

# ANNUAL REPORT 2020

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INTERNATIONAL EQUITIES



Seasons Apartment Hotel Group is about focusing on the personal touch. All our hotels are ideally suited for business and leisure travellers. They are conveniently located near the city and our objective is to provide a friendly atmosphere. Our mission is to offer exceptional experiences for all of our guests and grant great value for money.

“our service is our promise”

[www.seasonsapartmenthotelgroup.com.au](http://www.seasonsapartmenthotelgroup.com.au)

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# International Equities Corporation Ltd

and controlled entities

ACN 009 089 696

## Annual Report 30 June 2020

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## 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](http://www.internationalequities.com.au)

IEC Real Estate Pty Ltd

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

[www.iecrealestate.com.au](http://www.iecrealestate.com.au)

Renaissance Australia Pty Ltd

T/A Seasons of Perth

37 Pier Street

Perth WA 6000

[www.seasonsofperth.com.au](http://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](http://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](http://www.seasonsapartmenthotelgroup.com.au)

Seasons Darling Harbour Pty Ltd

T/A Seasons Darling Harbour

38 Harbour Street, Sydney NSW 2000

[www.seasonsdarlingharbour.com.au](http://www.seasonsdarlingharbour.com.au)

### HOME EXCHANGE

Australian Stock Exchange Ltd

Exchange Plaza

2 The Esplanade

Perth WA 6000

(ASX code: IEQ)

### AUDITORS

Moore Australia Audit (WA)

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

On the 11<sup>th</sup> March 2020, the World Health Organisation declared the Coronavirus or COVID 19 a pandemic. COVID 19 is a health risk that has global consequences which has significantly affected the world economy. The strategies adopted by governments in dealing with the virus at an international, domestic and local level are changing daily and re-assessments by governments and world leaders is ongoing. Various industries have and will continue to be impacted more than others for some time to come.

With respect to the financial reporting period ended 30 June 2020 the financial statements have been prepared based upon conditions existing as at that date, with adjustments made where appropriate for impacts of COVID 19 that have arisen subsequent to that date and which further clarify matters that existed at 30 June 2020.

The impacts of COVID 19 have significantly affected the financial performance and financial position of the Company during the year ended 30 June 2020 and continue to do so subsequent to year end, including as at the date of this report. Significant impacts on the Company are summarised as follows;

- Recurrence of virus outbreak may lead to restrictions being re-imposed. In July 2020, the Victorian government re-imposed restrictions, Stage 4 lockdown and curfew which remains in force at the date of this report.
- Closure of domestic and international borders remain in place at the date of this report
- Revenue and profitability of Tourism (hotels) related assets have fallen significantly in the second half of the financial year as a result of border closures and lockdowns referred to above.

The COVID 19 pandemic has created unprecedented uncertainty in terms of the overall economic and industry environment such that economic events and conditions in future may be materially different from those experienced by the Company as at the date of this report. At this time, it is not possible for the Company to estimate the future effects of COVID 19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

Further consideration in relation to the impacts of the COVID 19 pandemic are included in the going concern disclosures at Note 1(y) and property valuations referred to in Notes 10 and 11 of the consolidated financial statements.

## RESULTS

The last financial year saw Australian businesses deal with a rapid loss of business and customers due to Covid-19 pandemic. At the date of this report many states remain under various stages of restrictions imposed by state and federal governments. The hospitality and tourism sector were the most notably affected by closure of domestic and international borders.

As a consequence the Company had to implement a Covid-19 safe business plan to map out various stages of trading for the next 2 years. A plan to restructure and reorganise how to trade safely became a necessary part of recovery plans and to be ready for trade post lockdown and restrictions. In the intervening years, we expect revenue to be low but slowly rise as the pandemic conditions ease. In the meantime, we will be focused on cost and cashflow to remain able to trade. We expect the situation to remain largely in Covid-19 safe trading position into 2020-21 financial year.

For now, International Equities will need to evolve and consolidate. The company has reassessed its priorities. For the time being our objective must be to remain cashflow positive and pay down loans when possible to do so.

## PROPERTY DEVELOPMENT

A combination of unreliable valuations and uncertain employment conditions will add further stress to banking requirements and liquidity remain key issues for development projects. We hope to return to develop new properties in the coming financial years when funding to the property sector is available.

## **HOTEL MANAGEMENT**

Seasons Apartment Hotel Group Pty Ltd (SAHG) trading under the brand name of “Seasons” will continue in the hotel management business. We strongly believe the sector will return to profitability post the pandemic. In the interim we need to improve yield from our hotel assets and deliver on our “Seasons” brand.

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

## **OUTLOOK**

The coming financial year will see business heavily dependent on governments to reopen their economies and provide stimulus where necessary. 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**  
**30<sup>th</sup> September 2020**

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF SEASONS

'PEOPLE TAKING CARE OF PEOPLE'

## OVERVIEW

On the 11<sup>th</sup> March 2020, the World Health Organisation declared the Coronavirus or COVID 19 a pandemic. COVID 19 is a health risk that has global consequences which has significantly affected the world economy. The strategies adopted by governments in dealing with the virus at an international, domestic and local level are changing daily and re-assessments by governments and world leaders is ongoing. Various industries have and will continue to be impacted more than others for some time to come.

With respect to the financial reporting period ended 30 June 2020 the financial statements have been prepared based upon conditions existing as at that date, with adjustments made where appropriate for impacts of COVID 19 that have arisen subsequent to that date and which further clarify matters that existed at 30 June 2020.

The impacts of COVID 19 have significantly affected the financial performance and financial position of the Company during the year ended 30 June 2020 and continue to do so subsequent to year end, including as at the date of this report. Significant impacts on the Company are summarised as follows;

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- Revenue and profitability of Tourism (hotels) related assets have fallen significantly in the second half of the financial year as a result of border closures and lockdowns referred to above.

The COVID 19 pandemic has created unprecedented uncertainty in terms of the overall economic and industry environment such that economic events and conditions in future may be materially different from those experienced by the Company as at the date of this report. At this time, it is not possible for the Company to estimate the future effects of COVID 19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

The Australian hospitality and tourism industry have been severely affected by the pandemic. Domestic and international borders remain close to tourist arrivals at the date of this report. Conditions for trading and new Covid-19 safe requirements are putting a strain on many in the industry. It is expected that domestic borders may open in early 2021 whilst international borders may open late 2021.

For now, the challenge is to maintain the integrity of the brand and sustain sufficient cashflows for the coming trading periods until restrictions ease. We expect a take up of long stay accommodation across our serviced apartment properties under management for the interim.

## SEASONS OF PERTH

Hotel revenue has remained subdued towards the second half of the last financial year and will remain similar until restrictions change. As soon as is able, the property will begin advertising. At that point we expect fierce competition and yields to remain low.

For the year ahead, we expect measured outcomes once certainty returns to the tourism market.

## SEASONS HERITAGE MELBOURNE

Much like the rest of Victoria, occupancy has fallen tremendously due to stage 4 lockdown restrictions and a curfew which remains in place at time of this report. Where possible, rooms have been converted to long stay accommodation. At this point, due to uncertainty around the state governments ability to contain the spread of the pandemic, the Company is unable to determine when trading can resume.

## SEASONS BOTANIC GARDENS

Similarly, this property is also in the state of Victoria and is presently subject to the same situation as Seasons Heritage Melbourne.

## **SEASONS DARLING HARBOUR**

The demand for accommodation in this Sydney property is low mostly due to closure of domestic and international borders. The location and market presence remains the main driver and is expected to be the fast to recover

## **SEASONS HARBOUR PLAZA**

The new owners of Seasons Harbour Plaza have exercised their right under the lease agreement to terminate all leases with the Group effective 31 March 2020. These leases and management of this property were surrendered.

