuer, Ernst & Young.

Reconciliation of Carrying Amount	2018		2018	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	10,620,000	2,694,398	40,892	13,355,290
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(444,890)	(5,563)	(450,453)
Revaluation Increments/(Decrements)	765,000	920,601	-	1,685,601
Balance at end of period	<u>11,385,000</u>	<u>3,170,110</u>	<u>35,329</u>	<u>14,590,439</u>
Reconciliation of Carrying Amount	2017		2017	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	10,620,000	2,962,551	47,403	13,629,954
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(268,153)	(6,512)	(274,665)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	<u>10,620,000</u>	<u>2,694,398</u>	<u>40,892</u>	<u>13,355,290</u>

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th June 2018

	2018 \$	2017 \$
NOTE 7 - TRADE AND OTHER PAYABLES		
Current		
Accounts Payable	7,260	7,742
GST Payable	14,130	2,795
	21,390	10,537
Non Current		
Amount due to tenant - Sinking Fund	145,611	145,541
Amount held in trust		
Repairs and Maintenance Account	27,800	27,789
Income in Advance	250,000	250,000
	423,411	423,330

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	(19,604,580)	(19,522,478)
Net profit/(loss) from operations	36,410	(82,102)
Accumulated Losses at the end of the Financial Year	(19,568,170)	(19,604,580)

NOTE 9 - CONTRIBUTED EQUITY

Paid up capital			
12,865,500 "A" class ordinary shares	1 f)	12,865,500	12,865,500
12,865,500 "B" class ordinary shares	1 f)	12,865,500	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 2018

2018 2017
 \$ \$

NOTE 10 – RELATED PARTY TRANSACTIONS

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

S. Sweeney (resigned)
 B. Rimmer
 M. Turnbull (resigned)
 G. Stevens (alternate)
 C. Dupe (resigned)
 A. Abbott (appointed)
 M. Coffman (appointed, 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	501,461	417,897
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b) Reconciliation of Cash flow from operations with

Profit / (Loss)	36,410	(82,102)
Depreciation non-cash flows in profit/(loss)	450,453	274,665
(Increase)/Decrease in receivables	8,450	(4,071)
Increase (Decrease) in trade creditors and accruals	10,935	(1,911)
	506,247	186,581

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

Term Deposits	3,024,798	2,602,115
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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 2018

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	2018 Total	2017 Total
		\$	\$	\$	\$	\$
Assets						
Cash	0.09%	328,050	-	173,411	501,461	417,897
Short Term deposits	2.49%	-	3,024,798	-	3,024,798	2,602,115
Accounts Receivable - Current		-	-	10,796	10,796	19,247
Total Financial Assets		328,050	3,024,798	184,207	3,537,054	3,039,259
Liabilities						
Accounts Payable - Current		-	-	21,390	21,390	10,537
Accounts Payable - Non Current		-	-	423,411	423,411	423,330
Total Financial Liabilities		-	-	444,801	444,800	433,867
Net Financial Assets		328,050	3,024,798	(260,594)	3,092,254	2,605,392

Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2018 if interest rates increase by 1% on cash held on deposit with all other variables remaining constant.

Cash held on deposit

	2018	2017
Change in Profit		
- Increase in interest rate*	41,028	27,550
- Decrease in interest rate*	(38,671)	(25,764)
Change in equity		
- Increase in interest rate*	41,028	27,550
- Decrease in interest rate*	(38,671)	(25,794)

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

**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 2018

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	21,390	-	-	-	423,411	-	444,801
	<u>21,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,411</u>	<u>-</u>	<u>444,801</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:

	2018		2017	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Assets				
Cash and Cash Equivalents	501,461	501,461	417,897	417,897
Short term deposits	3,024,798	3,024,798	2,602,115	2,602,115
Accounts Receivable - Current	10,796	10,796	19,247	19,247
Total Financial Assets	<u>3,537,055</u>	<u>3,537,055</u>	<u>3,039,259</u>	<u>3,039,259</u>
Liabilities				
Accounts Payable - Current	21,390	21,390	10,537	10,537
Accounts Payable - Non Current	423,411	423,411	423,330	423,330
Total Financial Liabilities	<u>444,801</u>	<u>444,801</u>	<u>433,867</u>	<u>433,867</u>

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30th June 2018

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 capitalised in the accounts.

	2018 \$	2017 \$
Receivable		
- not later than 12 months	600,000	150,447
- between 12 months and 5 years	2,400,000	601,789
- greater than 5 years	13,800,000	5,800,895
	<u>16,800,000</u>	<u>6,553,132</u>

The current lease was entered into on 17 September 1996 and is for a term of 50 years.
 In FY 2018 there was a substantial increase in rent to \$600,000 per annum

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.

