

International Equities Corporation Ltd

and controlled entities

ACN 009 089 696

Annual Report 30 June 2018

Index	Page
CORPORATE DIRECTORY	1
CHAIRMAN'S STATEMENT	2
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF SEASONS	3
DIRECTOR'S REPORT	4-15
AUDITOR'S INDEPENDENCE DECLARATION	16
INDEPENDENT AUDITOR'S REPORT	17-20
DIRECTORS' DECLARATION	21
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22-23
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018	25
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018	26
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	27-59
SHAREHOLDERS' INFORMATION	60
CORPORATE GOVERNANCE STATEMENT	61-63

CORPORATE DIRECTORY

DIRECTORS

Chairman

Marcus Peng Fye Tow

Executive Director

Kong Liang Tow

Non – Executive Directors

Aubrey George Menezes

Krishna Ambalavanar

COMPANY SECRETARY

Aubrey George Menezes

REGISTERED OFFICE

Room 6, Seasons of Perth
37 Pier Street
Perth WA 6000

Telephone: (03) 9685 2988

Facsimile: (03) 9685 2968

CORPORATE OFFICE

International Equities Corporation Ltd
and Subsidiaries

Level 6, 348 St Kilda Road,
Melbourne, VIC 3004

www.internationalequities.com.au

IEC Real Estate Pty Ltd

Suite 100A, 640 Swanston Street,
Carlton, VIC 3053

www.iecrealestate.com.au

Renaissance Australia Pty Ltd

T/A Seasons of Perth

37 Pier Street

Perth WA 6000

www.seasonsofperth.com.au

Seasons Heritage Melbourne Pty Ltd

T/A Seasons Heritage Melbourne

572 St Kilda Road,

Melbourne Vic 3004

www.seasonsheritagemelbourne.com.au

Seasons Apartment Hotel Group Pty Ltd
Seasons International Management Pty Ltd

37 Pier Street

Perth WA 6000

www.seasonsapartmenthotelgroup.com.au

Seasons Darling Harbour Pty Ltd

T/A Seasons Darling Harbour

38 Harbour Street, Sydney NSW 2000

www.seasonsdarlingharbour.com.au

Seasons Harbour Plaza Pty Ltd

T/A Seasons Harbour Plaza

252 Sussex St, Sydney, NSW 2000

www.seasonsharbourplaza.com.au

HOME EXCHANGE

Australian Stock Exchange Ltd

Exchange Plaza

2 The Esplanade

Perth WA 6000

(ASX code: IEQ)

AUDITORS

Moore Stephens

Level 15, Exchange Tower,

2 The Esplanade

Perth WA 6000

SHARE REGISTRY

Managed and maintained at:

Advanced Share Registry Services,

110 Stirling Highway, Nedlands

Perth WA 6009

BANKERS

Bank of Melbourne

Level 8, 530 Collins Street

Melbourne VIC 3000

Westpac Banking Corporation

Level 1, 280 Coventry Street,

South Melbourne VIC 3205

National Australia Bank

Level 1, 330 Collins Street

Melbourne, Vic 3000

CHAIRMAN'S STATEMENT

'A FUTURE IN PEOPLE'

GROUP OVERVIEW

The last financial year saw Australian businesses move to build capacity and restore confidence. However, changes in lending criteria and greater scrutiny by the banking sector have not helped clear the way for growth, particularly in the property market. The effects of a shakeup across all financial sectors are not over and will likely continue into 2018-19 financial year.

International Equities will need to evolve and consolidate for leaner years ahead. The company is reassessing its priorities. For the time being our objective must be to increase liquidity and pay down loans.

During the last financial year we have moved to enhance cash generating assets and securing market share in the hospitality sector. Projects have been deferred until further capital can be secured. Sale of residential stocks is encouraged.

PROPERTY DEVELOPMENT

Liquidity has been a key issue dictating the outcome of development projects. We hope to re-ignite developments in the coming financial years when funding to the property sector returns.

HOTEL MANAGEMENT

Through Seasons Apartment Hotel Group Pty Ltd (SAHG), International Equities has restructured the hotel management business to reduce operating cost for optimum efficiency. We have weathered tough economic trading conditions and new entrants to the hospitality industry but remain optimistic we are able to improve yield from our hotel assets. The hotel management business has provided net cash inflows for the year enabling us to preserve the integrity of our cash generating assets.

Presently, International Equities has a presence in Melbourne, Sydney and Perth. For the financial year, these properties have provided cashflow within expectation.

OUTLOOK

The coming financial year will see business confidence fall especially in the property sector. There remains a high level of caution in the market. International Equities will continue to consolidate its position in favour of liquidity and repayment of bank loans.

On behalf of the Board of Directors, I would like to thank all staff members in recognition of their efforts and cooperation.

Marcus Tow
Chairman
16th September 2018

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF SEASONS

'PEOPLE TAKING CARE OF PEOPLE'

OVERVIEW

The Australian hospitality industry has been consolidating and evolving to accommodate new hotel brands and the popularity of booking platforms like Airbnb. This has resulted in greater competition and lower growth which has impacted on yields. Positive developments in the mining industry, new government initiatives and tourism related promotions have assisted in generating revenues for the last financial year. The year ahead will be equally challenging.

Revenue from Seasons hotels has improved due mainly to stronger sales and greater focus on service. However, evidence of budget cut backs and diminishing discretionary spending from the corporate market continues to put pressure on room yields. Web based business remains popular, special days' promotion and aggressive marketing with dynamic pricing helped to keep the hotel occupancy within expectation.

SEASONS OF PERTH

The hotel is currently undergoing a refurbishment. Earlier in the year the company invested in capital expenditure upgrades to compliment the refurbishment exercise. This is necessary to revitalise the property to achieve occupancy and yield and remain competitive. Continued support from the mining industry with Corporate functions have helped to keep the Room and Food and Beverage revenues within expectation.

For the year ahead, we expect growth to be measured whilst refurbishment continues. We expect market share to remain stable and revenues to remain in line with the budget.

SEASONS HERITAGE MELBOURNE

Much like the previous year, occupancy remains stable. Room rates are at a competitive price point. Web based business remains the booking medium of choice. In Melbourne our competitive edge is now being eroded by the growing number of new hotel rooms. We expect to continue to promote the property through promotion, advertising and brand awareness.

SEASONS BOTANIC GARDENS

During the year, some Landlords did not renew their leases reducing the number of rooms under management. This has impacted on Management Fees earned. For the present, the strategy is to maintain a standard and quality for a premium property. The full impact on revenues from the changes in rooms under management will be recorded in the coming financial year.

SEASONS DARLING HARBOUR

The demand for accommodation in this Sydney property continues to improve. The location and market presence remains the main driver to increase revenues for inbound and domestic markets. The hotel also continues to benefit from promotion at the Australian Tourism Exchange and the improving Sydney economy.

SEASONS HARBOUR PLAZA

The operation of Seasons Harbour Plaza has grown from strength to strength as the hotel is well positioned in the heart of Sydney CBD. Occupancy is higher but stable. The hotel continues to develop its network to draw in corporate activity once the Sydney Convention Centre re-opens in the coming financial year

CONCLUSION

For the coming year, we will continue to seek out new managements as and when the opportunity arises and to build on relationships with our clients. With that I take this opportunity to thank the Team for their significant contribution during the year.

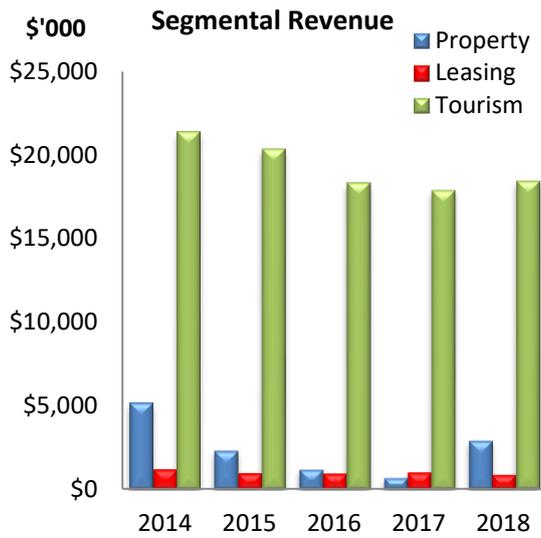
Krishna Ambalavanar
CEO – Seasons Apartment Hotel Group
16th September 2018

DIRECTOR'S REPORT

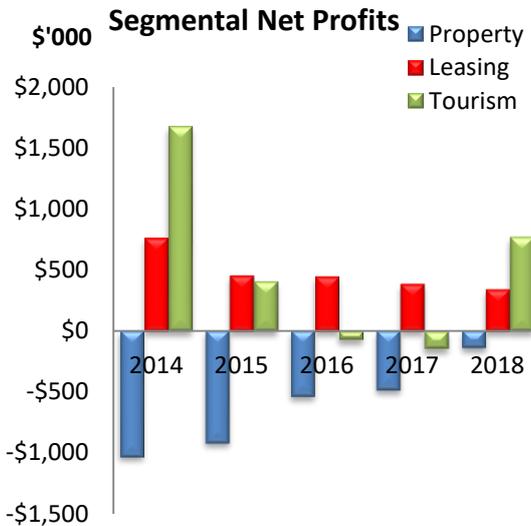
FIVE-YEAR FINANCIAL HIGHLIGHTS

		2014	2015	2016	2017	2018
Revenue	\$	27,566	23,556	20,432	19,536	22,172
EBITDA	\$	3,460	1,749	1,423	1,334	2,591
Profit/(Loss) from continuing operations	\$	1,411	(52)	(162)	(242)	972
Net Profit/(Loss) attributable to equity holders	\$	1,411	(52)	(162)	(242)	(972)
Total Assets	\$	53,347	49,155	41,927	41,154	34,548
Total Liabilities	\$	32,911	28,771	27,705	27,174	23,596
Total Net Assets/Total Equity	\$	20,436	20,384	14,222	13,980	10,952
NTA per share	c	15.69	15.71	10.96	10.73	8.37
Earnings per share (EPS)	c	1.10	(0.04)	(0.13)	(0.19)	0.76
<u>Segmental Revenue</u>						
Leasing	\$	1,142	915	905	962	825
Property	\$	5,147	2,293	1,185	686	2,531
Tourism	\$	21,379	20,348	18,342	17,888	18,816
<u>Segmental Profits</u>						
Leasing	\$	762	458	450	390	345
Property	\$	(1,029)	(918)	(541)	(487)	(510)
Tourism	\$	1,678	408	(71)	(145)	1,137

DIRECTOR'S REPORT

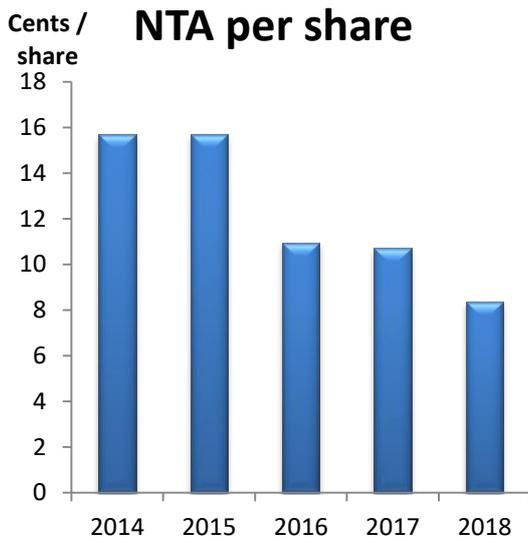


- Operating Revenue increase 13.50% to \$22.172 million
- Revenue from Property, Leasing and Tourism is \$2.531 million, \$0.825 million and \$18.816 million, respectively.
- For the coming financial year Revenue from Property, Leasing and Tourism is expected to be slower in line with financial year 2017 at around \$19.500 million due primarily to tightening lending criteria and cost of living pressures.