## **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**  
**30<sup>th</sup> September 2020**

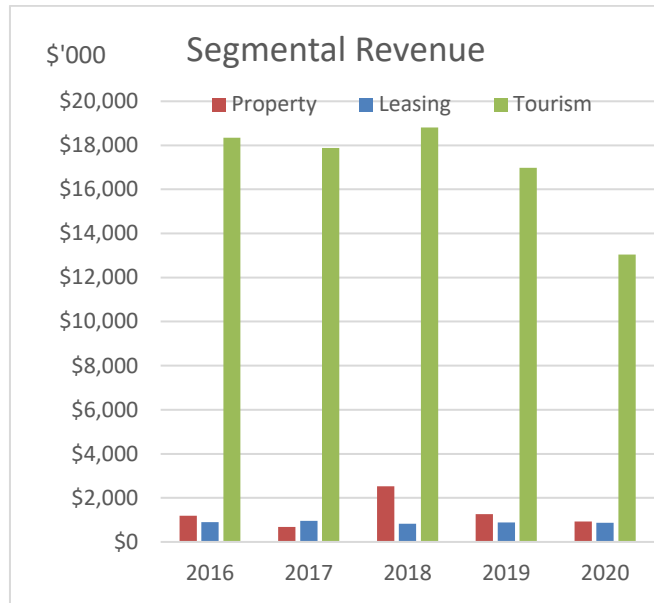


## DIRECTOR'S REPORT

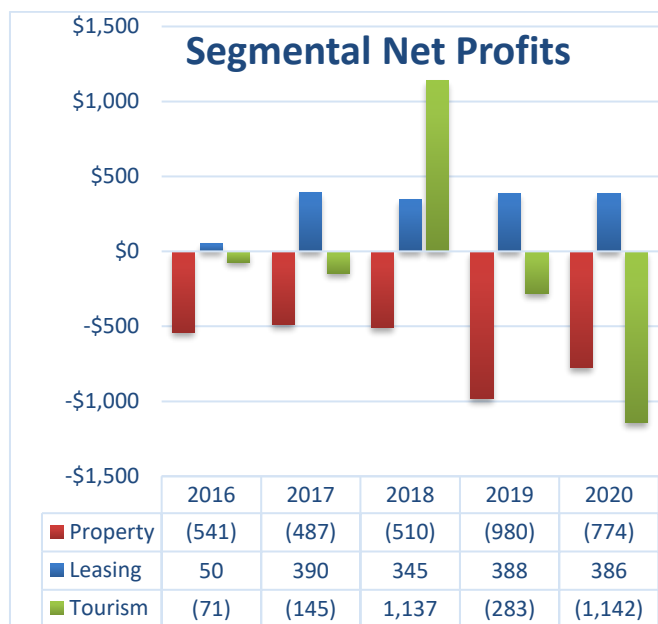
### FIVE-YEAR FINANCIAL HIGHLIGHTS

		2016	2017	2018	2019	2020
Revenue	\$	20,432	19,536	22,172	19,131	14,848
EBITDA	\$	1,423	1,334	2,591	340	1,319
Profit/(Loss) from continuing operations	\$	(162)	(242)	972	(875)	(1,530)
Net Profit/(Loss) attributable to equity holders	\$	(162)	(242)	972	(875)	(1,530)
Total Assets	\$	41,927	41,154	34,548	33,056	48,420
Total Liabilities	\$	27,705	27,174	23,596	22,979	39,873
Total Net Assets/Total Equity	\$	14,222	13,980	10,952	10,077	8,547
NTA per share	c	10.96	10.73	8.37	7.76	6.61
Earnings per share (EPS)	c	(0.13)	(0.19)	0.76	(0.68)	(1.19)
<u>Segmental Revenue</u>						
Leasing	\$	905	962	825	886	869
Property	\$	1,185	686	2,531	1,261	931
Tourism	\$	18,342	17,888	18,816	16,984	13,048
<u>Segmental Profits</u>						
Leasing	\$	50	390	345	388	386
Property	\$	(541)	(487)	(510)	(980)	(774)
Tourism	\$	(71)	(145)	1,137	(283)	(1,142)

## DIRECTOR'S REPORT

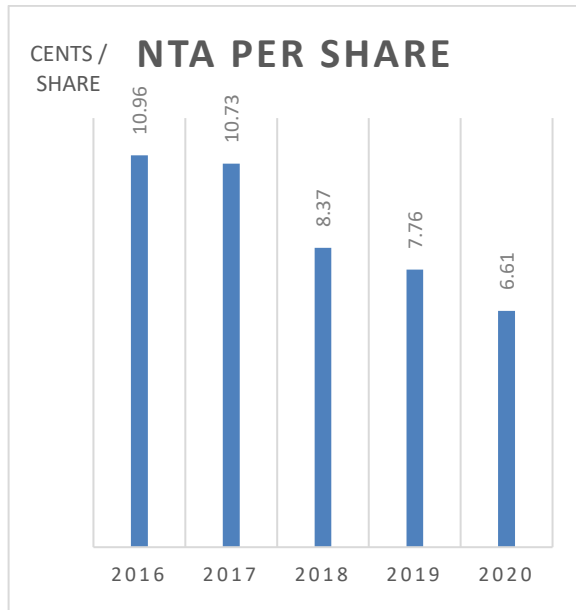


- Operating Revenue decreased by 22.39% to \$14.848 million.
- Revenue from Property, Leasing and Tourism is \$0.931 million, \$0.869 million and \$13.048 million, respectively.
- For the coming financial year we expect a further decrease in Revenue from Property, Leasing and Tourism to around \$8 million due primarily to termination of certain leases, closure of international borders and continuing Covid-19 restrictions on trading.

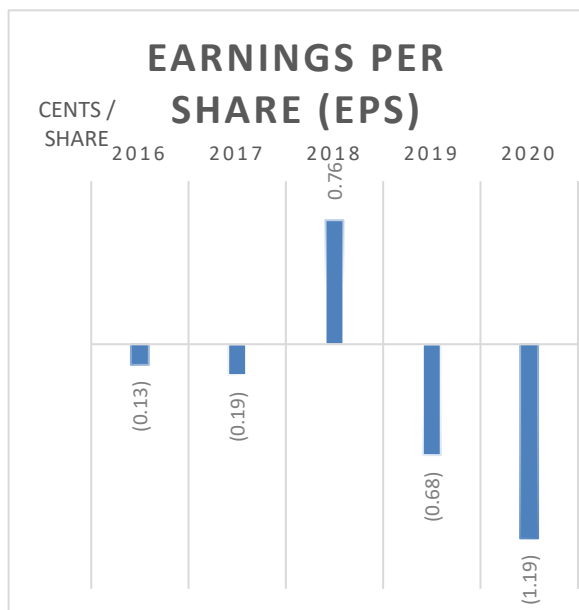


- Loss after tax was \$1.530 million.
- Contributions to profit / (loss) after tax from Property, Leasing and Tourism is \$ (0.774) million, \$0.386 million and \$ (1.142) million, respectively.
- For the coming financial year we expect to record a further loss after tax of \$1.5 million from Property, Leasing and Tourism as a direct impact from lower revenues.
- No dividends were declared for the financial year ended 30 June 2020.

## DIRECTOR'S REPORT



- Net Tangible Assets decreased by 1.15 cents to 6.61 cents per share (2019: 7.76 cents per share)
- For the coming financial year Net Tangible Assets is expected to fall by 1.10 cents per share in line with forecast.



- Loss per Share was 1.19 cents per share. (Earnings per Share 2019: 0.68 cents per share)
- Earnings is greatly affected by the outcomes of property development and decreases in revenue in the tourism sector due primarily to impact of Covid-19
- For the coming financial year, a loss per share is expected at 1.1 cents per share broadly similar to financial year 2020.

## 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 2020.

### 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)  
Anandakrishna 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 19 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 9 of the 9 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 27 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 9 of the 9 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 9 of the 9 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 33 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 9 of the 9 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 15 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 11 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.

### 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 2020.

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.

## DIRECTOR'S REPORT

### *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 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 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	- International Equities Corporation Group

##### Subsidiary entity directors:

EWT Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
DJF Tow	Director	- Seasons Apartment Hotel Group 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

#### 2020

##### Executive Directors

MPF Tow	212	-	-	-	-	-	-	212
KL Tow	-	-	-	-	-	-	-	-

##### Non- Executive Directors

AG Menezes	34	-	-	-	-	-	-	34
A Ambalavanar	100	9	-	-	-	-	-	109
	346	9	-	-	-	-	-	355

#### 2019

##### Executive Directors

MPF Tow	256	-	-	-	-	-	-	256
KL Tow	-	-	-	-	-	-	-	-

##### Non- Executive Directors

AG Menezes	40	-	-	-	-	-	-	40
A Ambalavanar	105	10	-	-	-	-	-	115
	401	10	-	-	-	-	-	411

### (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

#### 2020

EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-

#### 2019

EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-

## 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 01/07/2019	Granted as remuneration	Options exercised*	Net change other*	Balance 30/06/2020	Total vested 30/06/2020	Total exercisable	Total unexercisable
<b>Parent entity directors:</b>								
<b>Executive Directors:</b>								
MPF Tow	-	-	-	-	-	-	-	-
KL Tow	-	-	-	-	-	-	-	-
<b>Non - Executive Directors:</b>								
AG Menezes	-	-	-	-	-	-	-	-
A Ambalavanar	-	-	-	-	-	-	-	-
<b>Specified executives:</b>								
EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

### (g) Shareholdings

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

	Balance 01/07/2019	Received as remuneration	Options exercised	Net change other*	Balance 30/06/2020
<b>Parent entity directors:</b>					
<b>Executive Directors:</b>					
MPF Tow +	61,221,269	-	-	-	61,221,269
KL Tow +++	61,221,269	-	-	-	61,221,269
<b>Non – Executive Directors:</b>					
AG Menezes	-	-	-	-	-
A Ambalavanar	-	-	-	-	-
<b>Specified executives:</b>					
EWT Tow +	61,221,269	-	-	-	61,221,269
DJF Tow ++	61,221,269	-	-	-	61,221,269

+ 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 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 2020. The other is with 88 Properties Pty Ltd, for provision of Mr. AG Menezes' services which expires on 31 December 2020. 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 whilst 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.

