



**2014**

ANNUAL REPORT

**INTERNATIONAL EQUITIES**



Seasons Apartment Hotel Group is about focusing on the personal touch. All of our hotel sare 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”

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

Australia free call 1800 999 004



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## Annual report 30 June 2014

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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)

Seasons Harbour Plaza Pty Ltd  
T/A Seasons Harbour Plaza  
252 Sussex St, Sydney, NSW 2000  
[www.seasonsharbourplaza.com.au](http://www.seasonsharbourplaza.com.au)

### HOME EXCHANGE

Australian Stock Exchange Ltd  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000  
(ASX code: IEQ)

### AUDITORS

Moore Stephens  
Level 3, 12 St George's Terrace  
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**

International Equities Corporation Ltd (IEQ) ended the 2014 financial year softer than expected, due in part to the sale of low yielding inventory of apartments. Notwithstanding, revenue rose by 3% to \$27.668 million (2013: \$26.862 million). Segmental revenue of \$21.379 million, \$5.147 million and \$1.142 million was generated by Tourism, Property Development and Leasing segments, respectively. Confidence in property development segment was mixed with sales driven by low interest rates.

Profit after tax of \$1.411 million (2013: Profit after tax: \$3.165 million) was achieved through cost rationalisation within the tourism segment of the company. Efforts made to reduce loans also resulted in further lowering of borrowing cost.

The Company will continue to seek new property development opportunities and grow the hotel and tourism business. Likewise, retiring loans and increased productivity will be the Company's main focus.

#### **PROPERTY DEVELOPMENT**

The Company is still looking for clear indication that the property market has turned corner. Lending covenants continue to have a negative impact on the ability to borrow for developments. For now we intend to drive down inventory of apartments, retaining enough not to impact upon management of hotel rooms. IEQ remains committed to property development in the medium to long term.

Our long term outlook for this industry is strong due mostly to a growing population and migration to Australia. We are actively sourcing projects that will suit our criteria and objectives and that of our stakeholders.

#### **HOTEL MANAGEMENT**

IEQ continues to concentrate on more effective ways to increase yields per room by ensuring cost remains low. For the year ahead, the company will need to look at refurbishment of Seasons of Perth and Seasons Botanic Garden. All of which will be funded through internally generated funds over the course of operations.

Our hotel operation now has in excess of 500 rooms under management.

#### **FUTURE OUTLOOK**

The Board will continue to have oversight over all cost centres in an effort to improve yields. The company will also improve workforce flexibility to increase productivity as labour costs forms a significant expense to the company.

For the year ahead, we are seeking new management letting rights to develop the 'Seasons' brand. Our activities for the coming year will centre around the Tourism sector and seeking property development ventures.

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**  
**26<sup>th</sup> September 2014**

# **MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF SEASONS**

## **'PEOPLE TAKING CARE OF PEOPLE'**

### **OVERVIEW**

The inbound tourism segment of the industry continues to be strong resulting in more international visitors, especially from China and other parts of Asia, compared to previous years. However, the transition from reliance on mining revenues has seen a slowing Australian economy and increased unemployment start to impact on tourism. This is expected to continue for another 2 years. To maintain growth, Seasons will actively continue to find better ways to do business with our Asian neighbours.

The domestic tourism market rebounded as the Australian Dollar saw a decline. There is now evidence of softening occupancy in Perth associated with the slowing mining sector.

### **SEASONS OF PERTH**

Occupancy remained unchanged compared to last year in part due to the demand for accommodation from the Airline crew and a slightly lower room rate. The overall revenue fell by 7% from last year. The property continued with refurbishment plans to refresh the rooms and meet safety standards. Seasons of Perth was stable in spite of the declining domestic corporate travel and recent cancellations of several major resources projects in Western Australia.

### **SEASONS HERITAGE MELBOURNE**

As in previous years the occupancy has remained steady. Room rates went up slightly considering that two new hotels in the vicinity created increased competition. The internet remains the booking medium of choice. We expect to continue to showcase the property through promotions, advertising and brand awareness. Outsourcing the Food & Beverage operation remains in place with no negative impact to the business.

