

## Management report to Council

Agenda item 6.2

### Regent Management Company Pty Ltd: Trading Results to 30 June 2020

Council

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

**27 April 2021**

#### Purpose and background

1. The purpose of this report is to inform the Council of the financial performance for the year ended 30 June 2020 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 profit of \$0.36 million for the year ended 30 June 2020. The main revenue during the year was rental income of \$0.63 million.
  - 4.1. In response to the COVID-19 pandemic, an initial rent waiver of six months from April to September 2020 was granted to the tenant the Marriner Group, with the proposed waiver in proportion to the revenue loss the Marriner Group is experiencing.
  - 4.2. 100 per cent rent waiver totalling \$0.15 million was granted for the period April 2020 to June 2020 as the theatre was closed.
  - 4.3. At this stage, 100 per cent rent waiver is proposed to be extended to September 2021, subject to the board's review quarterly upon receipt of documentation supporting the tenant's decline in turnover. For financial year 2020–21 it is estimated that \$0.62 million of rent will be waived.
5. A major theatre renovation costing \$19.40 million was undertaken and completed in late 2019. The Company contributed \$3.30 million to the renovation project and this cost was capitalised as building improvement.
6. The Company's cash flow position for the year had slightly decreased by \$0.13 million and was sitting at \$0.34 million. The term deposit investment had decreased significantly by \$2.71 million as a result of lessor contribution to the theatre renovation.
7. Net asset position of the Company was \$23.34 million, an increase of \$5.29 million, mainly due to the net revaluation increment of \$4.93 million on land and buildings.
8. Total equity of \$23.34 million was made up of \$25.73 million of issued capital and reserves of \$16.45 million offset by accumulated losses of \$18.84 million. The accumulated losses are largely the result of building depreciation over the years.

#### Recommendation from management

9. That Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2020.

#### Attachments:

1. Supporting Attachment (Page 2 of 28)
2. Regent Management Company Pty Ltd – Financial Performance Results to 30 June 2020 (Page 3 of 28)
3. Financial Statements Regent Management Company Pty Ltd 30 June 2020 and VAGO Audit Opinion (Page 5 of 28)

## 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. Justin Hanney, Chief Executive Officer and Katrina McKenzie, General Manager City Economy and Activation, are members of the Company Board. Brigid Ryan, 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. As per 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 Performance Results to 30 June 2020

### Financial Statements

- The Company reported an operating profit of \$0.36 million for the year ended 30 June 2020. The main revenue during the year was rental income of \$0.63 million.

In response to the COVID-19 pandemic, an initial rent waiver of six months from April to September 2020 was granted to the tenant the Marriner Group, with the proposed waiver in proportion to the revenue loss the Marriner Group is experiencing.

100 percent rent waiver totalling \$0.15 million (\$0.05 per month) was granted for the period April 2020 to June 2020 as the theatre was closed.

At this stage, 100 per cent rent waiver is proposed to be extended to September 2021, to be reviewed by the board quarterly upon receipt of documentation supporting the tenant's decline in turnover. For financial year 2020-21 it is estimated that \$0.62 million of rent (being \$0.05 million per month) will be waived.

At the time of negotiation, rental waived that related to past occupancy was expensed in the Profit and Loss statement as rent abatement, and rental waiver for the future months have been embedded in the lease income calculation and will be reallocated to and recognised over the remaining lease term.

- A major theatre renovation costing \$19.40 million was undertaken and completed in late 2019. Funding summary of the renovations is as follows:

Funding source	Funded amount
Victorian Government	\$12.8 million
Regent Management (lessor)	\$3.3 million
Marriner Group (lessee)	\$3.3 million

The lessor contribution of \$3.3 million towards the renovations, which was capitalised as building improvements in the Balance Sheet, had impacted the Company's term deposit investment negatively by \$2.71 million.

- The Company's cash flow position for the year had decreased by \$0.13 million and was sitting at \$0.34 million. Term deposit balance was at one million.
- Net assets amounted to \$23.34 million as at 30 June 2020, an increase of \$5.29 million, mainly due to the net revaluation increment of \$4.93 million, represented as follows:

	Increments / (Decrements)	Comments
Land	(\$8,085,000)	Due to Heritage improvements restricting future development
Buildings	\$13,014,276	Reflecting the major renovations in 2019

- Total equity of \$23.34 million is made up of \$25.73 million of issued capital and reserves of \$16.45 million offset by accumulated losses of \$18.84 million. The accumulated losses are largely the result of building depreciation over the years.