	2020 \$000	2019 \$000
<b>Consolidated results</b>		
The consolidated profit/(loss) of the group for the year after income tax expense was:	<u>(1,530)</u>	<u>(875)</u>
<b>Earnings per share</b>		
Basic earnings / (loss) per share (cents per share)	<u>(1.19c)</u>	<u>(0.68c)</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 2020 \$000	Segment revenue 2019 \$000
Property development	931	1,261
Tourism	13,048	16,984
Leasing	869	886

### Equity Raising and Earnings per Share

For financial year ended 30 June 2020 to the date of this report no equity was proposed or raised. Shareholders equity in the company remains at 128,223,577 ordinary shares.

For 2020 loss per share of 1.19 cents (2019: loss per share 0.68 cents) was recorded on the back of a fall in revenues from the closure of international and domestic borders directly impacting the tourism and hospitality sector.

## DIRECTOR'S REPORT

### Results from Operations

For the last financial year revenue has fallen by 22.39% to \$14.848 million (2019: \$19.131 million). Segmental revenue of \$13.048 million, \$0.931 million and \$0.869 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.

Loss after tax for the financial year ended was \$1.530 million (2019: Loss after tax: \$0.875 million). Profit of \$0.386 million was achieved by the Leasing segment. However, after tax loss of \$1.142 million and \$0.774 million were recorded against Tourism and Property Development segment. After tax loss from Property Development segment was recorded as a direct result of the sale of low yielding inventory. Border closure and restriction on trading due to Covid-19 directly impacted the tourism sector. For the year ahead the company expects further losses until restrictions are eased.

### Capital Expenditure

For the financial year ahead, the Company intends to continue their program to 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 2020 the Company continues to be funded by bank borrowings of \$15.681 million fully secured by the Company's assets. Interest on these borrowings for the same period was \$0.695 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 and Seasons Heritage Melbourne. During the year, the leases on Seasons Harbour Plaza concluded and were returned to lot owners. 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

This development undertaken by (IEC) Pacific Pty Ltd continues to carry stock of 12 Serviced Apartments and commercial lots as at 30 June 2020. The company will retain the Serviced Apartments to be managed by Seasons Heritage Melbourne Pty Ltd and IEC Real Estate Pty Ltd.

#### 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 267 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 and Seasons Botanic Gardens on St Kilda Road in Melbourne. The Group will continue to manage these properties into the future.

#### Seasons of Perth hotel

This property is held by Renaissance Australia Pty Ltd, a wholly owned subsidiary of the company. The property continues to be maintained and managed and is expected to continue to provide cash flow for the group.

#### 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 currently consists of 80 serviced apartments including a heritage listed residence.

## DIRECTOR'S REPORT

### Seasons Darling Harbour

This property is operated by Seasons Darling Harbour Pty Ltd, a wholly owned subsidiary of the company. The property consists of 40 serviced apartments managed under lease to Seasons. It is located in Sydney's CBD / Darling Harbour precinct.

### Dividends

No dividend is recommended in respect of the year ended 30 June 2020 and none has been paid or recommended since the start of the financial year.

### Events after the end of the financial year

On the 11<sup>th</sup> March 2020, the World Health Organisation declared the Coronavirus or COVID 19 a pandemic. COVID 19 is a health risk that has global consequences which has significantly affected the world economy. The strategies adopted by governments in dealing with the virus at an international, domestic and local level are changing daily and re-assessments by governments and world leaders is ongoing. Various industries have and will continue to be impacted more than others for some time to come. With respect to the financial reporting period ended 30 June 2020 the financial statements have been prepared based upon conditions existing as at that date, with adjustments made where appropriate for impacts of COVID 19 that have arisen subsequent to that date and which further clarify matters that existed at 30 June 2020. There is general consensus that the effects of the COVID 19 outbreak are the result of an event that arose during the reporting period, ie it is a adjusting event as defined in AASB 110 *Events After the Reporting Period*, in which case the Company is required to record and disclose the nature of the event and an estimate of its financial effect subsequent to 30 June 2020, if possible to do so. The impacts of COVID 19 have significantly affected the financial position of the Company as at the date of this report and the financial results for the year ended 30 June 2020. The COVID 19 pandemic has created unprecedented uncertainty in terms of the overall economic environment such that economic events and conditions in future may be materially different from those experienced by the Company as at the date of this report. At this time, it is not possible for the Company to estimate the future effects of COVID 19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

Subsequent to the end of financial year the following events occurred

1. On 2 August 2020 recurrence of Covid-19 virus outbreak led to restrictions being re-imposed. In the state of Victoria. Stage 4 lockdown and a curfew remains in force at the date of this report.
2. On 27 August 2020, Bank of Melbourne extended loan renewal terms by a Letter of Variation on terms and conditions set out below. The Company accepted these terms on 15 September 2020
  - Loan facility extended to 31 July 2021
  - Loan to Value Ratio (LVR) to not exceed 65%
  - Provision of Financial Reporting, Budgets and Cashflows on a quarterly basis
3. On 10 September 2020, Knight Frank Australia Pty Ltd concluded their valuation of Seasons of Perth. The fair value was determined at \$14 million. However, the valuer cited that there is market uncertainty arising from the impacts of COVID 19 resulting in significant valuation uncertainty and that the valuation cannot be relied upon for any purpose. As a consequence the directors do not consider it appropriate to revalue the hotel in the accounts at this time, until further certainty is restored to the market.

There has not been any other matters 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 2020.

### Likely developments and expected results of operations.

The Company's revenue is primarily derived from the sale of apartment stock and hotel and serviced apartment operations. The risk to sale of apartment stock centres on certainty in the economy, cost of funds to banks and lending criteria.

At the date of this report Covid-19 pandemic remains a matter of concern with various stages of restrictions, lockdown and/or curfew remain in force throughout Australia. This has restricted the ability for on-sight visits and auctions. Likewise, uncertainty around valuation and employment of potential purchasers have become a focus for banks.

Risk for tourism is the confidence of returning tourist and holiday makers. At present, domestic and international borders are closed to tourist arrivals. The Company expects restrictions to domestic borders may ease at the start of 2021 calendar year to boost domestic tourism. International borders and return to international travel may occur in late 2021.

For the year ahead, the Company will continue to manage cashflows and have oversight over all cost centres. Where possible, serviced apartments will be leased for long stay to drive cashflow.

## **DIRECTOR'S REPORT**

The COVID 19 pandemic has created unprecedented uncertainty in terms of the overall economic and industry environment such that economic events and conditions in future may be materially different from those experienced by the Company as at the date of this report. At this time, it is not possible for the Company to estimate the future effects of COVID 19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

### **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 2019, the company paid a premium of \$37,152 to insure certain officers of the company and related bodies corporate for 12 months which expired on 30 September 2020. At the date of this report, the Company was still negotiating on policy renewal terms due to uncertainty around Covid-19 pandemic and its impact on The Company. The amount will be included in financial year ending 30 June 2021. 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.

### **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 2020 has been received and can be found on page 19.

### **Parent Entity Financial Statements**

The Annual Report 2020 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 30.

## **DIRECTOR'S REPORT**

### **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 2020.

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



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**AG Menezes**  
**Director**

**Perth Western Australia**  
**30<sup>th</sup> September 2020**

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

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



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 30<sup>th</sup> day of September 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED**

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

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 2020, 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, except for the qualification noted below, 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 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for Audit Qualification – Carrying Value of Property, Plant & Equipment and Right-of-use Assets**

We draw attention to Notes 11 and 31 in the financial report which describe the unprecedented uncertainty of the economic environment in which the Group's hotels have operated in since March 2020, which continues as at the date of signing the financial report and the resultant negative impact on trading performance, due to the response of governments to COVID 19. In particular, the industry downturn has resulted in a lack of market transactions which are ordinarily a strong source of evidence for valuations of these types of assets. The directors have assessed the carrying values of property, plant and equipment and right-of-use assets as at 30 June 2020 based on information which is limited or restricted due to the economic impacts of government imposed lockdowns associated with COVID 19. For these reasons we have concluded that there is a lack of sufficient, appropriate audit evidence (both in terms of market evidence and internal evidence based on reliable future earnings forecasts) to enable us to reliably assess whether or not property, plant & equipment and right-of-use assets are impaired as at 30 June 2020 and, if impaired, to assess the amount of any write down required. In the event that the impacts on the Group of the COVID 19 pandemic are more material or prolonged than anticipated this may adversely impact on the carrying values adopted for the Group's property related assets. Actual economic events and conditions in future may be materially different from those estimated by the Company in relation to carrying values of property related assets adopted as at 30 June 2020. In our judgement this issue is fundamental to the users' understanding of the financial statements, the financial position and performance of the Group.

