

**Management report to Council****Agenda item 6.3****Regent Management Company Pty Ltd: Trading Results for the financial year ended 30 June 2023****Council****Presenter:** Mans Bassi, Chief Operating Officer, General Manager Finance and Corporate Division**27 February 2024****Purpose and background**

1. The purpose of this report is to inform Council of the financial performance for the year ended 30 June 2023 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 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 \$0.51 million for the financial year ended 30 June 2023. The main revenue during the year was rental income of \$0.62 million. The loss was mainly as a result of depreciation expense of \$1.10 million on theatre buildings and furniture and fittings.
  - 4.1. From FY2020 to FY2022, the rental waiver (for future months) provided to the Marriner Group had been recognised as an increase to operating Lease Income with a corresponding increase to the lease incentive in the balance sheet. The total Lease Incentive recognised over the three years was \$921,905 which will be written off over the remaining lease term at an annual calculated amount of \$38,148.
  - 4.2. From FY2023 onwards, as rent is no longer being waived, the operating lease income will be (\$38,148) per annum until the end of the lease term.
5. The Company's cash and cash equivalents was \$2.11 million, increased by \$0.62 million from the previous year. This includes term deposit investments of \$1.91 million with the maturity terms of 90 days or less.
6. Total equity of \$18.73 million is made up of \$25.73 million of issued capital and reserves of \$3.63 million offset by accumulated losses of \$10.63 million. The accumulated losses are largely the result of building and furniture & fittings depreciation over the years.
7. The Regent Board resolved, at the 22 January 2024 meeting, to obtain an independent asset valuation and rental valuation for the theatre in FY2024. The last valuation as undertaken in FY2020.

**Recommendation from management**

8. That Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2023.

**Attachments:**

1. Supporting Attachment (page 2 of 25)
2. Regent Management Company Pty Ltd – Financial Results for the year end 30 June 2023 (page 3 of 25)
3. Financial Statements Regent Management Company Pty Ltd 30 June 2023 and VAGO Audit Opinion (page 5 of 25)

**Supporting Attachment**

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**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, Chief Executive Officer, is the Council's appointed member of the Company Board, with the position of alternate member vacant from October 2023. 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 2023

### Financial Performance for FY2022–23

- The Company reported an operating loss of \$0.51 million for the year ended 30 June 2023. The main revenue during the year was rental income of \$0.62 million, which was offset by the high depreciation expense of \$1.10 million on theatre buildings and furniture & fittings.

In assisting the Marriner Group coping with the impacts of the COVID-19, rental waiver of different yearly amounts were provided from FY2020 to FY2022. 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 had been recognised as an increase to Operating Lease Income with a corresponding increase to the Lease Incentive in the Balance Sheet.

The table below summarises the yearly rental waiver and their recognition for FY2020 to FY2023.

	<b>FY2023</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>
<b>Total rent waived</b>	\$0	\$373,736	\$601,519	\$153,503
<b>Recognised as follows:</b>				
CR Operating Lease Income (Revenue)	\$38,148	-\$373,736	-\$601,519	-\$153,503
DR Rent Abatement (Expense)	\$0	\$51,713	\$103,427	\$51,713
DR Lease Incentive (Asset)	-\$38,148	\$322,023	\$498,092	\$101,790
<b>Lease Incentive balance @ 30/6</b>	\$883,757	\$921,905	\$599,882	\$101,790

The total Lease Incentive recognised over the three years was \$921,905 which will be written off over the remaining lease term at an annual calculated amount of \$38,148. From FY2023 onwards, as rent is no longer being waived, the operating lease income will be -\$38,148 per annum until the end of the lease term.

- The Company's cash and cash equivalents was \$2.11 million, increased by \$0.62 million from the previous year. This includes term deposit investments of \$1.91 million with the terms of maturity of 90 days or less.
- Total equity of \$18.73 million is made up of \$25.73 million of issued capital and reserves of \$3.63 million offset by accumulated losses of \$10.63 million. The accumulated losses are largely the result of building and furniture & fittings depreciation over the years.

### Dividends

- 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 2023.

### Directors

- 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.
- Alison Leighton, Council's Chief Executive Officer, is the Council's appointed director. Council's alternate director position is currently vacant as Katrina McKenzie, General Manager City Economy and Activation resigned October 2023. A new alternate director will be appointed in due course.

## **Audit Issues**

The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2023. There are no matters arising from the financial audit for this financial year.

# **Financial Report**

Regent Management Company Pty Ltd

ABN 68 062 841 043

For the year ended 30 June 2023

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# Directors' Declaration

## Regent Management Company Pty Ltd For the year ended 30 June 2023

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 17 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 2023 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

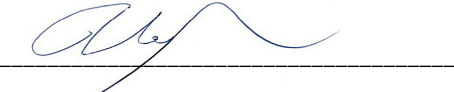
ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and

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.