**Dividends**

6. 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 2020.

**Directors**

7. 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.
8. Justin Hanney, Council's Chief Executive Officer, is the Council's appointed director. Council's alternate director Greg Stevens resigned on 18 February 2020 and was replaced by Katrina McKenzie, General Manager City Economy and Activation.

**Audit Issues**

9. The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2020. 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 2020**

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30th JUNE 2020**

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**REGENT MANAGEMENT COMPANY PTY LIMITED**

**DIRECTORS' REPORT**

Your directors present their report on the company for the financial year ended 30 June 2020.

**Directors**

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

Gregory Bruce Stevens (resigned 18 February 2020)  
Justin Hanney  
Andrew Abbott  
Max Coffman  
Katrina Ann McKenzie (appointed 18 February 2020)

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

**Review of Operations**

The profit of the company for the financial year after providing for income tax amounted to \$359,838.

A review of the operations of the company during the financial year and the results of those operations are as follows:

To operate solely as landlord of The Regent Theatre

**Significant Changes in the State of Affairs**

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

**Principal Activities**

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

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

**Events Subsequent to the End of the Reporting Period**

As at balance date, Regent Management Company and Marriner Group have negotiated a rent waiver for the period May 2020 to September 2020, inclusive. Post balance date, this waiver was extended to include October, November and December 2020.

**Likely Developments and Expected Results of Operations**

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

**Environmental Regulation**

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

**Dividends**

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

**Options**

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

**Indemnification of Officers**

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

**Proceedings on Behalf of Company**

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

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

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

*Andrew Abbott*  
Director \_\_\_\_\_  
Andrew Abbott

*Katrina McKenzie*  
Director \_\_\_\_\_  
Katrina McKenzie

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**DIRECTORS' DECLARATION**

**FOR THE YEAR ENDED 30th JUNE 2020**

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 2020 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 11/03/2021 day of \_\_\_\_\_, 2021.

Signed in accordance with a resolution of the directors:

*Andrew Abbott*

\_\_\_\_\_  
Andrew Abbott  
Director

*Katrina McKenzie*

\_\_\_\_\_  
Katrina McKenzie  
Director



## REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30th JUNE 2020

	NOTE	2020 \$	2019 \$
Revenue from operations	2	665,446	684,614
Depreciation	6	(201,206)	(292,064)
Other expenses	2	<u>(104,402)</u>	<u>(28,095)</u>
Profit/(loss) for the year		<u>359,838</u>	<u>364,455</u>
Other Comprehensive income for the year			
Net gain/(loss) on revaluation of non current assets	6	<u>4,929,276</u>	<u>-</u>
Total comprehensive income for the year		<u>4,929,276</u>	<u>-</u>
Items that will not be reclassified to surplus/deficit in future periods			
Total comprehensive income/(loss) attributable to members		<u>5,289,114</u>	<u>364,455</u>

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

## REGENT MANAGEMENT COMPANY PTY LIMITED

BALANCE SHEET  
AS AT 30th JUNE 2020

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	343,872	474,526
Trade and other receivables	4	2,900	11,288
Investments	5	<u>1,000,000</u>	<u>3,708,499</u>
<b>TOTAL CURRENT ASSETS</b>		<u>1,346,771</u>	<u>4,194,312</u>
<b>NON CURRENT ASSETS</b>			
Lease incentive	4	101,790	-
Property, plant and equipment	6	<u>22,326,447</u>	<u>14,298,375</u>
<b>TOTAL NON CURRENT ASSETS</b>		<u>22,428,237</u>	<u>14,298,375</u>
<b>TOTAL ASSETS</b>		<u>23,775,008</u>	<u>18,492,687</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	<u>15,171</u>	<u>22,046</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>15,171</u>	<u>22,046</u>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	7	<u>423,575</u>	<u>423,493</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>423,575</u>	<u>423,493</u>
<b>TOTAL LIABILITIES</b>		<u>438,747</u>	<u>445,539</u>
<b>NET ASSETS</b>		<u>23,336,262</u>	<u>18,047,148</u>
<b>EQUITY</b>			
Contributed equity	9	25,731,000	25,731,000
Asset Revaluation Reserve		16,449,139	11,519,863
Accumulated losses	8	<u>(18,843,877)</u>	<u>(19,203,715)</u>
<b>TOTAL EQUITY</b>		<u>23,336,262</u>	<u>18,047,148</u>

The above balance sheet should be read with accompanying notes.

## REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30th JUNE 2020

NOTE	Issued Capital			Total	
	Ordinary	Retained Earnings	Asset Revaluation Reserve		
<b>BALANCE AT 30 JUNE 2018</b>	<u>25,731,000</u>	<u>(19,568,170)</u>	<u>11,519,863</u>	<u>17,682,693</u>	
Profit/(loss) for the year	8	-	364,455	-	364,455
<b>BALANCE AT 30 JUNE 2019</b>	<u>25,731,000</u>	<u>(19,203,715)</u>	<u>11,519,863</u>	<u>18,047,148</u>	
Profit/(loss) for the year	8	-	359,838	-	359,838
Revaluation increment (decrement)	6	-	-	4,929,276	4,929,276
<b>BALANCE AT 30 JUNE 2020</b>	<u>25,731,000</u>	<u>(18,843,877)</u>	<u>16,449,139</u>	<u>23,336,262</u>	

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

## REGENT MANAGEMENT COMPANY PTY LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30th JUNE 2020

	NOTE	2020 \$ Inflows (Outflows)	2019 \$ Inflows (Outflows)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and other income		511,941	744,123
Payments to suppliers		(51,093)	(87,439)
Net cash (outflow) / inflow from operating activities	11(b)	<u>460,847</u>	<u>656,684</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of Property, Plant and Equipment		(3,300,000)	-
Receipt of redemption for Term Deposit		2,708,499	(683,701)
Net cash (outflow) / inflow from investing activities	11(c)	<u>(591,501)</u>	<u>(683,701)</u>
Net increase in cash held		(130,654)	(26,935)
Cash at beginning of financial year		474,526	501,461
Cash at end of financial year	11(a)	<u>343,872</u>	<u>474,526</u>

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

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30th JUNE 2020**

**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 as at the date of directors report.

**a) Property, Plant, and Equipment**

*Property, Plant and Equipment*

Property is 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. 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 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 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 13% to 40%. The depreciation rate used for property ranges from 2.5% to 40%. 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 2020**

**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 2020 on the term deposits which mature on 16 September 2020.

**e) Trade and Other Payables**

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

**f) Contributed Equity**

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

**g) Revenue Recognition**

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

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

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

**h) Events occurring after reporting date**

Please see note 20 as a result of the COVID-19 pandemic.

**i) Use of estimates and judgements**

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

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30th JUNE 2020**

**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Financial Risk Management**

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

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

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

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

**k) Financial Instruments**

**Initial Recognition and Measurement**

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

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

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

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30th JUNE 2020**

**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**I) Change in accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. The company has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

*AASB 1059 Service Concession Arrangements: Grantors (applies 2020/21 for LG sector)*

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- Recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- Reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- Initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified AASB 1059;
- Recognise a corresponding liability measured initially at fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- Disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

*AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG sector)*

The standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.

*AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG sector)*

This standard sets out amendments to Australian Accounting Standards, interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.



**REGENT MANAGEMENT COMPANY PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30th JUNE 2020**

	2020	2019
	\$	\$
<b>NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS</b>		
The specific operating revenues for the year are made up as follows:		
Interest revenue	36,785	84,614
Rent received	475,158	600,000
Operating lease income	153,503	-
	<u>665,446</u>	<u>684,614</u>
Profit for the year includes the following specific expenses:		
Accountancy Expenses	45,424	21,162
Auditing Expenses (Victorian Auditor-General's Office)	7,000	6,600
Bank Fees and Taxes	-	70
Filing Fees	267	263
Rent Abatement	51,713	-
	<u>104,404</u>	<u>28,095</u>
<b>NOTE 3 – CASH AND CASH EQUIVALENTS</b>		
Cash at Bank	343,872	474,526
	<u>343,872</u>	<u>474,526</u>
<b>NOTE 4 – TRADE AND OTHER RECEIVABLES</b>		
Current		
Interest receivable	313	11,288
GST refundable	2,587	-
	<u>2,900</u>	<u>11,288</u>
Non-Current		
Lease incentive	101,790	-
	<u>101,790</u>	<u>-</u>
<b>NOTE 5 – INVESTMENTS</b>		
Term Deposits	1,000,000	3,708,499
	<u>1,000,000</u>	<u>3,708,499</u>