### **SEASONS BOTANIC GARDENS**

The property continues to improve on its corporate business which saw an increase in revenue by 10%. Growth in the leisure market in Melbourne continues to outperform other market segments. The Hotel attracted many inquiries after it had been promoted at the Qantas Business Show in Brisbane. There are clear signs that competition among the hotels on St Kilda Road lowers the average room rate, which affects growth in room revenue.

### **SEASONS DARLING HARBOUR**

The demand for accommodation in this Sydney property was slower due to ongoing refurbishment to the Sydney Convention Centre. This resulted in a 6% decrease in room revenue compared to last year. The location of the hotel and internet presence assisted to drive revenues for inbound and domestic markets. The hotel also continues to benefit from promotion at the Australian Tourism Exchange in Perth.

### **SEASONS HARBOUR PLAZA**

In its third year of operation Seasons Harbour Plaza's occupancy fell slightly from last year. Revenues, however, were higher after the hotel completed a soft refurbishment. The hotel hosted a special function to showcase and introduce the new look to corporate and leisure travel agents. The hotel continues to develop its network to draw in corporate activity.

### **CONCLUSION**

Seasons will continue to improve the quality of Accommodation, Food & Beverage and Services in the years to come. With that I take this opportunity to thank the team for their significant contribution during the year.

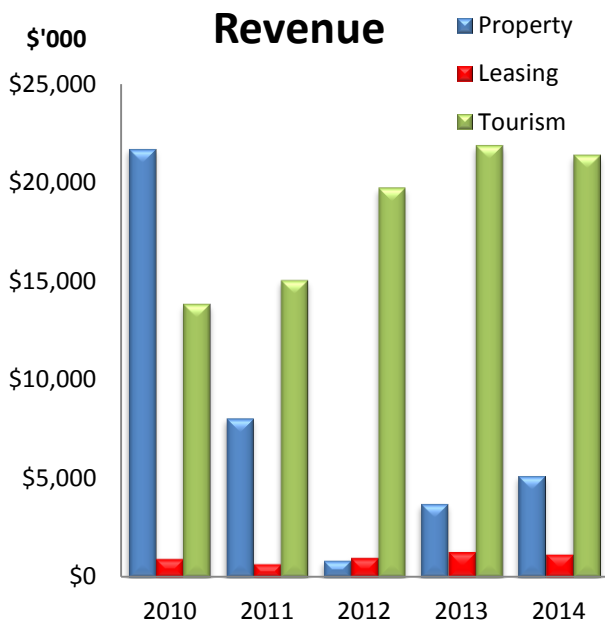
**Krishna Ambalavanar**  
**CEO – Seasons Apartment Hotel Group**  
**26<sup>th</sup> September 2014**