Signed in accordance with a resolution of the directors:



Director: Max Coffman



Director: Alison Leighton

22 January 2024

Sign date: \_\_\_\_\_

# Statement of Comprehensive Income

## Regent Management Company Pty Ltd For the year ended 30 June 2023

	NOTES	2023 \$	2022 \$
<b>Revenue</b>			
<b>Revenue from operations</b>			
Operating lease income / (lease incentive amortisation)		(38,148)	373,736
Rent received		620,559	258,566
Interest received	2	52,873	4,538
<b>Total Revenue from operations</b>		<b>635,284</b>	<b>636,840</b>
<b>Expenses</b>			
Other Expenses	3	47,275	104,044
Depreciation	6	1,102,272	1,426,499
<b>Total Expenses</b>		<b>1,149,547</b>	<b>1,530,543</b>
<b>(Loss) / profit for the year</b>		<b>(514,262)</b>	<b>(893,703)</b>
<b>Total comprehensive (loss) / income for the year attributable to members</b>		<b>(514,262)</b>	<b>(893,703)</b>

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



# Statement of Financial Position

Regent Management Company Pty Ltd

As at 30 June 2023

	NOTES	2023 \$	2022 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	2,109,092	1,485,460
Trade and Other Receivables	5	4,235	1,189
<b>Total Current Assets</b>		<b>2,113,327</b>	<b>1,486,649</b>
<b>Non-Current Assets</b>			
Trade and Other Receivables	5	883,757	921,905
Fixed assets	6	16,179,520	17,281,792
<b>Total Non-Current Assets</b>		<b>17,063,277</b>	<b>18,203,697</b>
<b>Total Assets</b>		<b>19,176,604</b>	<b>19,690,346</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	7	23,777	24,523
<b>Total Current Liabilities</b>		<b>23,777</b>	<b>24,523</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	7	424,908	423,642
<b>Total Non-Current Liabilities</b>		<b>424,908</b>	<b>423,642</b>
<b>Total Liabilities</b>		<b>448,686</b>	<b>448,166</b>
<b>Net Assets</b>		<b>18,727,918</b>	<b>19,242,181</b>
<b>Equity</b>			
Contributed Equity	8	25,731,000	25,731,000
Asset revaluation reserve		3,634,864	3,634,864
Accumulated losses		(10,637,945)	(10,123,683)
<b>Total Equity</b>		<b>18,727,918</b>	<b>19,242,181</b>

The above balance sheet should be read with accompanying notes.

# Statement of Changes in Equity

## Regent Management Company Pty Ltd For the year ended 30 June 2023

	2023 \$	2022 \$
<b>Equity</b>		
<b>Ordinary shares</b>		
Opening balance	25,731,000	25,731,000
<b>Total Ordinary shares</b>	<b>25,731,000</b>	<b>25,731,000</b>
<b>Accumulated Losses</b>		
Opening balance	(10,123,683)	(9,229,980)
Profit / (Loss) for the Period	(514,262)	(893,703)
<b>Total Accumulated Losses</b>	<b>(10,637,945)</b>	<b>(10,123,683)</b>
<b>Asset Revaluation Reserve</b>		
Opening balance	3,634,864	3,634,864
<b>Total Asset Revaluation Reserve</b>	<b>3,634,864</b>	<b>3,634,864</b>
<b>Total Equity</b>	<b>18,727,918</b>	<b>19,242,181</b>

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

# Cash Flow Statement

## Regent Management Company Pty Ltd For the year ended 30 June 2023

	NOTES	2023 \$	2022 \$
<b>Cash Flow Statement</b>			
<b>Cash flows from operating activities</b>			
Receipts from customers and other income		682,615	284,423
Interest received		51,220	4,514
Payments to suppliers and Net GST paid	10	(110,203)	(66,974)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>623,632</b>	<b>221,963</b>
Net increase / (decrease) in cash held		623,632	221,963
Cash at beginning of financial year		1,485,460	1,263,497
Cash at end of financial year	4	2,109,092	1,485,460

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

# Notes to the Financial Statements

## Regent Management Company Pty Ltd For the year ended 30 June 2023

### 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 (AIFRS). 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 the directors' report.

#### a) Fixed Assets

Land and 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.

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.

### **b) Income Tax**

The company is exempt from income taxes 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 2023 on term deposits.

The Lease Incentive is being accounted for under AASB 16 (Leases). The Lease incentive relates to rent waived as a result of the COVID 19 pandemic, in advance of it becoming due and payable. The Lease Incentive is written off on a straight line basis over the remaining lease term.