#### **Material Uncertainty Related to Going Concern**

Without qualification to the opinion expressed above, we draw attention to note 1(w) of the financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. In addition, we note the unprecedented uncertainty of the economic environment in which the Group operates as at the date of signing the financial report. These conditions as explained in note 1(w) indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern for at least the next 12 months and, if it could not continue as a going concern, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts other than as stated in the financial report.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED  
(CONTINUED)**

**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.

Carrying Values of Property, plant & equipment and Right-of use Assets	
Refer to Notes 11 Property & Statement of Profit or Loss & Other Comprehensive Income	
<p>The carrying value of hotel related properties is a key audit matter as they comprise the Group's most significant assets and are highly dependent on estimates and judgements. The uncertainty concerning valuation estimates and judgements was further heightened as a result of the economic impacts of the COVID 19 pandemic.</p> <p>The total value of the Group's property, plant and equipment (PP&amp;E) and Right-of-use assets, as recorded in the statement of financial position as at 30 June 2020, amounted to \$28.8 million and \$16.4 million respectively. These properties include the Seasons of Perth Hotel, Season Darling Harbour and Heritage Melbourne. These properties were professionally valued by independent experts during the year ended 30 June 2018, updated by Directors' assessments in 2020 and are carried at estimated fair value.</p> <p>Management has taken into consideration these valuations as well as other relevant factors and market conditions in assessing the fair value of these properties as at 30 June 2020. Valuation is dependent on several key assumptions and judgements including highest and best use concepts, capitalisation rates and comparative market values.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluation of management's fair value assessment process in respect of the properties, including review of yield and other market analysis, to the extent available. This was considered in light of changes and uncertainties resulting from COVID 19 that existed at balance date and up until the issuance of our audit report.</li> <li>• Evaluation of independent professional valuations, where available, 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</li> <li>• Considering the potential impact of reasonably possible downside changes in these key assumptions with reference to more recent market data, to the extent available. concerning the Perth, Sydney and Melbourne Hotel and Melbourne residential / serviced apartment sectors</li> <li>• Reviewing the appropriateness of any fair value adjustment against property assets.</li> <li>• Review of adequacy of disclosures in the financial statements</li> </ul>



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED  
(CONTINUED)**

**Key Audit Matters (continued)**

<b>Refer to Note 10 Inventories</b>	
<p>The total carrying value of inventories in the statement of financial position as at 30 June 2020 amounted to \$1.085 million, consisting 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 and updated for Director assessments in 2020. No valuation adjustments were considered necessary as at 30 June 2020.</p> <p>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. In addition the uncertainty concerning valuation estimates and judgements was further heightened as a result of the economic impacts of the COVID 19 pandemic.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Review of Management's assessment of the inventory valuation and key assumptions used in their assessment, including market analysis to the extent available. This was considered in light of changes and uncertainties resulting from COVID 19 that existed at balance date and up until the issuance of our audit report.</li> <li>• Evaluation of independent professional valuations, to the extent available, 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</li> <li>• Review of margins for inventory sold during the year to validate Management's and Expert's assessments.</li> <li>• Review of adequacy of disclosures in the financial statements.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED  
(CONTINUED)**

**Key Audit Matters (continued)**

<b>Refer to Notes 12 and 17. Implementation of AASB 16 Leases</b>	
<p>The Company adopted AASB 16 Leases with effect from 1 July 2019, which resulted in changes to the accounting policies. The Company has elected not to restate comparative information as permitted by the transitional provisions contained within AASB 16.</p> <p>The impact of AASB 16 is a change in the accounting policy for operating leases. This change of accounting policy resulted in right-of-use assets of \$16.3 million and lease liabilities of \$17.4 being recognised in the statement of financial position as at 30 June 2020.</p> <p>Because of the judgements which have been applied and the estimates made in determining the impact of AASB 16, this area is considered as a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessed whether the Group's new accounting policies are in accordance with the requirements of AASB 16 through consideration of the Group's application of the accounting principles</li> <li>Assessed the discount rates applied in determining lease liabilities</li> <li>Verified the accuracy of the underlying lease data by agreeing a sample of leases to original contracts, or other supporting information, and assessing the integrity and mechanical accuracy of the AASB 16 calculations for each lease sampled.</li> <li>Considered the completeness of the lease data by reconciling the lease liabilities to operating lease commitments and by considering if we had knowledge of any other contracts which may contain a lease.</li> <li>Review of adequacy of disclosures in the financial statements, including disclosures relating to the transition to AASB 16</li> </ul>

**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 2020 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED  
(CONTINUED)**

**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.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:  
[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

**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 2020.

In our opinion, the Remuneration Report of International Equities Corporation Limited for the year ended 30 June 2020 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.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth on the 30<sup>th</sup> day of September 2020

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 66, 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 2020 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:



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**AG Menezes**  
Director

**Perth, Western Australia**  
**30<sup>th</sup> September 2020**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Note</b>	<b>Consolidated entity</b>	
		<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Continuing Operations</b>			
Revenue	<b>2</b>	14,847	19,124
Other Income	<b>2</b>	1	7
Property development costs	<b>3</b>	(834)	(1,125)
Hotel cost of goods sold	<b>3</b>	(7,014)	(11,919)
Sales commission	<b>3</b>	(36)	(45)
Lease interest	<b>3</b>	(1,383)	-
Borrowing costs expense	<b>3</b>	(695)	(935)
Administrative expenses	<b>3</b>	(4,262)	(5,681)
Depreciation and amortisation expenses	<b>3</b>	(2,154)	(301)
<b>Profit/(loss) before income tax expense</b>		<b>(1,530)</b>	<b>(875)</b>
Income tax expense	<b>24</b>	-	-
<b>Net Profit/(loss) for the year</b>		<b>(1,530)</b>	<b>(875)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(1,530)</b>	<b>(875)</b>

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 2020**

	Note	Consolidated Entity 30 June 2020	30 June 2019
		\$'000	\$'000
<b>Net profit/(loss) attributable to:</b>			
Members of the parent entity		(1,530)	(875)
Non-controlling interest		-	-
		<b>(1,530)</b>	<b>(875)</b>
<b>Total comprehensive income attributable to:</b>			
Members of the parent entity		(1,530)	(875)
Non-controlling interest		-	-
		<b>(1,530)</b>	<b>(875)</b>
<b>Earnings Per Share</b>			
From continuing and discontinued operations:			
Basic earnings per share		(1.19 c)	(0.68 c)
Diluted earnings per share		(1.19 c)	(0.68 c)
From continuing operations:			
Basic earnings per share		(1.19 c)	(0.68 c)
Diluted earnings per share		(1.19 c)	(0.68 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 2020**

	Note	Consolidated Entity	
		2020	2019
		\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash assets	8	1,297	1,162
Receivables	9	672	719
Inventories	10	1,085	1,098
Other	14	61	152
<b>TOTAL CURRENT ASSETS</b>		<u>3,115</u>	<u>3,131</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	11	28,839	29,801
Right-of-use Assets	12	16,397	-
Intangible assets	13	69	124
<b>TOTAL NON CURRENT ASSETS</b>		<u>45,305</u>	<u>29,925</u>
<b>TOTAL ASSETS</b>		<u>48,420</u>	<u>33,056</u>
<b>CURRENT LIABILITIES</b>			
Payables	15	4,194	3,891
Interest-bearing liabilities	16	15,231	15,147
Lease Liability	17	888	-
Provisions	18	299	432
<b>TOTAL CURRENT LIABILITIES</b>		<u>20,612</u>	<u>19,470</u>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities	16	2,765	3,509
Lease Liability	17	16,496	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>19,261</u>	<u>3,509</u>
<b>TOTAL LIABILITIES</b>		<u>39,873</u>	<u>22,979</u>
<b>NET ASSETS</b>		<u><u>8,547</u></u>	<u><u>10,077</u></u>
<b>EQUITY</b>			
Contributed equity	19	12,093	12,093
Reserves	20	6,746	6,746
Accumulated losses	21	(10,292)	(8,762)
<b>TOTAL EQUITY</b>		<u><u>8,547</u></u>	<u><u>10,077</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 2020**

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Accumulated losses \$'000	Total \$'000	Total equity \$'000
<b>(a) Consolidated Entity</b>						
<b>Balance at 1 July 2019</b>	<b>12,093</b>	<b>40</b>	<b>6,706</b>	<b>(8,762)</b>	<b>10,077</b>	<b>10,077</b>
Net loss for the year	-	-	-	(1,530)	(1,530)	(1,530)
Other Comprehensive income for the year	-	-	-	-	-	-
Total Comprehensive income for the year	12,093	40	6,706	(10,292)	<b>8,547</b>	<b>8,547</b>
Dividends paid or declared	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>12,093</b>	<b>40</b>	<b>6,706</b>	<b>(10,292)</b>	<b>8,547</b>	<b>8,547</b>