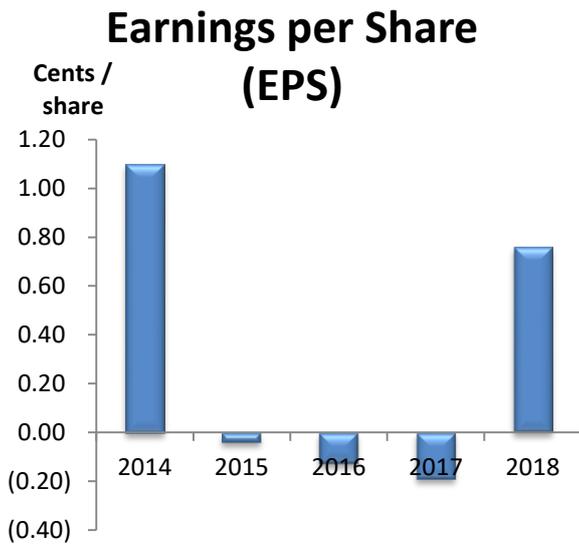


- Profit after tax was \$0.972 million.
- Contributions to profit / (loss) after tax from Property, Leasing and Tourism is \$(0.510) million, \$0.345 million and \$1.137 million, respectively.
- For the coming financial year we expect to record a loss after tax of \$0.250 million from Property, Leasing and Tourism in line with financial year 2017.
- No dividends were declared for the financial year ended 30 June 2018

DIRECTOR'S REPORT



- Net Tangible Assets decreased by 0.236 cents to 8.37 cents per share (2017: 10.73 cents per share)
- For the coming financial year Net Tangible Assets is expected to fall by \$0.02 cents per share in line with forecast.



- Earnings per Share was \$0.76 cents per share (Loss per Share 2017: \$0.19 cents per share)
- Earnings is greatly affected by the outcomes of property development and increase in revenues in the tourism sector
- For the coming financial year a Loss per Share is expected at \$0.20 cents per share broadly similar to financial year 2017.

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity consisting of International Equities Corporation Ltd (the company) and the entities it controlled at the end of, and during the year ended 30 June 2018.

Directors and Company Secretary

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Marcus Peng Fye Tow (Chairman / Chief Executive Officer)
Kong Liang Tow
Aubrey George Menezes (Chief Financial Officer / Company Secretary)
Krishna Ambalavanar

The Company Secretary in office during or since the end of the year:

Aubrey George Menezes

Information on directors and company secretary

The particulars of the qualifications, experience, special responsibilities, shareholdings and disclosure of interests of the Directors and Company Secretary are as follows:

Marcus Peng Fye Tow holds a Bachelor of Business Management degree from Melbourne's Monash University, a Masters of Management from Swinburne University and a Real Estate Agent's Licence from the Real Estate Institute of Victoria. Over 17 years, he has been actively involved in all areas with the Company's development projects in Melbourne. He is also a director of Renaissance Assets Pty Ltd which is a substantial shareholder in the Company. He provides leadership and strategic planning skills to the company. In the last three years, he did not hold directorships in other listed companies.

He attended 7 of the 7 meetings of directors held during the year.

Kong Liang Tow is a well established businessman with extensive business interests in commercial, residential and tourism properties. Over the last 25 years, he has held directorships in various public listed companies in Malaysia which activities include property development and investment. He also has business interests in logging, timber and manufacturing industries. He defines strategic objectives and business leadership skills to the company. In the last three years, he did not hold directorships in other listed companies.

He attended 7 of the 7 meetings of directors held during the year.

Aubrey George Menezes is an Australian CPA, a member of Chartered Institute of Management Accountants in UK. He is experienced in corporate finance and planning and was previously attached to professional practice and public listed corporation, which activities include property development and investment, hospitality and travel. He provides financial understanding and risk assessment to the business. In the last three years, he did not hold directorships in other listed companies.

He attended 7 of the 7 meetings of directors held during the year.

Anandakrishna Ambalavanar currently holds the position of Chief Executive Officer of Seasons Apartment Hotel Group Pty Ltd, the hotel management arm of the Company. He has 31 years international and domestic experience in managing hotels and has been associated with The Sheraton Group and Mirvac Hotels prior to joining the Company. He also chairs the executive committee which oversees all aspects of decision making and operations of hotel management for the group. He develops business strategies and policies for the company. He is also a director of all Seasons hotel related companies

He attended 7 of the 7 meetings of directors held during the year.

Information on other key management personnel

Elena Wei Theng Tow holds a Bachelor of Commerce and Music degree from Melbourne's Monash University. Over 13 years, she has been actively involved in all areas of hotel management for the Company and currently holds the position of Director of Operations for the group. She is also actively involved in the executive committee which oversees all aspects of decision making and operations of hotel management for the group. She provides people and change management policies to the company. She is a director of all Seasons hotel related companies and a director of Renaissance Assets Pty Ltd which is a substantial shareholder in the Company.

DIRECTOR'S REPORT

Information on other key management personnel (Continued)

Dennis Jun Fye Tow holds a Bachelor of Commerce and Arts degree from Melbourne's Deakin University. Over 9 years, he has been actively involved in all areas of hotel management for the Company and currently assists the CEO to provide internal audit controls on issues related to hotel management. He is also involved in the executive committee of the hotel management group. He provides financial services and international market experience to the company. He is a director of all Seasons hotel related companies and a director of Renaissance Assets Pty Ltd which is a substantial shareholder in the Company.

Cheng Lan Chuah, who previously held the position as a director of (IEC) Pacific Pty Ltd and General Manager for project management of development properties within the Company. She brought with her 45 years of experience in property development throughout Australasia including China and Australia. She develops the company's property development strategies and provides market research information. She resigned with effect from 31 August 2017.

Remuneration Report

Remuneration policy

The Board has adopted the remuneration committee's recommendation as follows:

The remuneration policy of International Equities Corporation Limited states that director's and executive's remuneration should be fixed at fair market terms. These terms may include offering incentives linked to key performance areas affecting the economic entity's financial results. Where contractual, the remuneration term will be for one calendar year. This policy aims to draw a balance between retaining the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

Fair market terms are defined as an all encompassing annual remuneration, benefits and employment terms and conditions that would be comparable to the remuneration of individuals in other entities with similar financial performance or as recommended by a human resource consultant.

The board's policy in determining the nature and amount of remuneration for board members and senior executives of the economic entity is outlined as follows:

- (i) The remuneration policy for senior executives includes an annual salary, fringe benefits (if applicable) and superannuation contribution. Other statutory terms are included.
- (ii) The remuneration policy for executive directors includes an annual salary, fringe benefits (if applicable) and superannuation contribution. Other statutory terms are included.
- (iii) The remuneration policy for an executive director with a service contract is a fee including GST. No fringe benefits and superannuation contributions are applicable. The nature of the contract is highlighted under Employment Contracts of Directors and Senior Executives in this remuneration report.
- (iv) The remuneration policy for non-executive directors includes an annual directors fee and travelling expenses (if applicable) to attend all meetings.
- (v) Directors are not entitled to any type of fee if employed with the company unless recommended and approved by shareholders at the Annual General Meeting

For the financial year, the Board has adopted two recommendations which are:

- (i) To accept and ratify all current director's and executive's remuneration terms. The remuneration committee will formulate new recommendations for the coming financial year in accordance with the policies, where required.
- (ii) Non-executive directors will be reimbursed for attending meetings. No fee will be payable for the last financial year.

During the financial year, the employed directors and executives received a superannuation guaranteed contribution required by the government, which is currently 9.5%. They did not receive any other retirement benefits.

All remuneration paid to directors and executives were valued at cost to the company and expensed. No shares or options were given to directors and executives during the year.

Performance Based Remuneration

The performance of directors and executives are measured against the economic entity's performance to enhance shareholders' value. The criterion is set as a measured increase in the net tangible asset value of the economic entity excluding intangibles. Other key performance indicators apply. All remuneration reviews, bonuses and incentives are linked to this performance criterion. The Board may, however, exercise its discretion and can recommend changes to the remuneration committee's recommendations. Any changes will be deliberated and justified by the remuneration committee. The evaluation of senior executives took place for the financial year ended 30 June 2018.

DIRECTOR'S REPORT

For the financial year, the Board has accepted the remuneration committee's recommendation to defer payments of remuneration increments, bonuses and incentives until sustainable profits is achieved.

Company Performance, Shareholders Wealth and Directors' and Executives' Remuneration

The remuneration policy aims to achieve goal congruence between shareholders and directors and executives. Given the size of the company and industry in which the company is in, a simpler measure of performance has been adopted. The criteria are set as a measured increase in the net tangible asset value of the economic entity excluding intangibles.

For the hospitality and tourism sector two criteria's are employed:

- (i) To achieve a 10% growth in Gross Operating Profit (GOP) whilst maintaining a ratio of 40% to Gross Revenues.
- (ii) To achieve a 5% increase in net tangible asset value excluding intangibles.

For the property development sector three criteria's are employed:

- (i) To achieve a 10% growth in Net after tax profits.
- (ii) To achieve a 5% increase in net tangible asset value excluding intangibles.
- (iii) To reject any development proposal with less than 15% development profit.

These criteria's and performance indices are to be reviewed every 3 three years.

For the financial year, shareholders wealth has declined due to revaluation and/or discounting on sale of development properties, reduced management fees from serviced apartments / hotel operations, real estate commissions. It was mitigated by cost rationalisation of its operations. The economic entity's performance is expected to remain stable in the financial year ahead barring any slide in economic conditions.

Disclosure relating to directors' and executive officers' emoluments is as follows:

(a) Names and positions held of key management personnel in office at any time during the financial year are:

Parent entity directors:

Executive Directors:

MPF Tow	Chairman	- International Equities Corporation Group
KL Tow	Director	- International Equities Corporation Group

Non-Executive Directors:

AG Menezes	Director / Company Secretary	- International Equities Corporation Group
A Ambalavanar	Director / Chief Executive Officer	- Seasons Apartment Hotel Group Pty Ltd

Subsidiary entity directors:

EWT Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
DJF Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
CL Chuah (resigned w.e.f. 31 August 2017)	Director / General Manager	- (IEC) Pacific Pty Ltd

There are no other employees within the consolidated entity who are considered to be key management personnel as defined by AASB 124.

DIRECTOR'S REPORT

(b) Specified directors' remuneration

Short-term benefits				Post-employment		Other Long-term	Share-based payment	Total
Cash, Salary & fees \$000	Superannuation contributions \$000	Cash bonus \$000	Non-cash Benefit \$000	Superannuation contributions \$000	Redundancy payments \$000	Long Service Leave \$000	\$000	\$000

2018

Executive Directors

MPF Tow	282	-	-	-	-	-	-	282
KL Tow	-	-	-	-	-	-	-	-

Non- Executive Directors

AG Menezes	40	-	-	-	-	-	-	40
A Ambalavanar	113	10	-	-	-	-	-	123
	435	10	-	-	-	-	-	445

2017

Executive Directors

MPF Tow	282	-	-	-	-	-	-	282
KL Tow	-	-	-	-	-	-	-	-

Non- Executive Directors

AG Menezes	40	-	-	-	-	-	-	40
A Ambalavanar	105	10	-	-	-	-	-	115
	427	10	-	-	-	-	-	437

(c) Specified executives' remuneration

Short-term benefits				Post-employment		Other Long-term	Share-based payment	Total
Cash, Salary & fees \$000	Superannuation contributions \$000	Cash bonus \$000	Non-cash Benefit \$000	Superannuation contributions \$000	Redundancy payments \$000	Long Service Leave \$000	\$000	\$000

2018

EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
CL Chuah (resigned w.e.f. 31 August 2017)	33	-	-	-	-	-	-	33
	33	-	-	-	-	-	-	33

2017

EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
CL Chuah (resigned w.e.f. 31 August 2017)	55	5	-	-	-	-	-	60
	55	5	-	-	-	-	-	60

DIRECTOR'S REPORT

(d) Remuneration options

Options granted as remuneration:

There were no options granted as remuneration during the year to parent entity directors or specified executives.