### **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 advance 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) Use of estimates and judgments**

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.

**i) 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 program 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.

**j) 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*.

**k) Comparatives**

Term deposits were classified as Investments in 2021-22 but have been reclassified in the current financial report as cash and cash equivalents as the term of maturity is less than 90 days.

The reclassification has resulted in changes to the presentation of information within the Statement of Financial Position, Cash Flow Statement and the following notes to the financial statements:

Note 4. Cash and cash equivalents

Note 10: Cash Flow Information

	2023 \$	2022 \$
<b>2. Interest Received</b>		
NAB Business Interest Account *0103	1,817	24
NAB Term Deposit Account *7147	50,662	4,514
NAB Term Deposit Account *0912	394	-
<b>Total Interest Received</b>	<b>52,873</b>	<b>4,538</b>
	2023 \$	2022 \$

	2023 \$	2022 \$
<b>3. Other Expenses</b>		
Accountancy fees	39,982	37,651
Auditors' remuneration	7,000	6,900
Bank charges	3	4
Filing Fees	290	276
Property valuations	-	7,500
Rent abatement	-	51,713
<b>Total Other Expenses</b>	<b>47,275</b>	<b>104,044</b>
	2023 \$	2022 \$

	2023 \$	2022 \$
<b>4. Cash and cash equivalents</b>		
<b>Bank Accounts</b>		
NAB Business Everyday Account * 3244	27,753	27,823
NAB Business Interest Account *0103	27,124	52,825
NAB Business Interest Account *4564	147,155	145,819
<b>Total Bank Accounts</b>	<b>202,032</b>	<b>226,468</b>
<b>Term Deposits</b>		
NAB term deposit *7147	1,607,060	1,258,992
NAB term deposit *0912	300,000	-
<b>Total Term Deposits</b>	<b>1,907,060</b>	<b>1,258,992</b>
<b>Total Cash and cash equivalents</b>	<b>2,109,092</b>	<b>1,485,460</b>
	2023 \$	2022 \$

	2023 \$	2022 \$
<b>5. Trade and Other Receivables</b>		
<b>Current</b>		
Interest receivable	4,235	1,189
<b>Total Current</b>	<b>4,235</b>	<b>1,189</b>
<b>Non-Current</b>		
Lease incentive	883,757	921,905
<b>Total Non-Current</b>	<b>883,757</b>	<b>921,905</b>
<b>Total Trade and Other Receivables</b>	<b>887,992</b>	<b>923,094</b>

	2023 \$	2022 \$
<b>6. Fixed Assets</b>		
Land - at independent valuation	3,300,000	3,300,000
<b>Buildings</b>		
Fair value/revalued	11,461,375	11,461,375
Less accumulated depreciation	(1,886,337)	(1,460,671)
<b>Total Buildings</b>	<b>9,575,038</b>	<b>10,000,704</b>
<b>Furniture and fittings</b>		
At cost	7,126,236	7,126,236
Less accumulated depreciation	(3,821,754)	(3,145,148)
<b>Total Furniture and fittings</b>	<b>3,304,482</b>	<b>3,981,088</b>
<b>Total Fixed Assets</b>	<b>16,179,520</b>	<b>17,281,792</b>

**Reconciliation of Carrying Amount - 30 June 2023**

	Land (\$)	Buildings (\$)	Furniture and Fittings (\$)	Total (\$)
<b>Balance at beginning of period</b>	3,300,000	10,000,704	3,981,088	17,281,792
<b>Depreciation</b>	-	(425,666)	(676,606)	(1,102,272)
<b>Balance at end of period</b>	3,300,000	9,575,038	3,304,482	16,179,520

**Reconciliation of Carrying Amount - 30 June 2022**

	Land (\$)	Buildings (\$)	Furniture and Fittings (\$)	Total (\$)
<b>Balance at beginning of period</b>	3,300,000	10,484,907	4,923,385	18,708,292
<b>Depreciation</b>	-	(484,203)	(942,297)	(1,426,499)
<b>Balance at end of period</b>	3,300,000	10,000,704	3,981,088	17,281,792

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.

	2023 \$	2022 \$
<b>7. Trade and Other Payables</b>		
<b>Current</b>		
Sundry creditors	10,693	9,811
GST	13,085	14,712
<b>Total Current</b>	<b>23,777</b>	<b>24,523</b>
<b>Non-Current</b>		
Amount due to tenant - sinking fund	147,155	145,819
Amount held in trust - repairs and maintenance	27,753	27,823
Income in advance	250,000	250,000
<b>Total Non-Current</b>	<b>424,908</b>	<b>423,642</b>
<b>Total Trade and Other Payables</b>	<b>448,686</b>	<b>448,166</b>

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.