## Director's Report

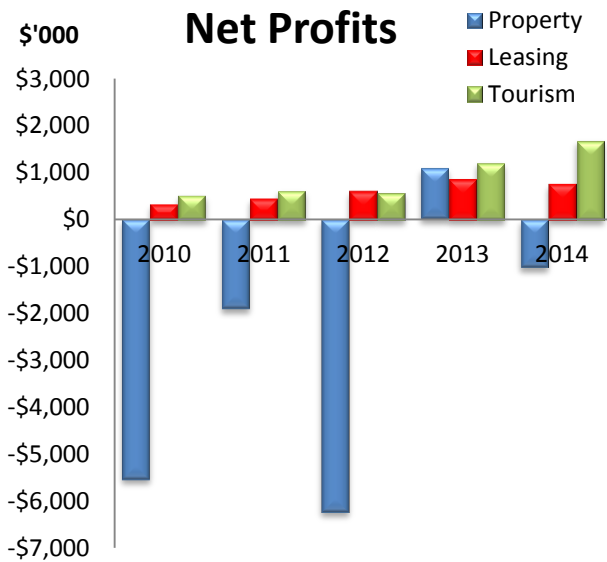
### FIVE-YEAR FINANCIAL HIGHLIGHTS

		2010	2011	2012	2013	2014
Revenue	\$	36,461	23,796	21,558	26,862	27,566
EBITDA	\$	(1,080)	2,613	(1,631)	5,470	3,460
Profit/(Loss) from continuing operations	\$	(4,662)	(820)	(5,033)	3,165	1,411
Discontinued operations	\$	-	-	-	-	-
Net Profit/(Loss) attributable to equity holders	\$	5,092	(820)	(851)	3,165	1,411
Total Assets	\$	74,185	67,663	62,427	56,843	53,347
Total Liabilities	\$	56,651	50,950	46,567	37,818	32,911
Total Net Assets/Total Equity	\$	17,533	16,713	15,860	19,025	20,436
NTA per share	c	13.24	12.70	12.09	14.58	15.69
Earnings per share (EPS)	c	(3.64)	(0.64)	(3.92)	2.47	1.10
<u>Segmental Revenue</u>						
Leasing	\$	915	676	967	1,253	1,142
Property	\$	21,708	8,068	864	3,734	5,147
Tourism	\$	13,838	15,052	19,727	21,875	21,379
<u>Segmental Profits</u>						
Leasing	\$	341	458	613	858	762
Property	\$	(5,532)	(1,906)	(6,228)	1,091	(1,029)
Tourism	\$	529	628	582	1,216	1,678

## Director's Report



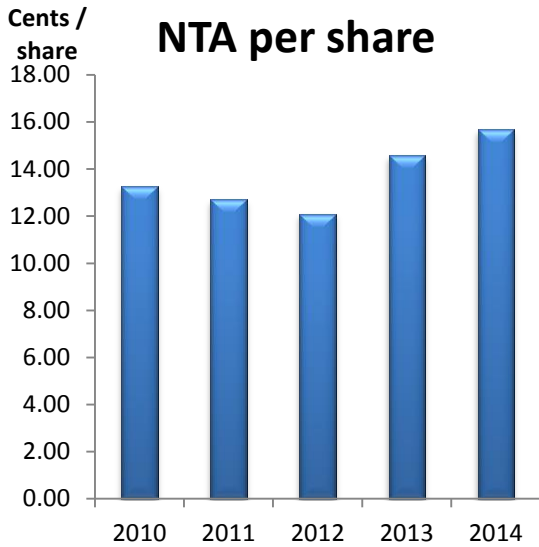
- Operating Revenue is up 3% to \$27,668 million
- Revenue from Property, Leasing and Tourism is \$5.147 million, \$1.142 million and \$21.379 million, respectively.
- For the coming financial year Revenue from Property, Leasing and Tourism is expected to remain stable.



- Profit after tax was \$1.411 million.
- Contributions to profit / (loss) after tax from Property, Leasing and Tourism is \$(1.029) million, \$0.762 million and \$1.678 million, respectively.
- For the coming financial year profit after tax from Property, Leasing and Tourism is expected to remain broadly in line with this year.
- No dividends were declared for the financial year ended 30<sup>th</sup> June 2014

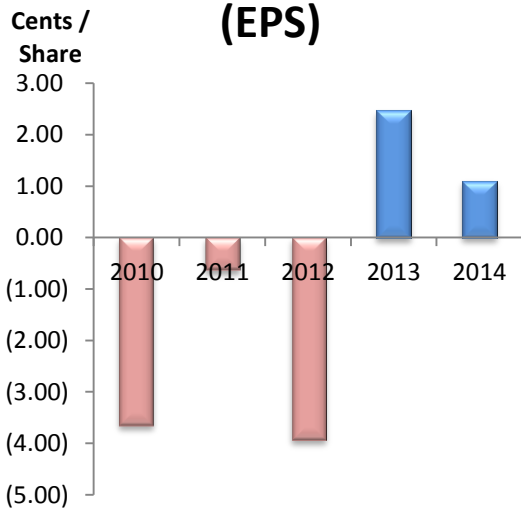


## Director's Report



- Net Tangible Assets increased by 7.6% to 15.69 cents per share (2013: 14.58 cents per share)
- For the coming financial year Net Tangible Assets is expected to remain broadly in line with this year.