(e) Shares issued on exercise of remuneration options

There were no shares issued on exercise of remuneration options by parent entity directors or specified executives during the year.

(f) Options and rights holdings

Number of options held by parent entity directors and specified executives:

	Balance 01/07/2017	Granted as remuneration	Options exercised*	Net change other*	Balance 30/06/2018	Total vested 30/06/2018	Total exercisable	Total unexercisable
Parent entity directors:								
Executive Directors:								
MPF Tow	-	-	-	-	-	-	-	-
KL Tow	-	-	-	-	-	-	-	-
Non - Executive Directors:								
AG Menezes	-	-	-	-	-	-	-	-
A Ambalavanar	-	-	-	-	-	-	-	-
Specified executives:								
EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
CL Chuah (resigned w.e.f.31 August 2017)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

(g) Shareholdings

Number of shares held by parent entity directors and specified executives:

	Balance 01/07/2017	Received as remuneration	Options exercised	Net change other*	Balance 30/06/2018
Parent entity directors:					
Executive Directors:					
MPF Tow +	61,216,332	-	-	-	61,216,332
KL Tow +++++	61,216,332	-	-	-	61,216,332
Non – Executive Directors:					
AG Menezes	-	-	-	-	-
A Ambalavanar	-	-	-	-	-
Specified executives:					
EWT Tow +	61,216,332	-	-	-	61,216,332
DJF Tow ++	61,216,332	-	-	-	61,216,332
CL Chuah +++	20,000,000	-	-	-	20,000,000

+ Interest arises from their directorship in Renaissance Assets Pty Ltd and shares held by a relative

++ Interest arises from his directorship in Renaissance Assets Pty Ltd and in his personal capacity

+++ Interest arises from her directorship in Premium Properties (Aust) Pty Ltd

++++ Interest arises from shares held by a relative

* Net change other refers to shares purchased or sold during the financial year.

DIRECTOR'S REPORT

(h) Employment Contracts of Directors and Senior Executives

Employed directors and senior executives are given contracts of service which stipulate an annual salary and benefits (if applicable). The remuneration structure for the director and senior executive is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and the director and senior executive are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement the director and senior executive are paid employee benefit entitlements accrued to date of retirement. The director and senior executive are paid a sum based on the last salary depending on the length of service in the event of redundancy. Any options not exercised before or on the date of termination lapse.

With exception, the company has two on-going management agreements. One with Renaissance United Assets Management Pty Ltd. for the provision of Mr. MFP Tow's services which expires on 31 December 2018. The other is with 88 Properties Pty Ltd, for provision of Mr. AG Menezes' services which expires on 31 December 2018. No superannuation and benefits are applicable under these agreements. The company reserves the right to renew these agreements under fair market terms. No termination payments are included in the agreement. Mr. MFP Tow has an interest in Renaissance United Assets Management Pty Ltd while Mr. AG Menezes has an interest in 88 Properties Pty Ltd.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were Property Development, Tourism – Hotel Management and Others – Real Estate Sales and Management.

	2018	2017
	\$000	\$000
Consolidated results		
The consolidated profit/(loss) of the group for the year after income tax expense was:	<u>972</u>	<u>(242)</u>
Earnings per share		
Basic earnings per share (cents per share)	<u>0.76c</u>	<u>(0.19)c</u>

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

Review of operations

A summary of consolidated revenues and results by industry segments is set out below:

Highlights	Segment revenue	
	2018	2017
	\$000	\$000
Property development	2,531	686
Tourism	18,816	17,888
Leasing	825	962

Equity Raising and Earnings per Share

For financial year ended 30 June 2018 to the date of this report no equity was proposed or raised. Shareholders equity in the company remains at 128,223,577 ordinary shares.

2018 earnings per share of 0.76 cents (2017: loss per share 0.19 cents) was recorded on the back of slower growth in revenues from the Tourism and Leasing segment, resulting in lower yields and profits.

DIRECTOR'S REPORT

Results from Operations

For the last financial year revenue rise by 13.50% to \$22,172 million (2017: \$19,536 million). Segmental revenue of \$18,816 million, \$2,531 million and \$0.825 million was generated by Tourism, Property Development and Leasing segments, respectively. The Company will continue to stabilise revenue of the Tourism segment and maintain steadier outcomes for these segments of the business.

Profit after tax for the financial year ended was \$0.972 million (2017: Loss after tax: \$0.242 million). Profit of \$0.345 million and \$1.137 million was achieved by the Leasing and Tourism segment, respectively. However, an after tax loss of \$0.510 million was recorded against Property Development segment. The after tax loss from Property Development segment was recorded as a direct result of the sale of low yielding inventory. Close oversight into cost rationalisation measures, a low interest rate regime and confidence in the economy will be the main driving factors in achieving a steadier performance for the coming financial year.

Capital Expenditure

For the financial year ahead the Company intends to continue to upgrade and refresh all hotel properties as part of its ongoing maintenance policy to ensure it remains positive. All capital expenditure is budgeted for and is financed by cash flows generated from hotel operations.

Bank Borrowings

For the financial year ended 30 June 2018 the Company continues to be funded by bank borrowings of \$19.894 million fully secured by the Company's assets. Interest on these borrowings for the same period was \$1.146 million. The Company continues to pay down bank borrowings through amortisation and sale of stock of apartments.

Cash Generating Assets

The main cash generating assets of the consolidated entity have been from property related activities in Melbourne and the hotel and serviced apartment operations of Seasons of Perth, Seasons Darling Harbour, Seasons Harbour Plaza and Seasons Heritage Melbourne. These are outlined below.

Property Development and Related Activities

Uropa and Seasons Residential Apartments

This development undertaken by IEC (Management) Pty Ltd. continues to carry a stock of 3 apartments and 5 Commercial lots which generate rental income for the company. The company intends to retain all residential and commercial properties for income.

'Seasons Heritage Melbourne' Service Apartments and 'Tate' Penthouse Suites

This development undertaken by (IEC) Pacific Pty Ltd continues to carry stock of 22 Serviced Apartments, commercial lots and a luxury suite as at 30 June 2018. The company will sell down stock in Tate Apartments and retain the Serviced Apartments to be managed by Seasons Heritage Melbourne Pty Ltd and IEC Real Estate Pty Ltd, respectively.

Real Estate Management – IEC Real Estate Pty Ltd

IEC Real Estate is a licensed real estate agency specialising in managing apartments for the Company and various other owners. It currently concentrates its activities in Melbourne CBD, Carlton and surrounding areas. It holds on book nearing 284 management authorities.

'Seasons' Hotel Management

Seasons Apartment Hotel Group

'Seasons' is a trade-mark brand of Seasons Apartment Hotel Group Pty Ltd. and its related entity Seasons International Management Pty Ltd. It manages Seasons of Perth, Seasons Heritage Melbourne, Seasons Darling Harbour Sydney, Seasons Harbour Plaza Sydney and Seasons Botanic Gardens on St Kilda Road in Melbourne. Aside from managing properties owned by the company, Seasons will continue to seek an increase in rooms under management through brand awareness and new opportunities.

Seasons of Perth hotel

This property is held by Renaissance Australia Pty Ltd, a wholly owned subsidiary of the company. During the last financial year revenue from hotel operations were lower due to sluggish economic conditions in Perth. This has since stabilised but it is expected to continue to provide cash flow for the group.

DIRECTOR'S REPORT

Seasons Heritage Melbourne

This property is held by (IEC) Pacific Pty Ltd and operated by Seasons Heritage Melbourne Pty Ltd both are wholly owned subsidiaries of the company. The property consists of 136 serviced apartments including a heritage listed residence. It has a number of corporate guests with businesses in the CBD and on St Kilda Road, Melbourne.

Seasons Darling Harbour

This property is operated by Seasons Darling Harbour Pty Ltd, a wholly owned subsidiary of the company. The property consists of 43 serviced apartments managed under lease to Seasons. It is located in Sydney's CBD / Darling Harbour precinct. Occupancies are higher with growth in revenue.

Seasons Harbour Plaza

This property is operated by Seasons Harbour Plaza Pty Ltd, a wholly owned subsidiary of the company. The property consists of 119 recently refurbished serviced apartments managed under lease to Seasons. It is located in Sussex St. in Sydney's CBD. Occupancies are high with good demand.

Dividends

No dividend is recommended in respect of the year ended 30 June 2018 and none has been paid or recommended since the start of the financial year.

Events after the end of the financial year

Subsequent to 30 June 2018, Bank of Melbourne has extended the current loan facility, which matures on 1 October 2018, by a month to 1 November 2018 in order to complete their review of the facility. There has not been any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in the financial year after the financial year ended 30 June 2018.

Likely developments and expected results of operations.

The Company's revenue is driven predominantly from the sale of apartment stock and hotel and serviced apartment operations. The risk to sale of apartment stock centres on cost of funds to banks and lending criteria. The Company anticipates that cost of funds is expected to rise for the coming financial year with lending criteria expected to be tightened further.

Risk for tourism is the Australian Dollar and confidence in the economy. The Company expects the Australian Dollar to fall gradually which in turn will boost tourism. In Western Australia, the end of the mining boom resulted in a fall in revenue from hotel and serviced apartment operations. However, operation costs associated with it will also fall ensuring yields remain within reason.

Internally, the Company will continue to manage cashflows having oversight over all cost centres in an effort to improve yields. The Company will also improve workforce flexibility to increase productivity as labour costs forms a significant expense to the company.

For the year ahead, we are seeking new management letting rights to develop the 'Seasons' brand and our competitiveness.

Environmental regulations

The directors believe that the consolidated entity is not subject to any particular or significant environmental regulation.

Insurance of officers

In the financial year ending 30 June 2017, the company paid a premium of \$25,572 to insure certain officers of the company and related bodies corporate for 12 months which expired on 1 September 2018. On 30 August 2018, the policy was renewed for 12 months at an increased premium of \$34,814. The amount will be included in financial year ending 30 June 2019. The officers of the company covered by the insurance policy include the directors: KL Tow, AG Menezes, MPF Tow, A Ambalavanar and key management personnel. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings should such proceedings be brought against the officers in their capacity as officers of the company or a related body corporate.

Share options

There are no options over unissued shares as at the date of this report. No options were exercised during the past year.

DIRECTOR'S REPORT

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 any part of those proceedings.

Rounding of amounts to nearest thousand dollars

The consolidated entity is of a kind referred to in class order CI 2016/191 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and the financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 16.

Parent Entity Financial Statements

The Annual Report 2018 is presented according to the *Corporations Amendment (Corporate Reporting Reform) Act 2010 and the accompanying Corporations Amendment Regulations 2010 (No. 6)*. The Act has removed the need to prepare the parent entity financial statements. However, as some parent entity disclosures are still required by way of note, hence, a simplified parent statement of financial position and parent disclosures in relation to commitments amongst other parties are presented in note 28.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees paid / payable for non-audit services to the external auditors during the year ended 30 June 2018.

This report is made out in accordance with a resolution of directors.



AG Menezes
Director

Perth Western Australia
27th September 2018

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF INTERNATIONAL EQUITIES CORPORATION LIMITED

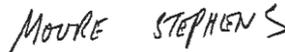
As lead auditor for the audit of International Equities Corporation Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of International Equities Corporation Limited during the year.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 27th day of September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED REPORT ON THE AUDIT OF THE FINANCIAL REPORT

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We have audited the financial report of International Equities Corporation Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss & other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without qualification to the opinion expressed above, we draw attention to note 1(y) of the financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions as explained in note 1(y) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in in the normal course of business and at amounts other than as stated in the financial report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Valuation of Property, plant and equipment

Refer to Note 11 Property & Statement of Profit or Loss & Other Comprehensive Income

The valuation of properties is a key audit matter as it is the Group's most significant asset and is highly dependent on estimates and judgements.