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Accumulated losses \$'000	Total \$'000	Total equity \$'000
			Restated		Restated	Restated
<b>(a) Consolidated Entity</b>						
<b>Balance at 1 July 2018</b>	<b>12,093</b>	<b>40</b>	<b>6,706</b>	<b>(7,887)</b>	<b>10,952</b>	<b>10,952</b>
Net loss for the year	-	-	-	(875)	(875)	(875)
Other Comprehensive income for the year	-	-	-	-	-	-
Total Comprehensive income for the year	12,093	40	6,706	(8,761)	<b>10,077</b>	<b>10,077</b>
Dividends paid or declared	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>12,093</b>	<b>40</b>	<b>6,706</b>	<b>(8,761)</b>	<b>10,077</b>	<b>10,077</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated entity	
		2020	2019
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers		14,079	19,201
Payments to suppliers and employees		(12,525)	(17,046)
Interest received		1	5
Borrowing costs paid		(695)	(935)
Other Income		919	-
Net cash provided by/ (used in) operating activities	7(a)	<u>1,779</u>	<u>1,225</u>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		-	-
Purchase of property, plant and equipment		(89)	(657)
Net cash provided by/ (used in) investing activities		<u>(89)</u>	<u>(657)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		950	683
Repayment of borrowings		(2,505)	(1,921)
Net cash provided by/ (used in) financing activities		<u>(1,555)</u>	<u>(1,238)</u>
<b>Net increase/(decrease) in cash held</b>		135	(670)
Cash at the beginning of the financial year		1,162	1,832
<b>Cash at the end of the financial year</b>	8	<u>1,297</u>	<u>1,162</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 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 30 September 2020 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 25 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 2020

### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Earnings per share (Continued)

##### *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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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

##### Initial recognition and measurement

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

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

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

##### Classification and subsequent measurement

###### *Financial liabilities*

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.
- A financial liability is measured at fair value through profit and loss if the financial liability is:
  - a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
  - held for trading; or
  - initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

###### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires 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 in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair values (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Financial instruments (Continued)

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

##### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

##### *Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

#### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

##### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Financial instruments (Continued)

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### **Impairment**

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

##### *General approach*

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

##### *Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Financial instruments (Continued)

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Group measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

*Low credit risk operational simplification approach*

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

*Recognition of expected credit losses in financial statements*

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

#### (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 (i.e. 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 (i.e. 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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Fair Value of Assets and Liabilities (continued)

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 judgments 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 both externally and within the Group, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

##### *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 and assumptions.

##### *Key estimates -Fair Value of Freehold Land and Buildings*

The Group regularly reassesses the value of freehold land and buildings so as to ensure that they are reflected at fair value based on either independent valuations or directors' assessments incorporating the latest available market information. Such assessments are based on information available and judgements made at the time of preparing these financial statements. Due to the COVID 19 pandemic, estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year, relates to the valuation of freehold land and buildings. Refer to note 11 for information on best estimates used in the valuation of land and buildings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Critical Accounting Estimates and Judgements (continued)

##### *Key estimates -Fair Value of Inventory*

The Group regularly reassesses the value of inventory to ensure that they are reflected at fair value based on either independent valuations or directors' assessments incorporating the latest available market information. Such assessments are based on information available and judgements made at the time of preparing these financial statements. Due to the COVID 19 pandemic, estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year, relates to the valuation of inventory. Refer to note 10 for information on best estimates used in the valuation of land and buildings.

##### *Key estimates -Carrying Value of Right of Use Assets*

The Group carries right of use assets at amortised cost and impairment tests them when there is an indicator of impairment. The impairment testing of assessed values are based on value in use calculations/consideration. Such assessments are based on information available, assumptions and judgements made at the time of preparing these financial statements. Due to the COVID 19 pandemic, estimation uncertainty at balance date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year, relates to the carrying value of right of use assets. Refer to note 12 for information as to assumptions used and estimates adopted in the impairment assessment of right of use assets.

#### (v) New and Amended Accounting Policies Adopted by the Group

##### *Adoption of new and revised accounting standards*

The Company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and had to change its accounting policies as a result of adopting the following standards:

- AASB 16: Leases

The impact of the adoption of this standard and the respective accounting policies is discussed as follows.

##### **New and Amended Accounting Policies Adopted by the Group**

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

AASB 16: Leases (issued February 2016) has superseded the existing lease accounting requirements in AASB 117: Leases and the related Interpretations from its application date of 1 July 2019. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership.

The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months 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, instead accounting for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to 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 Group has applied the latter option in which case comparative information shall not be restated

The Group has assessed the full impact of the Standard, which has resulted in the recognition of a Right of Use Asset and Lease Liability of approximately \$16.40 million and \$17.38 million respectively, as at 30 June 2020, thereby grossing up the assets and liabilities in the consolidated balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Going Concern & Obligations under Bank Borrowings

The Company has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the consolidated financial statements.

The impact of the COVID 19 pandemic has significantly impacted on the trading performance of the Group's hotels and the financial position of the Group. Whilst the situation is continuing to evolve, the directors remain confident that it is appropriate to prepare the financial statements 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.

In addition the Group has certain obligations under its existing loan facilities and these include the requirement to meet certain financial covenants. As at 30 June 2020, these financial covenants have not been met.

On 27 August 2020, Bank of Melbourne extended loan renewal terms by a Letter of Variation on terms and conditions set out below. The Company accepted these terms on 15 September 2020

- Loan facility extended to 31 July 2020
- Loan to Value Ratio (LVR) to not exceed 65%
- Provision of Financial Reporting, Budgets and Cashflows on a quarterly basis

At the time of this report, the breach of 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 historic covenant breaches and maturity date of less than 1 year, 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 \$16.61 million at balance date.

Notwithstanding the above matters, 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 draw on additional funds from existing approved finance facilities;
- The ability to raise capital or loans from shareholders or related parties.

Based on the above factors, 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.

#### (x) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, are not expected to have a significant impact on the Group when adopted in future periods.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<b>2. REVENUE</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Operating activities		
- sale of apartments	863	1,203
- sale of services and accommodation	11,879	16,605
- property management fees	830	877
- rental revenue	356	360
- interest received - other persons	1	5
- other revenue	919	81
	<u>14,848</u>	<u>19,131</u>

### 3. LOSS FROM ORDINARY ACTIVITIES

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

Borrowing costs:		
- other persons	695	935
Expenses:		
Administration costs	4,262	5,681
Hotel costs and cost of goods sold:		
- Payroll Costs	3,225	4,336
- Superannuation expense	335	412
- Other costs	3,454	7,171
Depreciation & amortisation	2,154	280
Development costs – apartments	834	1,125
Lease interest	1,383	-
Commissions	36	45

### 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 2020.

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

	<b>2020 \$000</b>	<b>2019 \$000</b>
Short term employee benefits	346	401
Post-employment benefits	9	10
Other long-term benefits	-	-
Share based payments	-	-
Total KMP compensation	<u>355</u>	<u>411</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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 4. KEY MANAGEMENT PERSONNEL (Continued)

#### 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.

5. AUDITOR'S REMUNERATION	2020 \$000	2019 \$000
Remuneration of the auditor of the parent company for:		
- auditing or reviewing the financial report of controlled entities	82	98
	-	-
Remuneration of the auditor of the controlled entities for:		
- auditing or reviewing the financial report of controlled entities	-	-
	-	-
	<u>82</u>	<u>98</u>

### 6. EARNINGS / (LOSS) PER SHARE

Basic loss per share is 1.19 cents (2019: loss per share 0.68 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 (2019: 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

	2020 \$000	2019 \$000
Operating profit/(loss) after income tax	(1,530)	(875)
Non-cash flows in operating profit		
Depreciation and amortisation of non-current assets	2,154	280
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	47	45
(Increase)/Decrease in prepayments	90	(3)
(Increase)/Decrease in inventories	848	1,158
(Increase)/Decrease in other non-current assets	-	-
(Decrease)/Increase in accounts payable	1,099	634
(Decrease) in accrued expenses	(797)	(59)
Increase/(Decrease) in deferred tax	-	-
Increase/(Decrease) in provisions	(132)	45
Net cash (used in)/provided by operating activities	<u>1,779</u>	<u>1,225</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. CASH	2020 \$000	2019 \$000
Cash at bank and on hand	1,297	1,162
	<u>1,297</u>	<u>1,162</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	1,297	1,162
	<u>1,297</u>	<u>1,162</u>

9. RECEIVABLES	2020 \$000	2019 \$000
Current		
Trade debtors	684	731
Less: provision for impairment	(12)	(12)
	<u>672</u>	<u>719</u>

The Group has applied AASB 9 in providing for expected credit loss (allowance for impairment) as at 30 June 2020.

10. INVENTORIES	2020 \$000	2019 \$000
Current		
Completed units held for resale at director's valuation	1,064	1,064
Consumables and stores	21	33
	<u>1,085</u>	<u>1,098</u>

### Valuation Basis

The basis of valuation of completed units held for resale is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the reporting date.

As a result of the COVID 19 pandemic assessing fair value as at the reporting date involves uncertainties around the underlying assumptions, given the constantly changing nature of the situation and the time between the reporting date and the date of the annual report. The length of time it will take to manage the effects of the COVID 19 pandemic on the broader economies and property markets is still unknown.

Whilst the current economic climate and the impacts of the COVID 19 pandemic in the medium to longer term are still uncertain, the assessment undertaken to determine the fair value of the Group's land and buildings is based on the best available current information.