**REGENT MANAGEMENT COMPANY PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30th JUNE 2020**

	2020 \$	2019 \$
<b>NOTE 6 – PROPERTY, PLANT AND EQUIPMENT</b>		
Land - at independent valuation	3,300,000	11,385,000
Buildings - at independent valuation	19,000,000	3,615,000
Accumulated depreciation - Buildings	-	(732,180)
	19,000,000	2,882,820
Plant & Equipment - at cost	4,396,050	4,396,050
Accumulated depreciation - Plant & Equipment	(4,369,603)	(4,365,494)
	26,447	30,556
Total Property, Plant and Equipment	22,326,447	14,298,375

	2020			
	Land \$	Buildings \$	Equipment \$	Total \$
Reconciliation of Carrying Amount				
Balance at beginning of period	11,385,000	2,882,820	30,556	14,298,376
Additions	-	3,300,000	-	3,300,000
Disposals	-	-	-	-
Depreciation	-	(197,095)	(4,111)	(201,206)
Revaluation Increments/(Decrements)	(8,085,000)	13,014,276	-	4,929,276
Balance at end of period	3,300,000	19,000,000	26,447	22,326,446

	2019			
	Land \$	Buildings \$	Equipment \$	Total \$
Reconciliation of Carrying Amount				
Balance at beginning of period	11,385,000	3,170,110	35,329	14,590,438
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(287,290)	(4,773)	(292,064)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	11,385,000	2,882,820	30,556	14,298,375

A revaluation of land and buildings was performed as at 30 June 2020 on the basis of the income capitalisation approach. In accordance with this review an adjustment to the valuation was required. The valuation was performed by Mr Terry Dwyer and Ms Taylah Theurna, from Charter Keck Kramer.

The revaluation increments and decrements are influenced by the Heritage improvements restricting development. The land value has been discounted substantially, acknowledging that the improvements cannot be removed or demolished, as well as the difficulty to redevelop any air rights above the existing roofline or any part of the site.

**REGENT MANAGEMENT COMPANY PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30th JUNE 2020**

	2020	2019
	\$	\$
<b>NOTE 7 - TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Accounts Payable	7,747	8,144
GST Payable	-	13,902
Loan - City of Melbourne	7,424	-
	<u>15,171</u>	<u>22,046</u>
<b>Non Current</b>		
Amount due to tenant - Sinking Fund	145,752	145,682
Amount held in trust		
Repairs and Maintenance Account	27,823	27,811
Income in Advance	250,000	250,000
	<u>423,575</u>	<u>423,493</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	(19,203,715)	(19,568,170)
Net profit/(loss) from operations	359,838	364,455
<b>Accumulated Losses at the end of the Financial Year</b>	<u>(18,843,877)</u>	<u>(19,203,715)</u>

**NOTE 9 - CONTRIBUTED EQUITY**

<b>Paid up capital</b>			
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
		<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 2020**

	2020	2019
	\$	\$

**NOTE 10 – RELATED PARTY TRANSACTIONS**

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

G. Stevens (resigned 18 February 2020)  
 J. Hanney  
 A. Abbott  
 M. Coffman  
 K. McKenzie (appointed 18 February 2020)

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

(c) As at 30 June 2020, there is a loan of \$7,424.45 to the City of Melbourne, for transactions paid from this entity's corporate credit card.

**NOTE 11 – CASH FLOW INFORMATION**

a) Reconciliation of Cash

Cash at the end of the financial year as shown in

Cash at Bank	343,872	474,526
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b) Reconciliation of Cash flow from operations with

Profit / (Loss)	359,838	364,455
Non-Cash Income	(101,790)	-
Depreciation non-cash flows in profit/(loss)	201,206	292,064
(Increase)/Decrease in receivables	8,388	(492)
Increase (Decrease) in trade creditors and accruals	(6,795)	656
	460,847	656,683

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

Renovation project - 2020	3,300,000	-
Term Deposits	1,000,000	3,708,499
	4,300,000	3,708,499