The total value of the Group's property, plant and equipment (PPE) in the balance sheet as at 30 June 2018 amounted to \$30.14 million which consists of properties which are carried at \$29.8 million. These properties include the Seasons of Perth Hotel and apartments/commercial units in Melbourne. These properties were professionally valued by independent experts during the year ended 30 June 2018 and are carried at fair value.

Management has taken into consideration these valuations as well as other relevant factors and market conditions in assessing the fair value of these properties. Valuation is dependent on several key assumptions and judgements including highest and best use concepts, capitalisation rates and comparative market values.

Our procedures included, amongst others:

- Evaluation of management's fair value assessment of the properties, including review of yield analysis.
- Evaluation of the independent professional valuations, including the external experts' competence, capabilities and objectivity. Assessing the methodologies used by the experts and appropriateness of the key assumptions based on our knowledge of the property industry
- Considering the potential impact of reasonably possible downside changes in these key assumptions with reference to more recent market data available concerning the Perth Hotel and Melbourne residential / serviced apartment sectors
- Reviewing the appropriateness of the fair value adjustment against Seasons of Perth.
- Review of adequacy of disclosures in the financial statements

Valuation of Inventories

Refer to Note 10 Inventories

The total value of inventories in the balance sheet as at 30 June 2018 amounted to \$1.45 million, of which \$1.38 million consists of serviced apartments located in Melbourne that are held as inventory. Inventory is valued at the lower of cost and net realisable value. Net realisable value is determined by the estimated selling price in the ordinary course of business, less estimated costs to sell. The inventory of apartments was professionally valued by an independent expert in April 2018. No valuation adjustments were necessary as at 30 June 2018.

The significant value and subjective nature of determining the net realisable value of the apartments has led us to conclude that valuation of inventories was a key audit matter.

Our procedures included, amongst others:

- Review of Management's assessment of the inventory valuation and key assumptions used in their assessment.
- Evaluation of independent professional valuations, including the expert's competence, capabilities and objectivity. Assessing the methodologies used and appropriateness of the key assumptions based on our knowledge of the property industry
- Review of margins for inventory sold during the year to validate Management's and Expert's assessments.
- Review of adequacy of disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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, misrepresentation, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide the directors with a statement that we 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 our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

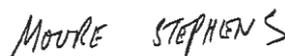
In our opinion, the Remuneration Report of International Equities Corporation Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**STAN
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth on the 27th day of September 2018

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 59, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and consolidated group.
2. The Chairman, Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:



AG Menezes
Director

Perth, Western Australia
27th September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Consolidated entity	
		30 June 2018	30 June 2017
		\$'000	\$'000
Continuing Operations			
Revenue	2	21,987	19,499
Other Income	2	185	37
Property development costs	3	(1,917)	(284)
Hotel cost of goods sold	3	(11,857)	(12,673)
Sales commission	3	(56)	(5)
Borrowing costs expense	3	(1,146)	(1,169)
Administrative expenses	3	(5,751)	(5,240)
Depreciation and amortisation expenses	3	(473)	(407)
Profit/(loss) before income tax expense		972	(242)
Income tax expense	22	-	-
Net Profit/(loss) for the year		972	(242)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Revaluation of Seasons of Perth Hotel		(4,000)	-
Other comprehensive income/(loss) for the year		(4,000)	-
Total comprehensive income/(loss) for the year		(3,028)	(242)

The above Statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Consolidated Entity	
		30 June 2018	30 June 2017
		\$'000	\$'000
Net profit/(loss) attributable to:			
Members of the parent entity		972	(242)
Non-controlling interest		-	-
		972	(242)
Total comprehensive income attributable to:			
Members of the parent entity		(3,028)	(242)
Non-controlling interest		-	-
		(3,028)	(242)
Earnings Per Share			
From continuing and discontinued operations:			
Basic earnings per share		0.76 c	(0.19) c
Diluted earnings per share		0.76 c	(0.19) c
From continuing operations:			
Basic earnings per share		0.76 c	(0.19) c
Diluted earnings per share		0.76 c	(0.19) c
From discontinued operations			
Basic earnings per share		-	-
Diluted earnings per share		-	-

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Entity	
		2018	2017
		\$'000	\$'000
CURRENT ASSETS			
Cash assets	8	1,832	2,816
Receivables	9	764	908
Inventories	10	1,452	2,815
Other	13	148	148
TOTAL CURRENT ASSETS		<u>4,196</u>	<u>6,687</u>
NON CURRENT ASSETS			
Property, plant and equipment	11	30,137	34,252
Intangible assets	12	215	215
TOTAL NON CURRENT ASSETS		<u>30,352</u>	<u>34,467</u>
TOTAL ASSETS		<u>34,548</u>	<u>41,154</u>
CURRENT LIABILITIES			
Payables	14	3,316	3,385
Interest-bearing liabilities	15	17,068	20,768
Provisions	16	386	358
TOTAL CURRENT LIABILITIES		<u>20,770</u>	<u>24,511</u>
NON CURRENT LIABILITIES			
Interest-bearing liabilities	15	2,826	2,663
TOTAL NON CURRENT LIABILITIES		<u>2,826</u>	<u>2,663</u>
TOTAL LIABILITIES		<u>23,596</u>	<u>27,174</u>
NET ASSETS		<u><u>10,952</u></u>	<u><u>13,980</u></u>
EQUITY			
Contributed equity	17	12,093	12,093
Reserves	18	6,746	10,746
Accumulated losses	19	(7,887)	(8,859)
TOTAL EQUITY		<u><u>10,952</u></u>	<u><u>13,980</u></u>

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Accumulated losses \$'000	Total \$'000	Total equity \$'000
(a) Consolidated Entity						
Balance at 1 July 2017	12,093	40	10,706	(8,859)	13,980	13,980
Net profit for the year	-	-	-	972	972	972
Other Comprehensive loss for the year	-	-	(4,000)	-	(4,000)	(4,000)
	12,093	40	6,706	(7,887)	10,952	10,952
Dividends paid or declared	-	-	-	-	-	-
Balance at 30 June 2018	12,093	40	6,706	(7,887)	10,952	10,952

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Accumulated losses \$'000	Total \$'000	Total equity \$'000
			Restated		Restated	Restated
(a) Consolidated Entity (Restated)						
Balance at 1 July 2016	12,093	40	10,706	(8,617)	14,222	14,222
Net loss for the year	-	-	-	(242)	(242)	(242)
	12,093	40	10,706	(8,859)	13,980	13,980
Dividends paid or declared	-	-	-	-	-	-
Balance at 30 June 2017	12,093	40	10,706	(8,859)	13,980	13,980

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated entity	
		2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		22,331	20,183
Payments to suppliers and employees		(17,705)	(17,564)
Interest received		11	16
Borrowing costs paid		(1,146)	(1,169)
Net cash provided by/(used in) operating activities	7(a)	<u>3,491</u>	<u>1,466</u>
Cash flows from investing activities			
Purchase of intangibles		(85)	(119)
Purchase of property, plant and equipment		(853)	(347)
Net cash provided by/(used in) investing activities		<u>(938)</u>	<u>(466)</u>
Cash flows from financing activities			
Proceeds from borrowings		663	738
Repayment of borrowings		(4,200)	(1,624)
Net cash provided by/(used in) financing activities		<u>(3,537)</u>	<u>(886)</u>
Net increase/(decrease) in cash held			
Cash at the beginning of the financial year		(984)	114
Effect of exchange rates on cash		2,816	2,702
Cash at the end of the financial year	8	<u>1,832</u>	<u>2,816</u>

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of International Equities Corporation Limited and its controlled entities ("the Group"). International Equities Corporation Limited is a listed public company, incorporated and domiciled in Australia. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements were authorised for issue on 27 September 2018 by the directors of the company.

The separate financial statements of the parent entity, International Equities Corporation Limited, have not been presented within this financial report as permitted by amendments made to *Corporations Act 2001* effective as at 28 June 2010.

The financial report of the Group, and International Equities Corporation Limited as an individual chief entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial statements are prepared on an accrual basis and are based on historical costs and do 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.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by International Equities Corporation Ltd at the end of the reporting period. A controlled entity is any entity over which International Equities Corporation Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Investments

Other Investments

Other investments are brought to account at cost. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' market value or the underlying net assets in the particular companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The company and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1st July 2003.

(d) Inventories

Inventories, including land held for resale, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes the cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expenses as incurred.

(e) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets (Continued)

in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(f) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at fair value and additions capitalised (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), determined every three - five years (or when requested by the Company's bankers), by an independent valuation performed by an external independent valuer less subsequent depreciation for buildings. In the interim years, fair value is based on Directors' assessments having regard to market movements. Changes to fair values are recorded in the Asset Revaluation Reserve in the Statement of Financial Position.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset,

Plant & Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land and building, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The expected useful lives are as follows:

Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Leasehold Improvement at cost	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Earnings per share

a. *Basic earnings per share*

Basic earnings per share is determined by dividing the group operating result after income tax attributable to members by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

b. *Diluted earnings per share*

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share by taking into account amounts paid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(i) Land held for development and resale

Land held for development and resale comprises land held for development, contract costs and other holding costs incurred to date.

Costs include the cost of acquisition, development, interest on funds borrowed for the development and holding costs until completion of development. Interest and holding charges incurred after development are expensed. Profit is recognised on an individual contract basis generally at settlement.

(j) Receivables

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from date of recognition. Collection of trade and other debtors are reviewed on an ongoing basis; uncollectible debts are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(k) Revenue

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes.

Revenue from the sale of apartments or units is generally recognised upon settlement.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of services and accommodation is recognised upon the provision of the service to customers.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(p) Financial Instruments

Recognition and initial measurement

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

Financial instruments 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.

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments (Continued)

Recognition and initial measurement

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

The Group designates certain derivatives as either:

- i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions, is documented.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments (Continued)

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Fair Value of Assets and Liabilities

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(r) Comparative Figures

Where appropriate comparative figures have been adjusted to conform to changes in presentation of the current financial period.

(s) Intangible Asset – Management Letting Rights

Management letting rights ("MLRs") allow the Group to derive its trading revenue from letting the apartments of the Seasons Darling Harbour ("SDH"). MLRs are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The cost of the rights is amortised on a straight line basis over the estimated average life of the underlying lease terms of the "SDH" serviced apartments with which it is associated on the basis that the useful life of the rights will equate to the period over which income will be derived from its current use. The Directors have assessed that the MLR currently has a finite useful life of approximately ten (10) years. The amortisation expense is taken to statement of comprehensive income through the depreciation and amortisation line item. MLRs are not revalued in the accounts as they are not traded in an active market. The amortisation period and amortisation method shall be reviewed at each balance date.

(t) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC class order CI 2016/191 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

(u) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained externally or within the group.

(v) Key Estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined Value – in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Key Judgements

No key judgements, having a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next annual reporting period, have been incorporated into the financial report for the year ended 30 June 2018.

(x) New and Amended Accounting Policies Adopted by the Group

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(y) Going Concern & Obligations under Bank Borrowings

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has certain obligations under its existing loan facilities and these include the requirement to meet certain financial covenants. As at 30 June 2018, these financial covenants have not been met.

At the time of this report, the breach of these covenants have been waived by Bank of Melbourne ("BOM") who retain their rights in respect of any other past, present or future breaches of the conditions contained in their facility offer. Given the covenant breach and the 1 October 2018 maturity date of BOM's current facility, the borrowings payable to BOM have been classified as a current liability. As a result, the Group's current liabilities exceed its current assets by \$16.574 million at balance date.

The directors are currently in discussions with BOM to agree an acceptable term extension.