### Earnings per share (EPS)



- Earnings Per Share 1.10 cents per share (Earnings per share 2013: 2.47 cents per share)
- Earnings is greatly affected by the outcomes of property development and carrying values of the company's assets
- For the coming financial year Earnings Per Shares is expected to remain broadly in line with this year.

## 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 2014.

### Directors and Company Secretary

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

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

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

Aubrey George Menezes

### Information on directors and company secretary:

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

Marcus Peng Fye Tow holds a Bachelor of Business Management degree from Melbourne's Monash University, a Masters of Management from Swinburne University and an Real Estate Agent's Licence from the Real Estate Institute of Victoria. Since graduating 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. In the last three years, he did not hold directorships in other listed companies.

He attended 8 of the 8 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 21 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. In the last three years, he did not hold directorships in other listed companies.

He attended 8 of the 8 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. In the last three years, he did not hold directorships in other listed companies.

He attended 8 of the 8 meetings of directors held during the year.

Anandkrishna 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 27 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 is also a director of all Seasons hotel related companies

He attended 8 of the 8 meetings of directors held during the year.

## Director's Report

### Information on other key management personnel:

Elena Wei Theng Tow holds a Bachelor of Commerce and Music degree from Melbourne's Monash University. Since graduating 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 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.

Dennis Jun Fye Tow holds a Bachelor of Commerce and Arts degree from Melbourne's Deakin University. Since graduating he has been actively involved in all areas of hotel management for the Company and currently assist 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 is a director of all Seasons hotel related companies and a director of Renaissance Assets Pty Ltd which is a substantial shareholder in the Company.

Cheng Lan Chuah currently holds the position as a director of (IEC) Pacific Pty Ltd and General Manager for project management of development properties within the Company. She brings with her 43 years of experience in property development throughout Australasia including China and Australia. She is also a director of Premium Properties (Aust) Pty Ltd which is a substantial shareholder in the Company.

Geoffrey Alan Stidworthy is the Director and Officer in Effective Control of IEC Real Estate Pty Ltd. He brings with him over 20 years of experience as a real estate agent. He is a member of Real Estate Institute of Victoria (REIV).

### 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.

## Director's Report

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 9.25%. 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 2014.

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

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

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

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

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

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

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

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

For the financial year, shareholders wealth has declined due to 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 unpredictable in the financial year ahead barring any slide in economic conditions.

## Director's Report

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

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

Parent entity directors:

Executive Directors:

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

Non-Executive Directors:

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

Subsidiary entity directors:

EWT Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
DJF Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
CL Chuah	Director / General Manager	- (IEC) Pacific Pty Ltd
G Stidworthy	Director / Officer in Effective Control	- IEC Real Estate Pty Ltd

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

### (b) Specified directors' remuneration

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

#### 2014

##### Executive Directors

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

##### Non- Executive Directors

AG Menezes	40	-	-	-	-	-	-	40
A Ambalavanar	109	10	-	-	-	-	-	119
	431	10	-	-	-	-	-	441

#### 2013

##### Executive Directors

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

##### Non- Executive Directors

AG Menezes	40	-	-	-	-	-	-	40
A Ambalavanar	105	9	-	-	-	-	-	114
	427	9	-	-	-	-	-	436

## Director's Report

### (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
<b>2014</b>									
EWT Tow	-	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-	-
CL Chuah	55	5	-	-	-	-	-	-	60
G Stidworthy	109	10	-	-	-	-	-	-	119
	164	15	-	-	-	-	-	-	179
<b>2013</b>									
EWT Tow	-	-	-	-	-	-	-	-	-
DJF Tow	37	2	-	-	-	-	-	-	39
CL Chuah	55	5	-	-	-	-	-	-	60
G Stidworthy	90	8	-	-	-	-	-	-	98
	182	15	-	-	-	-	-	-	197