**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 2020**

**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	2020 Total	2019 Total
		\$	\$	\$	\$	\$
<b>Assets</b>						
Cash	0.09%	170,297	-	173,575	343,872	474,526
Short Term deposits**	1.63%	1,000,000	-	-	1,000,000	3,708,499
Accounts Receivable - Current		-	-	2,900	2,900	11,288
<b>Total Financial Assets</b>		<b>1,170,297</b>	<b>-</b>	<b>176,475</b>	<b>1,346,771</b>	<b>4,194,312</b>
<b>Liabilities</b>						
Accounts Payable - Current		-	-	7,747	7,747	22,046
Accounts Payable - Non Current		-	-	423,575	423,575	423,493
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>431,322</b>	<b>431,321</b>	<b>445,538</b>
<b>Net Financial Assets</b>		<b>1,170,297</b>	<b>-</b>	<b>(254,847)</b>	<b>915,450</b>	<b>3,748,774</b>

Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2020 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 deposit*

	2020	2019
Change in Profit		
- Increase in interest rate*	24,032	36,664
- Decrease in interest rate*	(2,353)	(32,721)
Change in equity		
- Increase in interest rate*	24,032	36,664
- Decrease in interest rate*	(2,353)	(32,721)

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

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

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

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

**REGENT MANAGEMENT COMPANY PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30th JUNE 2020**

**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	7,747	-	-	-	423,575	-	431,322
	<u>7,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,575</u>	<u>-</u>	<u>431,322</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:

	<b>2020</b>		<b>2019</b>	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
<b>Assets</b>				
Cash and Cash Equivalents	343,872	343,872	474,608	474,608
Short term deposits	1,000,000	1,000,000	3,708,499	3,708,499
Accounts Receivable - Current	2,900	2,900	2,900	2,900
<b>Total Financial Assets</b>	<u>1,346,772</u>	<u>1,346,772</u>	<u>4,186,007</u>	<u>4,186,007</u>
<b>Liabilities</b>				
Accounts Payable - Current	7,747	7,747	7,747	7,747
Accounts Payable - Non Current	423,575	423,575	423,575	423,575
<b>Total Financial Liabilities</b>	<u>431,322</u>	<u>431,322</u>	<u>431,322</u>	<u>431,322</u>

**REGENT MANAGEMENT COMPANY PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30th JUNE 2020**

**NOTE 15 – OPERATING LEASE RECEIVABLE**

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

	2020	2019
	\$	\$
Receivable		
- not later than 12 months	310,280	600,000
- between 12 months and 5 years	2,482,236	2,400,000
- greater than 5 years	13,135,166	13,200,000
	<u>15,927,681</u>	<u>16,200,000</u>

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

**NOTE 16 – CONTINGENT LIABILITY**

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

**NOTE 17 – COMPANY DETAILS**

The registered office of the Company is:

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

The principal place of business is:

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

**NOTE 18 - NON-ADJUSTING POST BALANCE DATE EVENT**

The only non-adjusting events post balance sheet date are COVID related. Please see notes 19 & 20 on subsequent page.

**REGENT MANAGEMENT COMPANY PTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30th JUNE 2020**

**NOTE 19 - IMPACT OF COVID-19**

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

- Rental income: At balance date, the company had negotiated a rent waiver with the Marriner Group for six months' rent (April - September 2020). The negotiation for the rent waiver for the month of April 2020 took place after the rent was due and payable. The waiver of the rent for the subsequent months (May - September 2020) was negotiated in advance of the amounts becoming due and payable. After balance date, the rent waiver was extended to include the months of October, November and December 2020. This waiver was negotiated in advance of the rent for these months being due and payable. In February 2021 the rent waiver was further extended to September 2021. The waiver of the rent for the months of January and February 2021 was negotiated after the amounts were due and payable. The waiver of the rent for the subsequent months (March - September 2021) was negotiated in advance of the months becoming due and payable. There is no intention for the company to increase subsequent rent payment to recoup the waiver - the company will forgo the rent it would otherwise be entitled to over the agreed period.

**NOTE 20 - EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

The COVID-19 pandemic continues to have an impact on global economics. As a result, the rent received by the company will be forgone until September 2021, proportionate to the fall in turnover the Marriner Group is experiencing. This rent waiver will be reviewed by the Board of Directors quarterly, upon review of supporting documentation of decline in turnover to be supplied by the tenant.





Victorian Auditor-General's Office

## Independent Auditor's Report

### To the Directors of Regent Management Company Pty Ltd

<b>Opinion</b>	<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"> <li>• Balance sheet as at 30 June 2020</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>• statement of cash flow 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 2020 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 <i>APES 110 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>
<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 determines 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.

MELBOURNE  
22 March 2021



Sanchu Chummar

as delegate for the Auditor-General of Victoria

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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 2020, 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  
22 March 2021



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

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