Notwithstanding this, the directors are confident of the Group's ability to continue as a going concern for the following reasons:

- The demonstrated ability to obtain refinancing for existing loans;
- The demonstrated ability to sell down existing stocks of apartments located in Melbourne to reduce debt. The property market in Melbourne, in particular, remains stable;
- The ability to dispose of certain non-current assets to extinguish the loans in their entirety;
- The ability to raise capital or loans from shareholders or related parties.

Based on the above conditions, the Directors consider the going concern basis of preparation to be appropriate for this financial report. However, in the unlikely event the above outcomes are not achievable, the Group may not be able to realise its assets and extinguish its liabilities at the amounts stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors do not anticipate that the adoption of AASB 9 will have a material impact on the Group's financial instruments

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New Accounting Standards for Application in Future Periods (Continued)

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

Based on a preliminary assessment performed over each business segment, the effects of AASB 15 are not expected to have a material effect on the Group.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The standard will affect the accounting for the Group's Lease Rights which are currently accounted for as operating leases. As at the reporting date, the Group has operating lease commitments of \$19.15 million (Note 25b). The Group is currently assessing the full impact of the standard, but expects that the impact on its assets, liabilities and equity will be material. The impact on the net profit after tax will depend on a number of factors still under consideration. The Group expects to be able to provide a reasonable estimate of such impact in its next annual financial report.

2. REVENUE	2018 \$000	2017 \$000
Operating activities		
- sale of apartments	2,364	295
- sale of services and accommodation	18,400	17,662
- property management fees	948	1,225
- rental revenue	264	301
- interest received - other persons	11	15
- other revenue	185	37
	<u>22,172</u>	<u>19,536</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. LOSS FROM ORDINARY ACTIVITIES	2018	2017
	\$000	\$000

Loss from ordinary activities before income tax has been determined after:

Borrowing costs:		
- other persons	1,146	1,169
Expenses:		
Administration costs	5,751	5,240
Hotel costs and cost of goods sold:		
- Payroll Costs	4,391	4,072
- Superannuation expense	417	387
- Other costs	7,049	8,214
Depreciation & amortisation	473	407
Development costs – apartments	1,917	284
Commissions	56	5

4. KEY MANAGEMENT PERSONNEL

Refer to the remuneration report contained in the directors report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2018	2017
	\$000	\$000
Short term employee benefits	468	482
Post-employment benefits	10	15
Other long-term benefits	-	-
Share based payments	-	-
Total KMP compensation	<u>478</u>	<u>497</u>

Short term employment benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors, as well as all salary, paid leave benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's estimated cost of providing for the Group's defined benefit scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payments

These amounts represent the expense related to the participation of KMP in equity settled benefits schemes as measured by the fair value of options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5. AUDITOR'S REMUNERATION	2018 \$000	2017 \$000
Remuneration of the auditor of the parent company for:		
- auditing or reviewing the financial report	95	93
- other services		
Remuneration of other auditors of controlled entities for:	-	-
- auditing or reviewing the financial report of	-	-
- controlled entities		
	<u>95</u>	<u>93</u>

6. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is 0.76 cents (2017: (0.19) cents per share)

(a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings / (loss) per share is 128,223,577 (2017: 128,223,577).

(b) Diluted earnings / (loss) per share is not materially different from earnings per share

7. CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with operating profit/(loss) after income tax	2018 \$000	2017 \$000
Operating profit/(loss) after income tax	972	(242)
Non-cash flows in operating profit		
Depreciation and amortisation of non-current assets	473	407
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	144	384
(Increase)/Decrease in prepayments	-	241
(Increase)/Decrease in inventories	1,943	321
(Increase)/Decrease in other non-current assets	-	-
(Decrease)/Increase in accounts payable	(74)	19
(Decrease) in accrued expenses	5	330
Increase/(Decrease) in deferred tax	-	-
Increase/(Decrease) in provisions	29	6
Net cash (used in)/provided by operating activities	<u>3,491</u>	<u>1,466</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. CASH	2018 \$000	2017 \$000
Cash at bank and on hand	1,832	2,816
	<u>1,832</u>	<u>2,816</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank and on hand	1,832	2,816
	<u>1,832</u>	<u>2,816</u>
	<u><u>1,832</u></u>	<u><u>2,816</u></u>
9. RECEIVABLES		
Current	2018 \$000	2017 \$000
Trade debtors	770	917
Less: provision for doubtful debts	(6)	(9)
	<u>764</u>	<u>908</u>
	<u><u>764</u></u>	<u><u>908</u></u>
10. INVENTORIES		
Current	2018 \$000	2017 \$000
Completed units held for resale	1,385	2,722
Consumables and stores	67	93
	<u>1,452</u>	<u>2,815</u>
	<u><u>1,452</u></u>	<u><u>2,815</u></u>
11. PROPERTY, PLANT AND EQUIPMENT		
	2018 \$000	2017 \$000
Freehold land and buildings		
Seasons of Perth hotel at valuation ⁽¹⁾ including improvements	20,599	23,943
Seasons Heritage Melbourne hotel at valuation ⁽²⁾	6,413	6,993
IEC Management commercial lots and apartments ⁽³⁾	2,831	2,831
	<u>29,843</u>	<u>33,767</u>
	<u><u>29,843</u></u>	<u><u>33,767</u></u>
Furniture, fittings and equipment		
At cost	5,471	5,277
Less: accumulated depreciation	(5,177)	(4,792)
	<u>294</u>	<u>485</u>
	<u><u>294</u></u>	<u><u>485</u></u>
Total	<u><u>30,137</u></u>	<u><u>34,252</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (1) The fair value of Seasons of Perth Hotel was determined on 29 February 2018 by an independent valuation by Knight Frank Australia Pty Ltd. A fair value loss of \$4m was recognised for financial year ended 30 June 2018 (see note 1 for further details). The Directors have assessed that the fair value was not materially different to the carrying value as at 30 June 2018.
- (2) The fair value of Seasons of Heritage Melbourne was determined in 12 April 2018 based on an independent valuation by CB Richard Ellis (V) Pty Ltd. The Directors have assessed that the fair value was not materially different to the carrying value as at 30 June 2018 but have not recognised any uplift in value to be prudent.
- (3) The fair value of IEC Management's commercial lots and apartments was determined on 18 April 2018 by an independent valuer, Charter Keck Cramer. Having regard to the positive rental yields and sustained profitability of the leasing segment, the Directors have assessed that the fair value was not materially different to the carrying value as at 30 June 2018 but have not recognised any uplift in value to be prudent.

	2018	2017
	\$000	\$000
Reconciliations:		
Freehold land and buildings		
Opening balance	33,767	34,051
Revaluation of Seasons of Perth Hotel	(4,000)	-
Refurbishment of Seasons of Perth Hotel	657	-
Development cost of sale (apartments released for sale)	(581)	(284)
Closing balance	<u>29,843</u>	<u>33,767</u>
Furniture, fittings and equipment		
Opening balance	485	472
Additions	175	344
Depreciation	(366)	(331)
Closing balance	<u>294</u>	<u>485</u>
12. INTANGIBLE ASSETS		
	2018	2017
	\$000	\$000
Management Letting Rights		
Balance at beginning of period	118	169
Acquired during the period	-	-
	<u>118</u>	<u>169</u>
Amortisation	(53)	(51)
Balance at end of period	<u>65</u>	<u>118</u>
Other Intangibles		
	2018	2017
	\$000	\$000
Balance at beginning of period	119	-
Acquired during the period	85	119
Balance at end of period	<u>204</u>	<u>119</u>
Amortisation	(54)	(22)
Balance at end of period	<u>150</u>	<u>97</u>
Total balance at end of period	<u>215</u>	<u>215</u>

Management Letting Rights (MLR's) allow the Group to derive revenue from letting apartments in the operations of Seasons Darling Harbour. MLR's are amortised on a straight line basis over the average lease terms to which they attach which has been assessed as 10 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$000	2017 \$000
13. OTHER ASSETS		
Prepayments	148	148
14. TRADE AND OTHER PAYABLES		
Trade creditors	2,053	2,128
Other creditors and accruals	1,263	1,257
	<u>3,316</u>	<u>3,385</u>
15. INTEREST-BEARING LIABILITIES		
Current	\$000	\$000
Loan from related party ^(e)	300	300
Bank loan – secured ^(a)	16,768	20,468
	<u>17,068</u>	<u>20,768</u>
Non-current		
Bank loans - secured ^(a)	750	601
Loan from related party ^(e)	2,076	2,062
	<u>2,826</u>	<u>2,663</u>
Bank loans comprise the following:		
- Bank of Melbourne (matures on 1 October 2018)	14,804	19,004
- Bank of Queensland (matures in August 2018 and subject to annual review)	1,964	1,464
- ING (matures in October 2036)	750	601
	<u>17,518</u>	<u>21,069</u>
Notes:		
(a) Secured loans are expected to be settled:		
- within 12 months	-	-
- 12 months or more	17,518	21,069
(b) Total current and non-current secured liabilities	<u>17,518</u>	<u>21,069</u>
(c) The carrying amounts of current and non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	28,500	31,089
Inventory for sale	1,342	2,678
	<u>29,842</u>	<u>33,767</u>
Total assets pledged as security	<u>29,842</u>	<u>33,767</u>
(d) The bank loans are secured by assets of IEC (Management) Pty Ltd, IEC (Pacific) Pty Ltd, and Renaissance Australia Pty Ltd's property, a debenture charge from these companies, a guarantee from the holding company and a deed of subordination from the holding company.		
(e) The loan from related party is interest free, unsecured, and has no fixed terms of repayment.		

The financial covenants associated with the bank borrowings of the Bank of Melbourne require the maximum property finance loan to value ratio (LVR) to not exceed 53% as at June 2018 and 50% at facility maturity. At 30 June 2018, LVR stood at 54%. Refer to Note 1(y) for discussion as to compliance with these covenants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$000	2017 \$000
16. PROVISIONS		
Employee entitlements	386	358
	<u>386</u>	<u>358</u>
		Employee Benefits \$000
Opening balance at 1 July 2017		358
Additional provisions		34
Amounts used		(6)
Balance at 30 June 2018		<u>386</u>
		<u>386</u>
Analysis of total provisions		
	2018 \$000	2017 \$000
Current	386	358
Non-current	-	-
	<u>386</u>	<u>358</u>
	<u>386</u>	<u>358</u>
17. CONTRIBUTED EQUITY		
Paid-up capital:		
128,223,577 fully paid ordinary shares (2017: 128,223,577)	12,093	12,093
	<u>12,093</u>	<u>12,093</u>
128,223,577 issued and fully paid ordinary shares (2017: 128,223,577) at the start of the financial year	12,093	12,093
Movement in the year	-	-
At end of the financial year	<u>12,093</u>	<u>12,093</u>
	<u>12,093</u>	<u>12,093</u>

The only shares the Company has on issue are the fully paid ordinary shares. These shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds of the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

The ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

	Year to 30 June 2018		Year to 30 June 2017	
	No. of shares	\$000	No. of shares	\$000
Movement in ordinary shares on issue:				
Beginning of the period	128,223,577	12,093	128,223,577	12,093
Share based payments	-	-	-	-
Shares bought back on-market	-	-	-	-
At end of the financial year	<u>128,223,577</u>	<u>12,093</u>	<u>128,223,577</u>	<u>12,093</u>
	<u>128,223,577</u>	<u>12,093</u>	<u>128,223,577</u>	<u>12,093</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17. CONTRIBUTED EQUITY (CONTINUED)

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The gearing ratios for the year ended 30 June are as follows:

	2018	2017
	\$000	\$000
Total borrowings – see note 15	19,894	23,431
Less cash and cash equivalents – see note 8	<u>(1,832)</u>	<u>(2,816)</u>
Net debt	18,062	20,615
Total equity	<u>10,952</u>	<u>13,980</u>
Total capital	<u><u>29,014</u></u>	<u><u>34,595</u></u>
Gearing Ratio	62%	60%
	2018	2017
	\$000	\$000
18. RESERVES		
Share option reserve	40	40
Asset revaluation reserve	<u>6,706</u>	<u>10,706</u>
	<u><u>6,746</u></u>	<u><u>10,746</u></u>
19. ACCUMULATED LOSSES		
Accumulated losses at beginning of the financial year	(8,859)	(8,617)
Net profit/(loss) attributable to the members of the parent entity	<u>972</u>	<u>(242)</u>
Accumulated losses at end of the financial year	<u><u>(7,887)</u></u>	<u><u>(8,859)</u></u>
20. FINANCIAL RISK MANAGEMENT		

(a) Financial Risk Management Policies

The group's financial instruments consists mainly of deposits with banks, short term investment, accounts receivable and payable, loans to and from subsidiaries, bank loans and finance leases.

i) Treasury Risk Management

The board of directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Policies

i) Treasury Risk Management (continued)

The board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

ii) Financial Risk Exposure and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2018, 100% of group debt is floating. Under the present financial conditions interest rate policies are dictated by the financial institutions. The role of the board also includes negotiating for preferred margins over prescribed rates.