### (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 1.07.13	Granted as remuneration	Options exercised*	Net change other*	Balance 30.6.14	Total vested 30.6.14	Total exercisable	Total unexercisable
Parent entity directors:								
Executive Directors:								
MPF Tow	-	-	-	-	-	-	-	-
KL Tow	-	-	-	-	-	-	-	-
Non - Executive Directors:								
AG Menezes	-	-	-	-	-	-	-	-
A Ambalavanar	-	-	-	-	-	-	-	-
Specified executives:								
EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
CL Chuah	-	-	-	-	-	-	-	-
G Stidworthy	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

## Director's Report

### (g) Shareholdings

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

	Balance 1.07.13	Received as remuneration	Options exercised	Net change other*	Balance 30.6.14
Parent entity directors:					
Executive Directors:					
MPF Tow +	61,216,332	-	-	-	61,216,332
KL Tow +++++	61,216,332	-	-	-	61,216,332
Non – Executive Directors:					
AG Menezes	-	-	-	-	-
A Ambalavanar	-	-	-	-	-
Specified executives:					
EWT Tow +	61,216,332	-	-	-	61,216,332
DJF Tow ++	61,216,332	-	-	-	61,216,332
CL Chuah +++	20,000,000	-	-	-	20,000,000
G Stidworthy	-	-	-	-	-

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

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

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

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

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

### (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 31st December 2014. The other is with 88 Properties Pty Ltd, for provision of Mr. AG Menezes' services which expires on 31<sup>st</sup> December 2014. No superannuation and benefits are applicable under these agreements. The company reserves the right to renew these agreements under fair market terms. No termination payments are included in the agreement. Mr. MFP Tow has an interest in Renaissance United Assets Management Pty Ltd while Mr. AG Menezes has an interest in 88 Properties Pty Ltd.

## Director's Report

### 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.

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>Consolidated results</b>		
The consolidated profit/(loss) of the group for the year after income tax expense was:	<u>1,411</u>	<u>3,165</u>
<b>Earnings per share</b>		
Basic loss per share (cents per share)	<u>1.10c</u>	<u>2.47c</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:

<b>Highlights</b>	<b>Segment revenue</b>	<b>Segment results</b>
	<b>\$000</b>	<b>\$000</b>
Property development	5,147	(1,029)
Tourism	21,379	1,678
Leasing	1,142	762

### Equity Raising and Earnings Per Share

For financial year ended 30<sup>th</sup> June 2014 to the date of this report no equity was proposed or raised. Shareholders equity in the company remains at 128,223,577 ordinary shares.

Earnings per share of 1.10 cents (2013: 2.47 cents) was achieved on the back of modest growth in revenues and profit.

### Results from Operations

For the last financial year Revenue rose by 3% to \$27.668 million (2013: \$26.862 million). Segmental revenue of \$21.379 million, \$5.147 million and \$1.142 million was generated by Tourism, Property Development and Leasing segments, respectively. The Company will continue to grow revenues of the Tourism and Leasing segment and maintain steadier outcomes for the Property development segment of the business.

Profit after tax for the financial year ended was \$1.411 million (2013: Profit after tax: \$3.165 million). Profit of \$1.678 million and \$0.762 million was achieved by Tourism and Leasing segments, respectively. An After Tax loss of \$1.029m was recorded against Property Development segment. The loss from property development segment was recorded as a direct result of the sale of low yielding inventory in the Company. Close oversight into cost rationalisation measures and confidence in the economy will be the main driving factors in achieving a steadier performance for the coming financial year albeit there will be an expectation of rising interest rates in the coming year.



## **Director's Report**

### **Capital Expenditure**

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

### **Bank Borrowings**

For the financial year ended 30<sup>th</sup> June 2014 the Company continues to be funded by bank borrowings of \$23.964 million fully secured by the Company's assets. Interest on these borrowings for the same period was \$1.509 million. The Company continues to pay down bank borrowings through amortisation and sale of stock of apartments.

### **Cash Generating Assets**

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

### **Property Development and Related Activities**

#### **Uropa and Seasons Residential Apartments**

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

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

This development undertaken by (IEC) Pacific Pty Ltd continues to carry stock of 38 Serviced Apartments, commercial lots and a luxury suite as at 30 June 2014. The company is expecting to sell down stock in Tate Apartments and retain the Serviced Apartments to be managed by Seasons Heritage Melbourne 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 184 management authorities and 24 apartments for sale.