### Uncertainty around Property Valuations

The COVID 19 pandemic has impacted market activity in many sectors. The valuation assessments undertaken have placed more weighting to currently available information. The current response to the COVID 19 pandemic means that the Company has faced increased uncertainty on which to base valuation judgements. In the event that impacts of the COVID 19 pandemic are more material or prolonged than anticipated, this may further impact on the fair values adopted for the Group's property assets and the future price achieved if a property is sold.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT	2020 \$000	2019 \$000
<b>Freehold land and buildings</b>		
Seasons of Perth hotel at valuation <sup>(1)</sup> including improvements	21,084	21,088
Seasons Heritage Melbourne hotel at valuation <sup>(2)</sup>	4,774	5,609
IEC Management commercial lots and apartments <sup>(3)</sup>	2,831	2,831
	<u>28,689</u>	<u>29,528</u>
<b>Furniture, fittings and equipment</b>		
At cost	5,723	5,633
Less: accumulated depreciation	(5,573)	(5,360)
	<u>150</u>	<u>273</u>
<b>Total</b>	<u>28,839</u>	<u>29,801</u>

- (1) The fair value of Seasons of Perth Hotel was determined on 10 September 2020 by an independent valuation by Knight Frank Australia Pty Ltd. at \$14 million. However, the valuer cited that there is market uncertainty arising from the impacts of COVID 19 resulting in significant valuation uncertainty and that the valuation cannot be relied upon for any purpose. As a consequence the directors do not consider it appropriate to revalue the hotel in the accounts at this time, until further certainty is restored to the market.
- (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 is not materially different to the carrying value as at 30 June 2020.
- (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 is not materially different to the carrying value as at 30 June 2020.

### *Valuation Basis*

The basis of valuation of freehold land and buildings is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the reporting date.

As a result of the COVID 19 pandemic assessing fair value as at the reporting date involves uncertainties around the underlying assumptions, given the constantly changing nature of the situation and the time between the reporting date and the date of the annual report. The length of time it will take to manage the effects of the COVID 19 pandemic on the broader economies and property markets is still unknown.

Whilst the current economic climate and the impacts of the COVID 19 pandemic in the medium to longer term are still uncertain, the assessment undertaken to determine the fair value of the Group's freehold land and buildings is based on the best available current information.

### *Uncertainty around Property Valuations*

The COVID 19 pandemic has impacted market activity in many sectors. The valuation assessments undertaken have placed more weighting to currently available information. The current response to the COVID 19 pandemic means that the Company has faced increased uncertainty on which to base valuation judgements. In the event that impacts of the COVID 19 pandemic are more material or prolonged than anticipated, this may further impact on the fair values adopted for the Group's property assets and the future price achieved if a property is sold.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2020 \$000	2019 \$000
Reconciliations:		
<b>Freehold land and buildings</b>		
Opening balance	29,528	29,843
Revaluation of Seasons of Perth Hotel	-	-
Refurbishment of Seasons of Perth Hotel	-	489
Development cost of sale (apartments released for sale)	(839)	(804)
Closing balance	28,689	29,528
<b>Furniture, fittings and equipment</b>		
Opening balance	273	294
Additions	90	138
Depreciation	(213)	(159)
Closing balance	150	273

### 12. RIGHT-OF-USE ASSETS

The Group's lease portfolio currently includes apartments managed by the Group. These leases run for a period between 1 and 6 years with an option to renew for a further period between 2 and 10 years. The extension option where management are reasonably certain to be exercised have been included in the calculation of the lease liability. Previously, these leases were classified as operating leases under AASB 17.

The Group has elected not to recognise right-of-use assets for low value items and any short-term leases.

	2020 \$000	2019 \$000
(i) AASB 16 related amounts recognised in the balance sheet		
<b>Right-of-use assets</b>		
Leased apartments (1)	18,279	-
Accumulated depreciation	(1,882)	-
	16,397	-
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	18,279	-
Depreciation expense for the half-year ended	(783)	-
Balance at end of period	17,496	-

- (1) The new owners of Seasons Harbour Plaza exercised their right under the lease agreement to terminate all leases with the Group effective 31 March 2020. Therefore, these leases will no longer be for more than 12 months and do not qualify to be recognised under AASB 16: Leases, thus have not been included in the Right-of-Use assets of the Group. The associated lease expenditure of \$2,183,575 has been expensed to profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 13. INTANGIBLE ASSETS

	2020 \$000	2019 \$000
<b>Management Letting Rights</b>		
Balance at beginning of period	13	65
Acquired during the period	-	-
	<u>13</u>	<u>65</u>
Amortisation	(13)	(52)
Balance at end of period	<u>-</u>	<u>13</u>
<b>Other Intangibles</b>		
Balance at beginning of period	111	150
Acquired during the period	-	-
Balance at end of period	<u>111</u>	<u>150</u>
Amortisation	(42)	(39)
Balance at end of period	<u>69</u>	<u>111</u>
Total balance at end of period	<u>69</u>	<u>124</u>

Management Letting Rights (MLR's) allow the Group to derive revenue from letting apartments in the operations of Seasons Darling Harbour. During the period Lot owners sold the property and terminated the leases on 31 March 2020 in accordance with the terms and conditions of the lease agreement.

### 14. OTHER ASSETS

	2020 \$000	2019 \$000
Prepayments	<u>61</u>	<u>152</u>

### 15. TRADE AND OTHER PAYABLES

	2020 \$000	2019 \$000
Trade creditors	3,792	2,692
Other creditors and accruals	402	1,199
	<u>4,194</u>	<u>3,891</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<b>16. INTEREST-BEARING LIABILITIES</b>	<b>2020</b>	<b>2019</b>
<b>Current</b>	<b>\$000</b>	<b>\$000</b>
Loan from related party <sup>(e)</sup>	300	300
Bank loan – secured <sup>(a)</sup>	14,931	14,847
	<u>15,231</u>	<u>15,147</u>
<b>Non-current</b>		
Bank loans - secured <sup>(a)</sup>	750	750
Loan from related party <sup>(e)</sup>	2,015	2,759
	<u>2,765</u>	<u>3,509</u>
Bank loans comprise the following:		
- Bank of Melbourne (matures on 31 July 2021)	12,967	13,583
- Bank of Queensland (matures in August 2023 and subject to annual review)	1,964	1,264
- ING (matures in October 2036)	750	750
	<u>15,681</u>	<u>15,597</u>
Notes:		
(a) Secured loans are expected to be settled:		
- within 12 months	-	-
- 12 months or more	15,681	15,597
(b) Total current and non-current secured liabilities	<u>15,681</u>	<u>15,597</u>
(c) The carrying amounts of current and non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	27,668	28,507
Inventory for sale	1,021	1,021
	<u>28,689</u>	<u>29,528</u>
Total assets pledged as security	<u>28,689</u>	<u>29,528</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 65% at facility maturity. At 30 June 2020, LVR stood at 50.82%. Refer to Note 1(y) for discussion as to compliance with these covenants.

## 17. LEASES LIABILITIES

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
(a) Current		
Lease Liability - Right of Use Asset	888	-
<b>Total current</b>	<u>888</u>	<u>-</u>
(b) Non - current		
Lease Liability - Right of Use Asset	16,496	-
<b>Total Non - current</b>	<u>16,496</u>	<u>-</u>

The measurement principles of AASB 16 are only applied from 1 July 2019.

The Company is currently negotiating rent concessions, comprising rent deferrals and rent reductions, in respect of a number of contracts comprising its lease liabilities. In a number of cases rental payments have been deferred as at 30 June 2020, but are reflected in the above lease liabilities. As these negotiations are still in progress in most instances they have not been treated as lease modifications and no gain has been recognised in the P & L.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$000	2019 \$000
<b>18. PROVISIONS</b>		
Employee entitlements	299	432
		<b>Employee Benefits \$000</b>
Opening balance at 1 July 2019		432
Additional provisions		-
Amounts used		(133)
Balance at 30 June 2020		299

### Analysis of total provisions

	2020 \$000	2019 \$000
Current	299	432
Non-current	-	-
	299	432

## 19. CONTRIBUTED EQUITY

Paid-up capital:		
128,223,577 fully paid ordinary shares (2019: 128,223,577)	12,093	12,093
128,223,577 issued and fully paid ordinary shares (2019: 128,223,577) at the start of the financial year	12,093	12,093
Movement in the year	-	-
At end of the financial year	12,093	12,093

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 2020		Year to 30 June 2019	
	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	128,223,577	12,093	128,223,577	12,093

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 19. 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 (excluding the impact of leases) are as follows:

	<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
Total borrowings – see note 16	17,996	18,656
Less cash and cash equivalents – see note 8	<u>(1,297)</u>	<u>(1,162)</u>
Net debt	16,699	17,494
Total equity	<u>8,547</u>	<u>10,077</u>
Total capital	<u><u>25,246</u></u>	<u><u>28,271</u></u>
Gearing Ratio	<u><u>66%</u></u>	<u><u>63%</u></u>

<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
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### 20. RESERVES

Share option reserve	40	40
Asset revaluation reserve	<u>6,706</u>	<u>6,706</u>
	<u>6,746</u>	<u>6,746</u>

### 21. ACCUMULATED LOSSES

Accumulated losses at beginning of the financial year		
	(8,762)	(7,887)
Net profit/(loss) attributable to the members of the parent entity	<u>(1,530)</u>	<u>(875)</u>
Accumulated losses at end of the financial year	<u><u>(10,292)</u></u>	<u><u>(8,762)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 22. FINANCIAL RISK MANAGEMENT

#### (a) Financial Risk Management Policies

The group's financial instruments consist 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.