Foreign Currency risk

The group is not exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services. All transactions are in Australian Dollars.

Liquidity risk

The group manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. Exposure at balance date is addressed in each applicable note.

The Company does not hold any credit derivatives to offset its credit exposure.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an "A" rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing;

The group only invests in listed available – for sale financial assets that have a minimum 'A' credit rating. At present the Consolidated Group has no exposure to this risk.

Unlisted available for sale financial assets are not rated by external credit agencies. These are reviewed regularly by the group to ensure that credit exposure is minimised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Policies

ii) Financial Risk Exposure and Management (Continued)

The credit risk for counterparts included in trade and other receivables at 30 June is detailed below:

	2018 \$000	2017 \$000
Trade and other Receivables		
AA rated counterparties	-	-
B rated counterparties	-	-
Counterparties not rated	764	908
Total	<u>764</u>	<u>908</u>

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Price risk

The group is not exposed to risk in commodity prices.

b) Financial Instruments

i) Derivative Financial Instruments

Derivative financial instruments were not used by the consolidated group for the period ending 30 June 2018.

ii) Interest Rate Swap

Interest Rate Swaps were not entered into for the period ending 30 June 2018.

iii. Financial Instrument Composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Weighted Average		Fixed Interest Rate Maturing								Total	
	Effective Interest		Floating		Within 1		1 to 5		Non - Interest			
	Rate	Rate	Interest Rate	Year	Year	Years	Bearing					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets												
Cash and cash equivalents	0.61	0.56	1,299	1,547	-	-	-	-	533	1,269	1,832	2,816
Receivables	-	-	-	-	-	-	-	-	764	908	764	908
Total Financial Assets			<u>1,299</u>	<u>1,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297</u>	<u>2,177</u>	<u>2,596</u>	<u>3,724</u>
Financial Liabilities												
Bank loans and overdrafts	6.07	5.22	2,714	6,424	14,804	14,645	-	-	-	-	17,518	21,069
Trade and sundry payables	-	-	-	-	-	-	-	-	3,316	3,385	3,316	3,385
Amounts payable related parties	-	-	-	-	-	-	-	-	2,376	2,362	2,376	2,362
Total Financial Liabilities			<u>2,714</u>	<u>6,424</u>	<u>14,804</u>	<u>14,645</u>	<u>-</u>	<u>-</u>	<u>5,692</u>	<u>5,747</u>	<u>23,210</u>	<u>26,816</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade and other receivables are expected to be collected as follows:

	2018 \$000	2017 \$000
Trade and other receivables		
Not past due	500	459
Past due 30 days	120	224
Past due 60 days	89	51
Past due 90 days	20	33
Past due 90 days +	41	150
Less: Amount impaired	(6)	(9)
Total amount not impaired	<u>764</u>	<u>908</u>

Trade and sundry payables are expected to be paid as follows:

	2018 \$000	2017 \$000
Trade and other Payables		
Less than 6 months	3,316	3,385
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>3,316</u>	<u>3,385</u>

(i) Net Fair Values

The net fair values of:

All assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2018		2017	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$000	\$000	\$000	\$000
Financial Assets				
Cash and cash equivalents	1,832	1,832	2,816	2,816
Trade and other receivables	764	764	908	908
	<u>2,596</u>	<u>2,596</u>	<u>3,724</u>	<u>3,724</u>
Financial Liabilities				
Trade and other payables	3,316	3,316	3,385	3,385
Bank and other loans payable	19,894	19,894	23,431	23,431
	<u>23,210</u>	<u>23,210</u>	<u>26,816</u>	<u>26,816</u>

(ii) Sensitivity Analysis

Interest Rate Risk

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance sheet date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Sensitivity Analysis (Continued)

Interest Rate Sensitivity Analysis

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$000	\$000
Change in Profit		
- Increase in interest rate by 2%	(350)	(421)
- Decrease in interest rate by 2%	350	421
Change in Equity		
- Increase in interest rate by 2%	(350)	(421)
- Decrease in interest rate by 2%	350	421

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

The Company is not exposed to foreign currency risk or price risk.

21. FAIR VALUE MEASUREMENT

- a. Recurring and non-recurring fair value measurement amounts and the level of the fair value hierarchy within which the fair value measurements are categorised:

Fair Value Measurements at 30 June 2018 :

	Note	Significant		
		Quoted Prices in Active Markets for Identical Assets \$000 (Level 1)	Observable Inputs Other than Level 1 Inputs \$000 (Level 2)	Significant Unobservable Inputs \$000 (Level 3)
Recurring fair value measurements				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings	(i)	-	31,337	-

Fair Value Measurements at 30 June 2017 :

Description	Note	Significant		
		Quoted Prices in Active Markets for Identical Assets \$000 (Level 1)	Observable Inputs Other than Level 1 Inputs \$000 (Level 2)	Significant Unobservable Inputs \$000 (Level 3)
Recurring fair value measurements				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings		-	33,767	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

21. FAIR VALUE MEASUREMENT (CONTINUED)

- (i) The fair value measurement amounts of freehold land and buildings relate to:
- Seasons of Perth Hotel in Western Australia
 - Serviced Apartments at Seasons Heritage Melbourne Hotel in Victoria.
 - Commercial Lots and Apartments of IEC Management Pty Ltd

- b. Valuation techniques and inputs used to determine level 2 fair values:

	Fair Value at 30 June 2018	Description of Valuation Techniques	Inputs Used
Level 2	\$000		
22 Apartments within Seasons Heritage Melbourne (CBRE Valuation Report 12 April 2018)	7,415	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Seasons of Perth (Knight Frank Valuation Report 13 April 2018)	20,000	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Commercial Lots and Apartments of IEC Management (Valuation by Charter Keck Kramer 18 April 2018)	3,922	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

	Fair Value at 30 June 2017	Description of Valuation Techniques	Inputs Used
Level 2	\$000		
25 Apartments within Season: Heritage Melbourne (CBRE Valuation Report 3 August 2016)	6,993	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Seasons of Perth (CBRE Valuation Report 9 August 2016)	23,943	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Commercial Lots and Apartments of IEC Management (Valuation by Charter Keck Kramer 27 March 2014 and Opteon 16 September 2016)	2,831	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22. INCOME TAX EXPENSE

	2018 \$000	2017 \$000
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit / (Loss) from ordinary activities before income tax	<u>972</u>	<u>(242)</u>
Income tax liability / (benefit) calculated at 27.5% (2017: 30%) of profit/ (loss) from ordinary activities before income tax	267	(73)
Tax effect of permanent differences	-	-
	<u>267</u>	<u>(73)</u>
Timing differences and tax profits/(losses) not brought to account as future income tax liability / (benefit)	(267)	73
Income tax expense	<u>-</u>	<u>-</u>
(b) Deferred tax liability		
Profits deferred for tax purposes	<u>-</u>	<u>-</u>
(c) Deferred tax asset		
Certain deferred tax assets have not been recognised as an asset: Attributable to tax losses at 27.5% (2017: 30%) ^{Note 1}	<u>2,377</u>	<u>2,692</u>

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits

Note 1 - the corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2027 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

23. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation	Percentage owned	
		2018	2017
Parent entity:			
International Equities Corporation Ltd*	Australia		
Controlled entities:			
(IEC) Pacific Pty Ltd*	Australia	100	100
IEC (Management) Pty Ltd*	Australia	100	100
IEC Real Estate Pty Ltd*	Australia	100	100
Renaissance Australia Pty Ltd*	Australia	100	100
Seasons Heritage Melbourne Pty Ltd*	Australia	100	100
IEC Properties Pty Ltd**	Australia	100	100
Seasons Apartment Hotel Group Pty Ltd**	Australia	100	100
Seasons International Management Pty Ltd*	Australia	100	100
Seasons Darling Harbour Pty Ltd*	Australia	100	100
Seasons Harbour Plaza Pty Ltd*	Australia	100	100

* Audited by Moore Stephens, Perth
 ** Dormant in the Financial Year 2018 and 2017

24. RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

- (i) Details of all equity transactions between directors and director related entities in the company are as noted in the Directors Report.
- (ii) MPF Tow has an interest in Renaissance Assets Pty Ltd and Renaissance United Asset Management Pty Ltd arising from his directorship in these entities. Transactions with these entities are as noted below:

	2018	2017
	\$000	\$000
Trade receivable at year end due from:		
Renaissance Assets Pty Ltd ⁽ⁱ⁾	1	31
Trade payable at year end due to:		
Renaissance Assets Pty Ltd ⁽ⁱ⁾	697	545
Loans payable at year end to:		
Renaissance Assets Pty Ltd – current ⁽ⁱ⁾	300	300
Renaissance Assets Pty Ltd – non-current ⁽ⁱ⁾	2,076	2,062
Revenue received during the year from:		
Renaissance Assets Pty Ltd	388	462
Renaissance United Assets Management Pty Ltd	-	102

(i) These amounts are unsecured and interest free with no fixed terms of repayment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

25. COMMITMENTS

(a) Capital Commitments

The Company had the following capital expenditure commitment as at 30 June 2018:

Renaissance Australia Pty Ltd, a wholly owned subsidiary of the parent company, has entered into a contract with Mechanical Project Services Pty Ltd to replace central air-conditioning chillers at a cost of \$349,338 (plus GST) and Kitchen and Bathroom Specialist Pty Ltd to refurbish 26 rooms at Seasons of Perth at a cost of \$375,300 (plus GST). At the time of this report, an amount of \$96,500 and \$351,547, respectively, remains outstanding. Amounts will be funded from internally generated cashflows.

(b) Operating Lease Commitments

The following table sets out the Group's commitment for operating leases in respect of properties under Lease Rights and other operating leases. Lease expenditure contracted but not provided for as payable:

	2018 \$000	2017 \$000
Within 1 year	5,080	5,529
Later than 1 year but not later than 5 years	14,066	17,843
Later than 5 years	7	1,310
	<u>19,153</u>	<u>24,682</u>

26. CONTINGENT LIABILITIES AND GUARANTEES

The Company had the following contingent liabilities and guarantees as at 30 June 2018:

- i. The group has provided an unlimited corporate guarantee and indemnity as security for all loans held by the group.

Other than the above, the directors are not aware of any event or occurrence that would result in any contingent liability becoming enforceable as at 30 June 2018.

27. SEGMENTAL REPORTING

Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

Types of products and services by segment

Property Development

The property development and re-sale segment is responsible for identifying, costing and financing potential development opportunities, developing acquisitions and finding buyers for completed developments.

Tourism

Tourism relates to the Group's own hotel operations and to leasing and operating a hotel cum serviced apartment for a fee.

Leasing

This relates to the operations of a licensed real estate agency which includes sale and/or leasing of apartments for a management fee.