REGENT MANAGEMENT COMPANY PTY LTD
(A.C.N. 062 841 043)

Legal Services
Melbourne City Council
GPO Box 1603
MELBOURNE VIC 3001

29 September 2018

Tim Loughnan
Sector Director, Local Government
Victorian Auditor-General's Office

Via email: tim.loughnan@audit.vic.gov.au

Dear Mr Loughnan

Representations by the Directors in relation to the financial report of Regent Management Company Pty Ltd for the year ended 30 June 2018

This representation letter is provided in connection with your audit of the financial report of Regent Management Company Pty Ltd for the year ended 30 June 2018. The audit is undertaken for the purpose of you being able to obtain sufficient and appropriate audit evidence on which to express an opinion as to whether the financial report provides a true and fair view in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*.

We confirm that, to the best of our knowledge and belief, the representations we make below are based on information available to us, having made such enquiries as we considered necessary to appropriately inform ourselves on these matters.

Preparation of the financial report

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 9 January 2015, for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the requirements of *Corporations Act 2001*.

1. We have prepared the financial report as a for-profit entity for the purpose of reporting under Australian Accounting Standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.¹
3. Proper accounts and records of the transactions and affairs of the company and such other records as sufficiently explain the financial operations and financial position of the company have been kept in accordance with the *Corporations Act 2001*, where applicable.
4. There were no uncorrected misstatements..

Access to information

¹ ASA 580 *Written Representations*, paragraph 11(b)

5. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
 - b. any additional information that you have requested from us for the purpose of the audit
 - c. unrestricted access to persons within the company from whom you determined it necessary to obtain audit evidence²

Fraud disclosure

6. We have disclosed to you details of any actual or suspected fraud that we are aware of and that affects Regent Management Company Pty Ltd and involves:
 - a. management
 - b. employees who have significant roles in internal control or
 - c. others where the fraud could have a material effect on the financial report.³
7. We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting Regent Management Company Pty Ltd's financial report communicated by employees, former employees, analysts, regulators or others⁴.

Internal control

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and/or error⁵. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control of which we are aware.

Legal

9. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
10. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report.
11. The company has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of noncompliance.
12. Regent Management Company Pty Ltd has been properly managed in accordance with the requirements of the *Corporations Act 2001*.
13. We have complied with, in all material respects, the requirements of *Corporations Act 2001* for the establishment and keeping of relevant accounts, registers and other appropriate records.

Accounting estimates

² ASA 580.11(a)/ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6

³ ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph 39(c)

⁴ ASA 240.39(d)

⁵ ASA 240.39(b)

14. We believe that the significant assumptions and judgements we have used in making accounting estimates for inclusion in the financial report are reasonable, appropriately supported and, where required, disclosed⁶.

Financial statement disclosures

15. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

Asset and liability fair values (including property, plant and equipment)

16. We consider the measurement methods, including related assumptions, used to determine fair values relating to assets and liabilities to be appropriate based on the nature and purpose of the asset/liability. These have been consistently applied and appropriately disclosed in the financial report.
17. We have considered the requirements of AASB 136 *Impairment of Assets* when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
18. Asset useful lives have been reviewed and any resulting changes accounted for as a change in accounting estimates.
19. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

Going concern

20. We have assessed the company's ability to continue as a going concern and believe there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

Subsequent events

21. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

Conclusion

We understand that your examination was made in accordance with the *Audit Act 1994* and Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an audit opinion on the financial report of the company taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

This letter is provided for and on behalf of Regent Management Company Pty Ltd.

Yours sincerely



Andrew Abbott
Director

⁶ ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, paragraph 22

Independent Auditor's Report

To the Directors of Regent Management Company Pty Ltd

Opinion	<p>I have audited the financial report of Regent Management Company Pty Ltd (the company) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • statement of profit or loss and other 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 2018 and its financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
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 confirm that the independence declaration required by the <i>Corporations Act 2001</i>, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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

As required by the *Audit Act 1994*, 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.

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:

- 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.

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.



Tim Loughnan

as delegate for the Auditor-General of Victoria



Victorian Auditor-General's Office

Auditor-General's Independence Declaration

To the Directors, Regent Management Company Pty Ltd

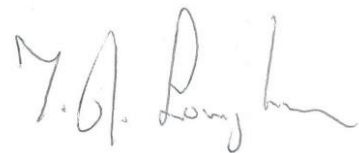
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

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 matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Regent Management Company Pty Ltd for the year ended 30 June 2018, 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
3 October 2018

Tim Loughnan
as delegate for the Auditor-General of Victoria