#### **'Seasons' Hotel Management**

##### **Seasons Apartment Hotel Group**

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

##### **Seasons of Perth hotel**

This property is held by Renaissance Australia Pty Ltd, a wholly owned subsidiary of the company. During the last financial year further upgrades were carried out to increase yields in line with demand for this style of hotel rooms. The hotel is expected to continue to provide cashflow 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 consists of 142 serviced apartments including a heritage listed residence. It has a number of corporate guests with businesses in the CBD and on St Kilda Road, Melbourne.

##### **Seasons Darling Harbour**

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

## **Director's Report**

### **Seasons Harbour Plaza**

This property is operated by Seasons Harbour Plaza Pty Ltd, a wholly owned subsidiary of the company. The property consists of 119 serviced apartments managed under lease to Seasons. It is located in Sussex St. in Sydney's CBD. Occupancies are high with good demand. This year, the property will undertake a soft refurbishment as a means to retain the management and leases.

### **Dividends**

No dividend is recommended in respect of the year ended 30 June 2014 and none has been paid or recommended since the start of the financial year.

### **Events after the end of the financial year**

There has not been any matter or circumstances 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 2014.

### **Likely developments and expected results of operations.**

The Company's revenue is driven predominantly from the sale of apartment stock and hotel and serviced apartment operations. The risk for sale of apartment stock centres on interest rates and lending criteria. The Company anticipates that interest rates are expected to rise with lending criteria expected to be tightened further.

Risk for tourism is the Australian Dollar and confidence in the economy. The Company expects the Australian Dollar to fall gradually which in turn will boost business confidence. Revenue from hotel and serviced apartment operations is expected to remain steady.

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

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

### **Environmental regulations**

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

### **Insurance of officers**

During the financial year, the company paid a premium of \$36,679 to insure certain officers of the company and related bodies corporate. The officers of the company covered by the insurance policy include the directors: KL Tow, AG Menezes, MPF Tow, A Ambalavanar and G Stidworthy and key 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 company is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

## Director's Report

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 17.

### Parent Entity Financial Statements

The Annual Report 2014 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.

### 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 2014.

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



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**AG Menezes**  
Director

Perth Western Australia  
26<sup>th</sup> September 2014

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

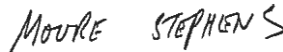
As lead auditor for the audit of International Equities Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 26<sup>th</sup> day of September 2014

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

### **Report on the Financial Report**

We have audited the accompanying financial report of International Equities Corporation Limited (the company) and International Equities Corporation Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year..

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of International Equities Corporation Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

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*Auditor's Opinion*

In our opinion:

- a. the financial report of International Equities Corporation Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

**Report on the Remuneration Report**

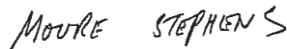
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion, the Remuneration Report of International Equities Corporation Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.



**Suan-Lee Tan**  
**Partner**



**Moore Stephens**  
**Chartered Accountants**

Signed at Perth this 26<sup>th</sup> day of September 2014

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 63, 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 2014 and of the performance for the year ended on that date of the Company and consolidated group.
2. The Chairman and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



---

**AG Menezes**  
Director

**Perth, Western Australia**  
**26<sup>th</sup> September 2014**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated entity 30 June 2014 \$'000	30 June 2013 \$'000
<b>Continuing Operations</b>			
Revenue	2	27,566	26,767
Other Income	2	102	95
Gain on sale of Yarracity investment	3	-	1,404
Property development costs	3	(4,920)	(3,374)
Hotel cost of goods sold	3	(13,538)	(14,515)
Sales commission	3	-	(103)
Borrowing costs expense	3	(1,509)	(1,707)
Administrative expenses	3	(5,750)	(4,713)
Depreciation and amortisation expenses	3	(540)	(598)
Impairment of land & buildings and inventories	3	-	(91)
<b>Profit/(loss) before income tax expense</b>	<b>21</b>	<b>1,411</b>	<b>3,165</b>
Income tax expense		-	-
<b>Net Profit/(loss) from continuing operations</b>		<b>1,411</b>	<b>3,165</b>
<b>Discontinued Operations</b>			
Profit/(Loss) from discontinued operations after tax		-	-
<b>Net Profit/(loss) for the year</b>		<b>1,411</b>	<b>3,165</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gain on revaluation of land and buildings		-	-
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,411</b>	<b>3,165</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 2014**