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 2019, 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 financial equity 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.

The Group evaluates and compares the risk of a default on a financial instrument at the reporting date with the risk of default on the financial instrument at the date of initial recognition. To support the evaluation process the Group takes into consideration both quantitative and qualitative information that is reasonable and justifiable, including past experience and prospective information that is publicly available. Prospective information taken into consideration includes the future volatility of the of the industries in which the Group's debtors are in, obtained from industry reports, financial news reports, government bodies, as well as taking into consideration multiple external sources of current and future economic information to which the Group's core operations may relate.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial Risk Management Policies (Continued)

#### ii. Financial Risk Exposure and Management (Continued)

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

	2020 \$000	2019 \$000
Trade and other Receivables		
AA rated counterparties	-	-
B rated counterparties	-	-
Counterparties not rated	672	719
Total	<u>672</u>	<u>719</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

#### a. Derivative Financial Instruments

Derivative financial instruments were not used by the consolidated group for the period ending 30 June 2020.

#### b. Interest Rate Swap

Interest Rate Swaps were not entered for the period ending 30 June 2020.

#### c. 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									
	Effective Interest		Floating		Within 1		1 to 5		Non - Interest		Total	
	Rate		Interest Rate		Year		Years		Bearing			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>												
Cash and cash equivalents	0.11	0.46	813	982	-	-	-	-	484	180	1,297	1,162
Receivables	-	-	-	-	-	-	-	-	672	719	672	719
<b>Total Financial Assets</b>			<u>813</u>	<u>982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156</u>	<u>899</u>	<u>1,969</u>	<u>1,881</u>
<b>Financial Liabilities</b>												
Bank loans and overdrafts	4.43	5.61	2,713	2,013	12,968	13,584	-	-	-	-	15,681	15,597
Trade and sundry payables	-	-	-	-	-	-	-	-	4,493	3,891	4,493	3,891
Amounts payable related parties	-	-	-	-	-	-	-	-	2,015	3,059	2,015	3,059
<b>Total Financial Liabilities</b>			<u>2,713</u>	<u>2,013</u>	<u>12,968</u>	<u>13,584</u>	<u>-</u>	<u>-</u>	<u>6,508</u>	<u>6,950</u>	<u>22,189</u>	<u>22,547</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2020 \$000	2019 \$000
<b>Trade and other receivables</b>		
Not past due	217	502
Past due 30 days	112	155
Past due 60 days	97	42
Past due 90 days	90	28
Past due 90 days +	168	4
Less: Amount impaired	(12)	(12)
Total amount not impaired	<u>672</u>	<u>719</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9 which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses trade receivables are grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined by reference to past default experience of the debtor, an analysis of the debtors current financial position, general economic conditions of the industry in which the debtor operates and an assessment of both current and forecast information relevant to the debtor and their industry.

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

	2020 \$000	2019 \$000
<b>Trade and other Payables</b>		
Less than 6 months	4,194	3,891
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>4,194</u>	<u>3,891</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:

	2020		2019	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Cash and cash equivalents	1,297	1,297	1,162	1,162
Trade and other receivables	672	672	719	719
	<u>1,969</u>	<u>1,969</u>	<u>1,881</u>	<u>1,881</u>
<b>Financial Liabilities</b>				
Trade and other payables	4,194	4,194	3,891	3,891
Bank and other loans payable	17,996	17,996	18,656	18,656
	<u>22,547</u>	<u>22,547</u>	<u>22,547</u>	<u>22,547</u>

#### (ii) 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 2020

### 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (iii) Sensitivity Analysis

##### *Interest Rate Sensitivity Analysis*

At 30 June 2020, 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:

	2020 \$000	2019 \$000
Change in Profit		
- Increase in interest rate by 2%	(314)	(312)
- Decrease in interest rate by 2%	314	312
Change in Equity		
- Increase in interest rate by 2%	(314)	(312)
- Decrease in interest rate by 2%	314	312

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.

### 23. 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 2020:

		Quoted Prices in Active Markets for Identical Assets \$000	Significant Observable Inputs Other than Level 1 Inputs \$000	Significant Unobservable Inputs \$000
	Note	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings	(i)	-	29,438	-

#### Fair Value Measurements at 30 June 2019:

		Quoted Prices in Active Markets for Identical Assets \$000	Significant Observable Inputs Other than Level 1 Inputs \$000	Significant Unobservable Inputs \$000
	Note	(Level 1)	(Level 2)	(Level 3)
Description				
Recurring fair value measurements				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings		-	29,528	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 23. 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 2020	Description of Valuation Techniques	Inputs Used
<b>Level 2</b>	<b>\$000</b>		
15 Apartments within Seasons Heritage Melbourne (CBRE Valuation Report 12 April 2018)	5,516	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. As set out in Note 11 the Seasons of Perth hotel was independently valued on 10 September 2020, although given the restricted use of the valuation and current market uncertainty it may not reasonably reflect fair value nor the value which could be realized upon sale of the property. .

	Fair Value at 30 June 2019	Description of Valuation Techniques	Inputs Used
<b>Level 2</b>	<b>\$000</b>		
22 Apartments within Seasons Heritage Melbourne (CBRE Valuation Report 12 April 2018)	5,606	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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 24. INCOME TAX EXPENSE

	2020 \$000	2019 \$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	(1,530)	(875)
Income tax liability / (benefit) calculated at 27.5% (2019: 27.5%) of profit/ (loss) from ordinary activities before income tax	(421)	(241)
Tax effect of permanent differences	-	-
	(421)	(241)
Timing differences and tax profits/(losses) not brought to account as future income tax liability / (benefit)	421	241
Income tax expense	-	-
(b) Deferred tax liability Profits deferred for tax purposes	-	-
(c) Deferred tax asset Certain deferred tax assets have not been recognised as an asset: Attributable to tax losses at 27.5% (2019: 27.5%) <sup>Note 1</sup>	2,136	2,136

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 27.5% 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 2020

### 25. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation	Percentage owned	
Parent entity:		2020	2019
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 Australia, Perth  
 \*\* Dormant in the Financial Year 2020 and 2019

### 26. 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:

	2020	2019
	\$000	\$000
Trade receivable at year end due from:		
Renaissance Assets Pty Ltd <sup>(i)</sup>	53	285
Trade payable at year end due to:		
Renaissance Assets Pty Ltd <sup>(i)</sup>	907	863
Loans payable at year end to:		
Renaissance Assets Pty Ltd – current <sup>(i)</sup>	300	300
Renaissance Assets Pty Ltd – non-current <sup>(i)</sup>	2,015	2,759
Revenue received during the year from:		
Renaissance Assets Pty Ltd	349	352

(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 2020

### 27. COMMITMENTS

#### (a) Capital Commitments

The Company had no unpaid capital commitments at 30 June 2020 and at the date of this report:

#### (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:

	2020 \$000	2019 \$000
Within 1 year	2,202	5,272
Later than 1 year but not later than 5 years	7,957	20,319
Later than 5 years	13,713	23,392
	<u>23,872</u>	<u>48,983</u>

### 28. CONTINGENT LIABILITIES AND GUARANTEES

The Company had the following contingent liabilities and guarantees as at 30 June 2020:

- 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 2020.

### 29. 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 2020

### 29. 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 2020

## 29. SEGMENTAL REPORTING (CONTINUED)

### (i) Segment performance

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Total \$'000
<b>Year ended 30/06/2020</b>				
<b>Revenue</b>				
External sales	863	12,228	837	13,928
Intersegment sales	-	1,138	83	1,221
Interest income	1	-	-	1
<b>Total segment revenue</b>	<b>864</b>	<b>13,366</b>	<b>920</b>	<b>15,150</b>
<b>Reconciliation of segment revenue to group revenue</b>				
Other revenue	67	820	32	919
Less: Intersegment elimination	-	(1,138)	(83)	(1,221)
<b>Total group revenue</b>	<b>931</b>	<b>13,048</b>	<b>869</b>	<b>14,848</b>
<b>Segment net profit / (loss) from continuing operations before tax</b>				
	(12)	4,736	857	5,581
<b>Reconciliation of segment results to group net profit/(loss) before tax:</b>				
(a) Amounts not included in segment results but reviewed by the Board:				
– Corporate charges	(667)	(3,174)	(421)	(4,262)
– Depreciation and amortisation	-	(2,104)	(50)	(2,154)
(b) Unallocated items:				
– Finance costs	(95)	(600)	-	(695)
– Other	-	-	-	-
<b>Net profit/(loss) before tax from continuing operations</b>	<b>(774)</b>	<b>(1,142)</b>	<b>386</b>	<b>(1,530)</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## 29. SEGMENTAL REPORTING (CONTINUED)

### (i) Segment performance (continued)

Year ended 30/06/2019

#### Revenue

External sales	1,203	16,956	886	19,045
Intersegment sales	172	1,228	28	1,428
Interest income	4	1	-	5
<b>Total segment revenue</b>	<b>1,379</b>	<b>18,185</b>	<b>914</b>	<b>20,478</b>