Basis of accounting for purposes of reporting by operating segments

i) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

ii) Intersegment transactions

An internally determined transfer price is set for all intersegment sales, leasing and fee. This price is established annually and is based on what should be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated by way of management fees to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditures that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

iii) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

iv) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

v) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives;
- Net gains on disposal of available-for-sale investments;
- Impairment of assets and other non-recurring items of revenue or expenses;
- Income tax expense;
- Deferred tax assets and liabilities;
- Current tax liabilities;
- Other financial liabilities;
- Intangible assets; and
- Discontinued operations.

vi) Comparative information

Comparative information has been restated to conform to the requirements of AASB 8 which has been adopted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

(i) Segment performance

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Total \$'000
Year ended 30.06.2018				
Revenue				
External sales	2,731	18,422	826	21,979
Intersegment sales	172	1,262	20	1,454
Interest income	8	3	-	11
Total segment revenue	2,911	19,687	846	23,444
Reconciliation of segment revenue to group revenue				
Other revenue	157	25	-	182
Less: Intersegment elimination	(172)	(1,262)	(20)	(1,454)
Total group revenue	2,896	18,450	826	22,172
Segment net profit from continuing operations before tax				
	846	6,686	809	8,341
Reconciliation of segment results to group net profit/loss before tax:				
(Amounts not included in segment results but reviewed by the Board:				
)				
– Corporate charges	(864)	(4,461)	(425)	(5,750)
– Depreciation and amortisation	-	(434)	(39)	(473)
(Unallocated items:				
)				
– Finance costs	(126)	(1,020)	-	(1,146)
– Other	-	-	-	-
Net profit/(loss) before tax from continuing operations	(144)	771	345	972

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

(i) Segment performance (continued)

Year ended 30.06.2017

Revenue

External sales	661	17,861	962	19,484
Intersegment sales	171	694	31	896
Interest income	12	3	-	15
Total segment revenue	844	18,558	993	20,395

Reconciliation of segment revenue to group revenue

Other revenue	13	24	-	37
Less: Intersegment elimination	(171)	(694)	(31)	(896)
Total group revenue	686	17,888	962	19,536

Segment net profit from continuing operations before tax

	385	5,268	921	6,574
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Reconciliation of segment results to group net profit/loss before tax:

Amounts not included in segment results but reviewed by the Board:

– Corporate charges	(732)	(4,002)	(507)	(5,240)
– Depreciation and amortisation	(1)	(382)	(24)	(407)
Unallocated items:				
– Finance costs	(139)	(1,029)	-	(1,169)
– Other	-	-	-	-

Net profit/(loss) before tax from continuing operations

	(487)	(145)	390	(242)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

(ii) Segment assets

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
2018				
Segment assets	8,430	22,460	211	31,101
Segment asset increases for the period:				
– Capital expenditure	-	-	-	-
	8,430	22,460	211	31,101
Reconciliation of segment assets to group assets:				
Intersegment eliminations	3,451	(203)	(16)	3,232
Unallocated assets:				
– Intangibles	-	130	85	215
Total group assets	11,881	22,387	280	34,548
2017				
Segment assets	11,175	27,269	275	38,719
Segment asset increases for the period:				
– Capital expenditure	-	-	-	-
	11,175	27,269	275	38,719
Reconciliation of segment assets to group assets:				
Intersegment eliminations	2,999	(779)	-	2,220
Unallocated assets:				
– Intangibles	-	117	98	215
Total group assets	14,174	26,607	373	41,154

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

(iii) Segment liabilities

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
2018				
Segment liabilities	20,339	19,533	200	40,072
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(15,145)	(1,195)	(136)	(16,476)
Unallocated liabilities:				
– Other financial liabilities	-	-	-	-
Total group liabilities	5,194	18,338	64	23,596
	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
2017				
Segment liabilities	22,935	21,466	262	44,663
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(18,424)	995	(60)	(17,489)
Unallocated liabilities:				
– Other financial liabilities	-	-	-	-
Total group liabilities	4,511	22,461	202	27,174

Secondary Reporting

(iv) Revenue by geographical region:

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2018 \$000	30 June 2017 \$000
Australia	22,172	19,536
Total revenue	22,172	19,536

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27. SEGMENTAL REPORTING (CONTINUED)

(v) Asset by geographical region:

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2018	30 June 2017
	\$000	\$000
Australia	34,548	41,154
Total assets	<u>34,548</u>	<u>41,154</u>

The economic entity effectively operates in one geographical segment, being Australia, with operations across Western Australia, New South Wales and Victoria.

(vi) Major customers

The Group has no external customers in any of its segments which accounts for more than 10% of external segment revenue.

28. PARENT ENTITY FINANCIAL INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Accounting Standards.

(a) Summary Financial Information

	Parent Entity	
	2018	2017
	\$'000	\$'000
STATEMENT OF FINANCIAL POSITION		
Current assets	21	13
Total assets	<u>(3,387)</u>	<u>(2,941)</u>
Current liabilities	-	(2)
Total liabilities	-	(2)
Net assets	<u>(3,387)</u>	<u>(2,943)</u>
Equity		
Contributed equity	12,093	12,093
Reserves	40	40
Accumulated losses	<u>(15,520)</u>	<u>(15,076)</u>
	<u>(3,387)</u>	<u>(2,943)</u>
STATEMENT OF COMPREHENSIVE INCOME		
Loss for the year	<u>(444)</u>	<u>(471)</u>
Total Comprehensive loss for the year	<u>(444)</u>	<u>(471)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

28. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Contractual Commitments

As at 30 June 2018 the parent entity did not have any contractual commitments.

(c) Guarantees and Contingent Liabilities

The parent entity has provided a deed of subordination and an unlimited guarantee and indemnity as security for the group's bank loans.

29. EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to 30 June 2018, Bank of Melbourne has extended the current loan facility, which matures on 1 October 2018, by a month to 1 November 2018 in order to complete their review of the facility. There has not been any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in the financial year after the financial year ended 30 June 2018.

30. COMPANY DETAILS

The registered office of the company is:

- International Equities Corporation Ltd
Room 6, Seasons of Perth,
37 Pier Street
Perth WA 6000

The principal places of business are:

- | | |
|---|--|
| - International Equities Corporation Ltd
Level 6, 348 St Kilda Road
Melbourne, VIC 3004
www.internationalequities.com.au | - Seasons Apartment Hotel Group Pty Ltd
Level 6, 348 St Kilda Road
Melbourne, VIC 3004
www.sahg.com.au |
| - IEC (Management) Pty Ltd
Suite 100A, 640 Swanston Street
Carlton Victoria 3053 | - Seasons International Management Pty Ltd
37 Pier Street
Perth WA 6000 |
| - (IEC) Pacific Pty Ltd
Level 6, 348 St Kilda Road
Melbourne, VIC 3004 | - Seasons Heritage Melbourne Pty Ltd
572 St Kilda Road
Melbourne, VIC 3004
www.seasonsheritagemelbourne.com.au |
| - IEC Real Estate Pty Ltd
Suite 100A, 640 Swanston Street
Carlton Victoria 3053
www.iecrealestate.com.au | - Renaissance Australia Pty Ltd
T/A Seasons of Perth
37 Pier Street Perth WA 6000
www.seasonsofperth.com.au |
| - IEC Properties Pty Ltd
Level 6, 348 St Kilda Road
Melbourne, VIC 3004 | - Seasons Harbour Plaza Pty Ltd
252 Sussex St
Sydney NSW 2000
www.seasonsharbourplaza.com.au |
| - Seasons Darling Harbour Pty Ltd
38 Harbour Street
Sydney NSW 2000
www.seasonsdarlingharbour.com.au | |

31. SHAREHOLDERS' INFORMATION

Details of shareholding in the company as at 21st September 2018 are listed below. All shares are ordinary shares with equal voting rights.

(a) Distribution of shareholders

Size of holdings	Number of shareholders	% holders	Number of shares	% of issued capital
1 – 1,000	133	24.58	14,185	0.01
1,001 – 5,000	289	53.42	468,064	0.37
5,001 – 10,000	41	7.58	286,250	0.22
10,001 – 100,000	59	10.91	1,778,988	1.39
100,001 – and over	19	3.51	125,676,090	98.01
	541	100.00	128,223,577	100.00

(b) The number of shareholders with less than a marketable parcel of 2,500 shares was: 362

(c) The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number of Shares	%	Ranking
Renaissance Assets Pty Ltd	60,853,125	47.46	1
Amaya Investments Pty Ltd	21,862,500	17.05	2
Premium Properties (Aust) Pty Ltd	20,000,000	15.60	3
	102,715,625	80.11	

(d) Top 20 shareholders

Renaissance Assets Pty Ltd	60,853,125	47.46	1
Amaya Investments Pty Ltd	21,862,500	17.05	2
Premium Properties (Aust) Pty Ltd	20,000,000	15.60	3
Eastland Equity Bhd	15,312,500	11.94	4
San Tiong Ng	3,317,551	2.59	5
Kin Weng Chang	1,177,000	0.92	6
Dawn Ventures Co Pte Ltd	557,875	0.44	7
Est. Trevor Neil Hay	376,403	0.29	8
Dennis Jun Tow	368,144	0.29	9
Khee Kwong Loo	343,750	0.27	10
Tat Hong (Australia) Pty Ltd	286,655	0.22	11
San Tiong Ng	209,652	0.16	12
Ngiap Yang Jee	192,500	0.15	13
Choon Mok Koh	181,250	0.14	14
Sun Oh Ng	156,250	0.12	15
Guan Koon Ng	131,250	0.10	16
CAA Properties Pty Ltd	126,375	0.10	17
Poo Yong Ng	117,500	0.09	18
Sun Ho Ng	114,560	0.09	19
Chong Hock Ng	100,000	0.08	20
	125,784,840	98.10	

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practise recommendations of the ASX Corporate Governance Council's principles and recommendations ("ASX Guidelines") have been applied for the entire financial year ended 30 June 2018.

Information, documents, policies, statements and charters are held by the Company's secretary.

1. Lay solid foundations for management and oversight

The Board

Responsible for:

- oversight of the company, including its control and accountability systems
- ratifying the appointment/removal of the executive directors, chief executive officer, chief financial officer and the company secretary
- approval of management's development of corporate strategies and performance objectives
- reviewing and ratifying system of risk management and internal compliance and control, codes of conduct and legal compliance
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures
- approving and monitoring financial and other reporting
- assessing the competencies of board members, review board succession plans, evaluate board performance and recommend appointment and removal of directors
- setting executive remuneration policy
- appointment and removal of external auditor.

The Chairperson

Responsible for:

- leading the board in its duties to the company
- ensuring the processes and procedures are in place to evaluate the performance of the board and its individual directors
- facilitating effective discussions at board meetings
- ensuring effective and timely communication with shareholders.

The Management Team

The executive directors are responsible for the effective and efficient operation and administration of the group including bringing material matters to the attention of the board.

The chief executive officer has the responsibility for the communication and execution of company's policies and the achievement of policy outcomes. The chief financial officer is responsible for financial management and timely financial reporting.

Senior management are provided every resource towards enabling smooth day – to – day operations of the company.

Prior to appointment as directors the company undertakes reference checks including education, employment, criminal history and bankruptcy. As a condition of appointment the director must not be a disqualified person. Information is outlined on pages 7 - 8

All directors, management and employees are provided with either a letter of appointment and/or an employment contract outlining their remuneration, job description, expectation and company policies. Performance is then benchmarked against these. Performance evaluation of all directors and management team are outlined in the remuneration report on pages 8 - 12. Performance evaluation was conducted in the manner prescribed for the financial year ended 30th June 2018.

The company secretary will be the secretary of the board and as directed by the Chairperson. Copies of matters reserved for the board, those delegated to senior executives and the board charters are held by the company's secretary.

The Board has a diversity policy which is discussed further under the heading "Act ethically and responsibly" below.