	2023 \$	2022 \$
<b>8. Contributed Equity</b>		
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
<b>Total Contributed Equity</b>	<b>25,731,000</b>	<b>25,731,000</b>

## 9. 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 (resigned October 2023)
- 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.

## 10. Cash Flow Information

a) 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:

	2023 \$	2022 \$
<b>a) Reconciliation of cash flow from operations with operating loss after income tax</b>		
Profit / (Loss)	(514,262)	(893,703)
<b>Adjustments for non-cash items</b>		
Lease incentive - Amortisation	38,148	(373,736)
Rent abatement	-	51,713
Depreciation	1,102,272	1,426,499
<b>Total Adjustments for non-cash items</b>	<b>1,140,420</b>	<b>1,104,477</b>
<b>Changes in Assets and Liabilities</b>		
(Increase) / Decrease in Receivables	(3,045)	4,184
Increase / (Decrease) in Payables and Accruals	520	7,005
<b>Total Changes in Assets and Liabilities</b>	<b>(2,525)</b>	<b>11,189</b>
<b>Total a) Reconciliation of cash flow from operations with operating loss after income tax</b>	<b>623,632</b>	<b>221,963</b>

## 11. Capital Commitments

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

## 12. 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 equivalent

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.

### (b) 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 (\$)	2023 Total (\$)	2022 Total (\$)
<b>Assets</b>						
Cash	1.07%	27,124	-	174,908	202,032	226,468
Short term deposits	3.35%	1,907,060	-	-	1,907,060	1,258,992
Accounts receivable - current		-	-	4,235	4,235	1,189
<b>Total Financial Assets</b>		<b>1,934,184</b>	-	<b>179,143</b>	<b>2,113,327</b>	<b>1,486,648</b>
<b>Liabilities</b>						
Accounts Payable - Current		-	-	23,778	23,778	24,524
Accounts Payable - Non Current		-	-	424,908	424,908	423,642
<b>Total Financial Liabilities</b>		-	-	<b>448,686</b>	<b>448,686</b>	<b>448,166</b>
<b>Net Financial Assets</b>		<b>1,934,184</b>	-	<b>(269,543)</b>	<b>1,664,641</b>	<b>1,038,482</b>

#### Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2023 if interest rates increase by 1% or decrease by 0.1% on cash held on deposits with all other variables remaining constant.

#### Cash held on deposits

	2023 (\$)	2022 (\$)
<b>Change in profit</b>		
Increase in interest rate*	16,039	9,080
Decrease in interest rate*	(3,251)	(3,078)
<b>Change in equity</b>		
Increase in interest rate*	16,039	9,080
Decrease in interest rate*	(3,251)	(3,078)

\* 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 on deposits is appropriate given its level of investment in cash and the current weighted average weight of interest charged.

### Foreign Exchange Risk

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

### (b) Credit Risk

The maximum exposure to credit risk, excluding the fair value of an 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 notes to the financial reports.

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	23,778	-	-	-	424,908	-	448,686

### d) Net Fair Values

The aggregate net fair value of financial assets and liabilities, both recognised and unrecognised at balance date matches its carrying values.

The valuation of land and buildings were undertaken by Charter Keck Kramer. The valuation of land 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.

### 13. Operating Lease Receivable

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

	2023 (\$)	2022 (\$)
<b>Receivable</b>		
Not later than 12 months	632,970	671,957
Between 12 months and 5 years	2,531,881	2,743,823
Greater than 5 years	11,498,959	12,823,173
<b>Total</b>	<b>14,663,810</b>	<b>16,238,953</b>

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

### 14. Contingent Liabilities

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.

### 15. Events After the Reporting Period

No matters or circumstances have arisen since 30 June 2023 that have significantly affected or may affect the company's operation, the result of these operation or the company's state of affairs in future financial years.

### 16. 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

# Independent Auditor's Report

## To the Directors of Regent Management Company Pty Limited

<b>Opinion</b>	<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"> <li>• statement of financial position as at 30 June 2023</li> <li>• statement of comprehensive income for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• directors' declaration.</li> </ul> <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"> <li>• giving a true and fair view of the financial position of the company as at 30 June 2023 and its financial performance and cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.</li> </ul>
<b>Basis for Opinion</b>	<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>
<b>Directors' responsibilities for the financial report</b>	<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>

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**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.

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

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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  
31 January 2024

Travis Derricott  
*as delegate for the Auditor-General of Victoria*



## Auditor-General's Independence Declaration

### To the Board of Directors, Regent Management 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 2023, 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  
31 January 2024



Travis Derricott  
*as delegate for the Auditor-General of Victoria*