	Note	Consolidated entity	
		30 June 2014	30 June 2013
		\$'000	\$'000
		<u>          </u>	<u>          </u>
<b>Net profit attributable to:</b>			
Members of the parent entity		1,411	3,165
Non-controlling interest		-	-
		<u>1,411</u>	<u>3,165</u>
<b>Total comprehensive income attributable to:</b>			
Members of the parent entity		1,411	3,165
Non-controlling interest		-	-
		<u>1,411</u>	<u>3,165</u>
 <b>Earnings Per Share</b>			
From continuing and discontinued operations:			
Basic earnings per share		1.10c	2.47c
Diluted earnings per share		1.10c	2.47c
From continuing operations:			
Basic earnings per share		1.10c	2.47c
Diluted earnings per share		1.10c	2.47c
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 2014

	Note	Consolidated Entity	
		2014 \$'000	2013 \$'000
<b>CURRENT ASSETS</b>			
Cash assets	9	4,349	2,068
Receivables	10	1,914	2,447
Inventories	11	6,607	8,412
Other	15	259	259
<b>TOTAL CURRENT ASSETS</b>		13,129	13,186
<b>NON CURRENT ASSETS</b>			
Inventories	11	-	-
Property, plant and equipment	13	39,902	43,252
Other financial assets	12	-	-
Intangible assets	14	316	405
<b>TOTAL NON CURRENT ASSETS</b>		40,218	43,657
<b>TOTAL ASSETS</b>		53,347	56,843
<b>CURRENT LIABILITIES</b>			
Payables	16	1,599	2,268
Interest-bearing liabilities	17	4,652	27,897
Provisions	18	381	444
<b>TOTAL CURRENT LIABILITIES</b>		6,632	30,609
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities	17	26,279	7,209
<b>TOTAL NON CURRENT LIABILITIES</b>		26,279	7,209
<b>TOTAL LIABILITIES</b>		32,911	37,818
<b>NET ASSETS</b>		<b>20,436</b>	<b>19,025</b>
<b>EQUITY</b>			
Contributed equity	19	12,093	12,093
Reserves	20	16,746	16,746
Retained earnings / (accumulated losses)	21	(8,403)	(9,814)
<b>TOTAL EQUITY</b>		<b>20,436</b>	<b>19,025</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
<b>(a) Consolidated Entity</b>						
Balance at 1 July 2013	12,093	40	16,706	(9,814)	19,025	19,025
Net profit for the year	-	-	-	1,411	1,411	1,411
<b>Total recognised income &amp; expense for the period</b>	12,093	40	16,706	(8,403)	20,436	20,436
Dividends paid or declared	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>12,093</b>	<b>40</b>	<b>16,706</b>	<b>(8,403)</b>	<b>20,436</b>	<b>20,436</b>