2. Structure the board to add value

The constitution provides for a minimum of three and a maximum of nine directors. The board currently has four directors, two non-executive and two executive directors. Both non-executive directors are independent.

Whilst the company does not have a majority of non-executive directors, as recommended by ASX Corporate Governance Council best practice recommendation 2.1, it is proposed that the board be increased by another

two independent non-executive directors, to comply with the recommendations of the ASX Corporate Governance Council's guidelines.

At this stage of development of the Company, the Board considers it neither appropriate nor cost effective for there to be a majority of independent directors, together with an Independent Chairman who is also not the CEO.

The chairman currently is an executive director and CEO.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report on pages 7 – 8.

The names of independent directors of the company are;

- AG Menezes
- A Ambalavanar

An independent director is a non-executive director and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last 3 years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last 3 years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has no material contractual relationship with the company or another group member other than as a director of the company
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

In determining whether a non – executive director is independent, the director must meet the following materiality thresholds:-

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors are to provide to the board all relevant information required for the board to regularly assess their independence. Both qualitative and quantitative information are assessed regularly for these purposes. Both directors remain independent for the financial year ended 30th June 2018.

Independent directors have the right to consult independent professional advice in the furtherance of their duties as directors at the company's expense. Independent professional advice is sought at the company's cost.

A separate nomination committee is not considered necessary due to the small size of the board, with such role assumed by the main board. In their evaluation process, the board will consider skills, experience, stakeholder perspectives and independence of candidates for appointments to the board. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

3. Act ethically and responsibly

The board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical standards.

Code of Conduct

The following is a guide for directors and senior executives as to:

- the key practices necessary to maintain confidence in the company's integrity
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

CORPORATE GOVERNANCE STATEMENT (Continued)

All directors and senior executives must act with high standards of honesty, integrity and fairness. Emphasis to be made to the following:

- *Conflicts of interest* - proper disclosure of such situations so that action can be taken to protect parties affected e.g. exclusion from participating in relevant decision making process
- *Corporate opportunities* - not to take advantage of property, information or position for personal gain or to compete with the company
- *Confidentiality* - not to make use of non-public confidential information for personal gain or in a manner detrimental to the company except where authorised or legally mandated
- *Fair dealing* - by all employees with the company's customers, suppliers, competitors and other stakeholders
- *Protection of and proper use of company's assets* - protecting and ensuring efficient use of assets for legitimate business purposes
- *Compliance with laws and regulations* - ensure strict compliance and promotion of compliance with the content and spirit of all laws, rules, regulations and this guide
- *Encouraging the reporting of unlawful / unethical behaviour* - ensure active promotion of ethical behaviour and protection for those who report violations in good faith.

Gender Diversity

The Board recognises the benefits of diversity at boards in senior management and within the organisation generally and recognises the organisational strengths and opportunity for innovation that diversity brings to an organisation.

The guidelines include a recommendation that ASX listed entities:

- establish a policy concerning diversity, including measurable objectives and an annual assessment of progress, and disclose the policy or a summary of the policy;
- disclose measurable objectives and the progress towards achieving them in each annual report; and
- disclose the proportion of women on the board, in senior management and employed throughout the organisation in each annual report.
- The guidance on Principle 3 has also been changed to:
- include a new Box 3.2 which contains suggestions for the content of a diversity policy;
- suggest boards determine which committee should review and report to the board on diversity;
- recommend that boards should provide greater transparency of the processes used in searching for and selecting new directors; and
- suggests boards disclose the mix of skills and diversity they are looking for in the membership of the board.

The Company has established a diversity policy which set out the beliefs, goals and strategies of the Company and makes reference to all the characteristics that makes individuals different from each other. The policy sets out the positive steps taken to ensure that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference. The Company is committed to gender diversity at all levels of the organisation. Gender equality is a key component of the Company's diversity strategy. The implementation of this policy aims to reflect both the circumstances of the Company and the industry in which it operates.

The Company's diversity policy includes a requirement that:

- the Board establish measurable objectives for achieving gender diversity; and
- the Board assess annually the objectives set for achieving gender diversity; and
- the Board assess annually the progress made towards achieving the objectives set.

In accordance with this policy and ASX corporate governance principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 3 to 5 years as

Director and senior executive positions become vacant and appropriately skilled candidates are available.

Representation of female employees in the organisation workforce is as follows. Senior Executive Positions include Key Management Personnel.

	Actual at 30 June 2018		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	23	32%	44	40%	-	-
Senior Executive Positions	8	33%	22	20%	-	-
Board Members	-	-	2	40%	-	-

Policy on Dealing in Company Securities

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the company's securities.

This prohibition also covers the procurement of others to trade by directors who may have sensitive, commercial and confidential information by virtue of their office in the company. Guidelines for trading in company securities are:

- applicable to all directors of the company and related entities, the company secretary and staff members who are likely to be in possession of information concerning the company's financial position, strategies or operations.
- such "designated officers" as described above are required to provide notification to the company secretary and chairman of the company of intended trading except for dividend reinvestment plans and the like.
- they are also required to provide subsequent confirmation of the trading that has occurred.

Reference is to be made to the guide to black-out periods, or non-trading periods, where no dealing is permitted, as issued by the ASX, a copy of which may be obtained from the company secretary.

An obligation exist for Directors to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the board in making sound decisions.

▪ Safeguard integrity in corporate reporting

The executive directors, chief executive office and chief financial officer are to provide letters of assurance to the Board, in respect of each half year and full year financial report, stating that the company's financial report presents a true and fair view, in all material respects, of the company's financial position and financial performance in accordance with accounting standards and the requirements of the Corporations Act 2001.

An independence declaration is received from the external auditor in respect of the annual and half year financial reports stating that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 and any applicable code of professional conduct. The provision of non audit services by the audit firm is monitored by the Board so as to ensure that the auditors' independence is not compromised by the provision of such non audit services.

The company does not have a formally constituted audit committee as the Board does not consider it is warranted given the size of the company.

The full Board is responsible for the nomination of the external auditors and for reviewing the adequacy of existing external audit arrangements, including the scope and quality of the audit. In relation to the rotation of the external audit engagement partner, the board is currently reviewing the recent changes announced in the CLERP 9 Act and will formulate a policy which complies with the requirements of that Act.

Whilst the company does not have a formally constituted audit committee, the Board reviews the performance of the external auditors on an annual basis and a representative of the board meets with them at least three times a year to review:

- the proposed scope and timing of audit visits.
- the results and findings of the audit, the adequacy of accounting and internal controls, and to obtain feedback on implementation of recommendations made.
- the draft financial statements and audit review reports at year end and at half year.
- attendance and responses at the Annual General Meeting

CORPORATE GOVERNANCE STATEMENT (Continued)

The board monitors the need to form an audit committee on a periodic basis.

- **Make timely and balanced disclosure**

In ensuring compliance with ASX listing rule 3.1 on continuous disclosure requirements, the company has adopted the following procedures:

Directors

- to promptly advise the company secretary of any matters requiring disclosure
- to authorise final form of announcement to the market

Company secretary

- to liaise with ASIC and ASX on disclosure matters and provide announcements duly
- to monitor the press and share price continuously
- to consult with the board on matters for announcements
- All policies are with the Company's secretary

The directors and company secretary are to ensure that compliance are adhered to rigidly as failure could lead to civil or criminal liabilities for the company and its directors and officers. They must exercise due care and diligence in the information disclosed with regard to its timeliness, content, clarity, completeness and objectivity.

- **Respect the rights of security holders**

The company recognises the importance of effective communication with shareholders and providing them with timely and balanced information. Hence in addition to the traditional means of communication (post, notices of meetings, meetings, annual reports and ASX announcements) the company has set up of a website which enables access to all relevant announcements made to the market, including notices of meeting, published financial data and other information concerning the company and its activities.

As a policy the external auditor will be requested to attend annual general meetings of the company and be available to answer shareholder questions.

Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of International Equities Corporation Ltd to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

The company advocates and promotes responsible conduct in the way its business is operated and recognises its legal, social and ethical commitments to stakeholders, regulators and the community at large. The guideline to conduct, as promoted in Principle 3, applies equally to all staff, executives and directors.

The company's policy on compliance and fair dealing is placed in the highest priority and promoted with vigour to staff at all levels. External professional advice is used where necessary. Areas of compliance include trade practices and fair dealing laws, consumer protection, privacy laws, employment laws, occupational health and safety, equal opportunity, superannuation, environment and pollution controls.

As a public corporation, the company encourages practices in public and social accountability on areas of legitimacy, fairness and ethics. The company continually strive to demonstrate this through management by example, encouraging accessibility and communication between staff and management, continuous education through updates and notices, use of suggestion boxes, having regular staff meetings and other management tools. The company also supports a number of community and charity organisations through participation in events and donations.

- **Recognise and manage risk**

The board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth.

The company does not have a formally constituted committee as the Board does not consider it is warranted given the size of the company.

The board collectively assess the business and financial risks periodically on new and current ventures being undertaken by the company, covering all aspects of the business from the operational level through to strategic level risks. Through their skills and experience in the property and financial industries, they are able to make management decisions to minimise risks in the highly volatile fields of activities the company operates in.

Compliance and control systems are continually being monitored, reviewed and upgraded, assisted by external auditors and professional advisers, which lend towards maintaining the integrity of the company's financial and external reporting, in lieu of not having a formal internal audit committee.

The executive directors are to provide a statement to the board to the effect that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects. The effectiveness of these risk management and internal compliance and control system is monitored and reviewed regularly.

The review was conducted and met for the financial year ended 30th June 2017. Additionally, the company is not exposed to any material economic, environmental and social sustainability risk. These have been mitigated through compliance reviews by banks, local authorities and external consultants.

- **Remunerate fairly and responsibly**

The performance of the board is measured from financial achievements and results of the company after each financial year. The board as a whole discusses and analyses its own performance during the year and where appropriate offers suggestions for change or improvement. The board works closely with management in reviewing budgets and evaluating investment opportunities for the company throughout each year.

New directors undertake an induction programme which gives them a better understanding of:

- the company's financial, strategic, operational and risk management position
- their rights, duties and responsibilities as directors

Directors are also periodically given updates and information relevant to the operation of the company and the industry generally as part of continuing education to enhance their skills and knowledge. They can also have access to any company and management information, the company secretary and also independent professional advice, if necessary, on company issues at company expense.

The company secretary monitors the implementation of board policies and procedures and coordinates the completion and despatch of board agenda and briefing materials. The company secretary is accountable to the board on all governance matters.

A separate remuneration committee is not considered necessary due to the small size of the board, with such role assumed by the main board.

Board members and senior executives receive fees for services and have no share qualification or entitlement.

In line with the company's constitution, directors shall be paid such sum as may from time to time be determined by the company in general meeting, to be divided among the directors in such proportions as they shall from time to time agree or in default of agreement equally.

Executive directors and senior executives are paid an annual cash salary, benchmarked against a board approved market position, which do not include a commission on or percentage of operating revenue. Payment of cash bonuses and any annual increment to salary are dependent upon meeting performance objectives which comprise both financial and non-financial components.

Directors and senior executives shall be entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as directors.

If any of the directors being willing shall be called to perform extra services on behalf of the company, the directors may remunerate such director in accordance with such services or exertions, and such remuneration may be in addition to his normal remuneration.

The amount of remuneration for all directors and the five highest paid executives includes all monetary and non-monetary components. These are detailed in Note 4 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed.

The updated guidelines include a recommendation (8.2) that ASX listed entities should establish a remuneration committee comprised of a majority of independent directors with at least three members and chaired by an independent director. In addition, for S&P/ASX300 companies, the proposed Listing Rule amendments will require these companies to have an independent director. In addition, for S&P/ASX300 companies, the proposed Listing Rule amendments will require these companies to have a Remuneration Committee comprised solely of non-executive directors (see section below on Listing Rule amendments); and The guidance on Recommendation 8.1 includes that the remuneration committee should review remuneration by gender.