#### Reconciliation of segment revenue to group revenue

Other revenue	54	27	-	80
Less: Intersegment elimination	(172)	(1,228)	(28)	(1,428)
<b>Total group revenue</b>	<b>1,261</b>	<b>16,984</b>	<b>886</b>	<b>19,131</b>

#### Segment net profit from continuing operations before tax

	29	5,176	873	6,078
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#### Reconciliation of segment results to group net profit/loss before tax:

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

– Corporate charges	(837)	(4,406)	(438)	(5,681)
– Depreciation and amortisation	-	(233)	(47)	(280)

(b) Unallocated items:

– Finance costs	(115)	(820)	-	(935)
– Other	-	-	-	-

#### Net profit/(loss) before tax from continuing operations

	(981)	(283)	388	(875)
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# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## 29. SEGMENTAL REPORTING (CONTINUED)

### (ii) Segment assets

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2020</b>				
<b>Segment assets</b>	9,550	38,556	223	48,329
Segment asset increases for the period:				
– Capital expenditure	-	-	-	-
	9,550	38,556	223	48,329
<b>Reconciliation of segment assets to group assets:</b>				
Intersegment eliminations	-	22	-	22
Unallocated assets:				
– Intangibles	-	-	69	69
<b>Total group assets</b>	<b>9,550</b>	<b>38,578</b>	<b>292</b>	<b>48,420</b>
	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2019</b>				
<b>Segment assets</b>	8,440	21,349	137	29,926
Segment asset increases for the period:				
– Capital expenditure	-	-	-	-
	8,440	21,349	137	29,926
<b>Reconciliation of segment assets to group assets:</b>				
Intersegment eliminations	2,025	979	2	3,006
Unallocated assets:				
– Intangibles	-	13	111	124
<b>Total group assets</b>	<b>10,465</b>	<b>22,341</b>	<b>250</b>	<b>33,056</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 29. SEGMENTAL REPORTING (CONTINUED)

#### (iii) Segment liabilities

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2020</b>				
<b>Segment liabilities</b>	18,094	36,946	282	55,322
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(12,919)	(2,410)	(120)	(15,449)
Unallocated liabilities:				
– Other financial liabilities	-	-	-	-
<b>Total group liabilities</b>	<b>5,175</b>	<b>34,536</b>	<b>162</b>	<b>39,873</b>
	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2019</b>				
<b>Segment liabilities</b>	18,961	19,213	212	38,386
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(13,794)	(1,494)	(120)	(15,408)
Unallocated liabilities:				
– Other financial liabilities	-	-	-	-
<b>Total group liabilities</b>	<b>5,167</b>	<b>17,719</b>	<b>92</b>	<b>22,978</b>

#### 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 2020 \$000	30 June 2019 \$000
Australia	14,848	19,131
<b>Total revenue</b>	<b>14,848</b>	<b>19,131</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 29. SEGMENTAL REPORTING (CONTINUED)

#### (v) Asset by geographical region:

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

	30 June 2020	30 June 2019
	\$000	\$000
Australia	48,420	33,056
<b>Total assets</b>	<b>48,420</b>	<b>33,056</b>

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.

### 30. 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	
	2020	2019
	\$'000	\$'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current assets	28	36
Total assets	(4,187)	(3,866)
Current liabilities	68	14
Total liabilities	-	-
Net assets	(4,255)	(3,880)
Equity		
Contributed equity	12,093	12,093
Reserves	40	40
Accumulated losses	(16,388)	(16,013)
	(4,255)	(3,880)
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Loss for the year	(375)	(493)
Total Comprehensive loss for the year	(375)	(493)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 30. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

#### (b) Contractual Commitments

As at 30 June 2020 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.

### 31. EVENTS OCCURRING AFTER BALANCE DATE

On the 11<sup>th</sup> March 2020, the World Health Organisation declared the Coronavirus or COVID 19 a pandemic. COVID 19 is a health risk that has global consequences which has significantly affected the world economy. The strategies adopted by governments in dealing with the virus at an international, domestic and local level are changing daily and re-assessments by governments and world leaders is ongoing. Various industries have and will continue to be impacted more than others for some time to come. With respect to the financial reporting period ended 30 June 2020 the financial statements have been prepared based upon conditions existing as at that date, with adjustments made where appropriate for impacts of COVID 19 that have arisen subsequent to that date and which further clarify matters that existed at 30 June 2020. There is general consensus that the effects of the COVID 19 outbreak are the result of an event that arose during the reporting period, ie it is a adjusting event as defined in AASB 110 *Events After the Reporting Period*, in which case the Company is required to record and disclose the nature of the event and an estimate of its financial effect subsequent to 30 June 2020, if possible to do so. The impacts of COVID 19 have significantly affected the financial position of the Company as at the date of this report and the financial results for the year ended 30 June 2020. The COVID 19 pandemic has created unprecedented uncertainty in terms of the overall economic environment such that economic events and conditions in future may be materially different from those experienced by the Company as at the date of this report. At this time, it is not possible for the Company to estimate the future effects of COVID 19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

Subsequent to the end of financial year the following events occurred

1. On 2 August 2020 recurrence of Covid-19 virus outbreak led to restrictions being re-imposed. In the state of Victoria. Stage 4 lockdown and a curfew remains in force at the date of this report.
2. On 27 August 2020, Bank of Melbourne extended loan renewal terms by a Letter of Variation on terms and conditions set out below. The Company accepted these terms on 15 September 2020
  - Loan facility extended to 31 July 2021
  - Loan to Value Ratio (LVR) to not exceed 65%
  - Provision of Financial Reporting, Budgets and Cashflows on a quarterly basis
3. On 10 September 2020, Knight Frank Australia Pty Ltd concluded their valuation of Seasons of Perth. The fair value was determined at \$14 million. However, the valuer cited that there is market uncertainty arising from the impacts of COVID 19 resulting in significant valuation uncertainty and that the valuation cannot be relied upon for any purpose. As a consequence the directors do not consider it appropriate to revalue the hotel in the accounts at this time, until further certainty is restored to the market.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 32. 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<br>Level 6, 348 St Kilda Road<br>Melbourne, VIC 3004<br><a href="http://www.internationalequities.com.au">www.internationalequities.com.au</a> | - Seasons Apartment Hotel Group Pty Ltd<br>Level 6, 348 St Kilda Road<br>Melbourne, VIC 3004<br><a href="http://www.sahg.com.au">www.sahg.com.au</a>                             |
| - IEC (Management) Pty Ltd<br>Suite 100A, 640 Swanston Street<br>Carlton Victoria 3053  | - Seasons International Management Pty Ltd<br>37 Pier Street<br>Perth WA 6000  |
| - (IEC) Pacific Pty Ltd<br>Level 6, 348 St Kilda Road<br>Melbourne, VIC 3004  | - Seasons Heritage Melbourne Pty Ltd<br>572 St Kilda Road<br>Melbourne, VIC 3004<br><a href="http://www.seasonsheritagemelbourne.com.au">www.seasonsheritagemelbourne.com.au</a> |
| - IEC Real Estate Pty Ltd<br>Suite 100A, 640 Swanston Street<br>Carlton Victoria 3053<br><a href="http://www.iecrealestate.com.au">www.iecrealestate.com.au</a>                         | - Renaissance Australia Pty Ltd<br>T/A Seasons of Perth<br>37 Pier Street Perth WA 6000<br><a href="http://www.seasonsofperth.com.au">www.seasonsofperth.com.au</a>              |
| - IEC Properties Pty Ltd<br>Level 6, 348 St Kilda Road<br>Melbourne, VIC 3004   |  |
| - Seasons Darling Harbour Pty Ltd<br>38 Harbour Street<br>Sydney NSW 2000<br><a href="http://www.seasonsdarlingharbour.com.au">www.seasonsdarlingharbour.com.au</a>                     |  |

### 33. SHAREHOLDERS' INFORMATION

Details of shareholding in the company as at 17<sup>th</sup> September 2020 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	1,735,408	1.35
100,001 – and over	19	3.51	125,719,670	98.05
	541	100.00	128,223,577	100.00

(b) The number of shareholders with less than a marketable parcel of 2,500 shares was: 397

(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
GA & AM Leaver Investments Pty Ltd	419,983	0.33	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
	125,828,420	98.14	

# 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 2020.

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 9 - 10

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 10 - 14. Performance evaluation was conducted in the manner prescribed for the financial year ended 30<sup>th</sup> June 2020.

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 9 - 10.

The names of independent directors of the company are;

- AG Menezes
- AK 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 30<sup>th</sup> June 2020.

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 processes
- *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 2020		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	10	26%	16	40%	-	-
Senior Executive Positions	3	8%	8	20%	-	-
Board Members	-	-	1	20%	-	-

### 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.

### 4. 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

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



# CORPORATE GOVERNANCE STATEMENT

(Continued)

## 5. 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.

## 6. 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.

## 7. 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 30<sup>th</sup> June 2020. 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.

## 8. 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.





# CREATING LIFESTYLES

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