	Share capital \$'000	Share option reserves \$'000	Asset revaluation reserves \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
<b>(a) Consolidated Entity</b>						
Balance at 1 July 2012	12,093	40	16,706	(12,979)	15,860	15,860
Net loss for the year	-	-	-	3,165	3,165	3,165
<b>Total recognised income &amp; expense for the period</b>	12,093	40	16,706	(9,814)	19,025	19,025
Dividends paid or declared	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>12,093</b>	<b>40</b>	<b>16,706</b>	<b>(9,814)</b>	<b>19,025</b>	<b>19,025</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated entity	
		2014	2013
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers		28,094	28,095
Payments to suppliers and employees		(20,020)	(19,750)
Interest received		50	32
Borrowing costs paid		(1,509)	(1,707)
Other - property development costs		-	-
Net cash provided by/(used in) operating activities	<b>8(a)</b>	6,615	6,670
<b>Cash flows from investing activities</b>			
Purchase of intangibles (Goodwill)		-	(113)
Purchase of property, plant and equipment		(158)	(568)
Purchase of investments		-	-
Proceeds from sale of a controlled entity, net of cash disposed		-	-
Proceeds from sale of property, plant & equipment		-	1,465
Net loans – subsidiaries		-	-
Net cash provided by/(used in) investing activities		(158)	784
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	27,510
Repayment of borrowings		(4,176)	(35,839)
Net cash provided by/(used in) financing activities		(4,176)	(8,329)
<b>Net increase/(decrease) in cash held</b>			
Cash at the beginning of the financial year		2,281	(875)
Effect of exchange rates on cash		2,068	2,943
Cash at the end of the financial year	<b>9</b>	4,349	2,068

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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. International Equities Corporation Limited is a listed public company, incorporated and domiciled in Australia.

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 International Equities Corporation Limited and controlled entities, 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 economic entity 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 24 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### (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.

#### (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 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 1<sup>st</sup> July 2003.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### (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.

#### (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 (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), determined every three years 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### 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.

##### *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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

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.

#### (o) Employee Benefits

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

#### (p) Financial Instruments

##### Recognition and initial measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### Classification and subsequent measurement

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

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

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

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

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

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

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

(ii) *Loans and receivables*

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

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

(iii) *Held-to-maturity investments*

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

(v) *Financial liabilities*

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

#### **Derivative instruments**

The Group designates certain derivatives as either:

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

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

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

(i) *Fair value hedge*

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

(ii) *Cash flow hedge*

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

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

#### **Impairment**

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

#### **Financial guarantees**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### Derecognition

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

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

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

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

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

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

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

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

#### (r) Comparative Figures

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

#### (s) Intangible Asset – Management Letting Rights

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### (t) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

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

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

#### (v) Key Estimates - Impairment

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

The loan payable to Renaissance Assets Pty Ltd, as disclosed in note 17 and note 25, has been recorded at fair value of \$6.967 million. In estimating the fair value of this loan the directors have discounted the loan repayments, which are expected to be made progressively over a 10 year period, using a discount rate of 5.6% p.a.

#### (w) Key Judgements

No key judgements, having a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next annual reporting period, have been incorporated into the financial report for the year ended 30 June 2014.

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

##### Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: *Consolidated Financial Statements*;
- AASB 12: *Disclosure of Interests in Other Entities*; and
- AASB 127: *Separate Financial Statements*.

AASB 10 provides a revised definition of “control” and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements. The Group has:

- presented quantitative information of the comparative period reflecting the adoption of AASB 10; and
- with respect to any previously unconsolidated investee that is a business, measured the assets, liabilities and non-controlling interests as if the investee had been consolidated in accordance with the applicable version of AASB 3: *Business Combinations* from the date when the Group gained control of the investee. When the date that control was obtained was earlier than the beginning of the immediately preceding period, the Group recognises, as an adjustment to equity at the beginning of the comparative period, any difference between:
  - the amount of assets, liabilities and non-controlling interests recognised; and
  - the previous carrying amount of the Group's involvement with the investee.

The first-time application of AASB 10 did not result in any changes to the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### (y) Going Concern & Obligations Under Bank Borrowings

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

The Group has certain obligations under its existing loan facilities and these include the requirement to meet certain financial covenants. As at 30 June 2014 the Group has met all its covenants in relation to the bank loan of \$22.0 million (see note 17).

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

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

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### (z) New Accounting Standards for Application in Future Periods (continued)

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an “investment entity” and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group’s financial statements.

	<b>Consolidated entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>2. REVENUE</b>		
Operating activities		
- sales of apartments	5,040	3,655
- sale of services and accommodation	21,105	21,605
- property management fees	730	824
- rental revenue	641	651
- interest received - other persons	50	32
- other revenue	102	95
	<u>27,668</u>	<u>26,862</u>
<b>3. PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES</b>		
Profit/(loss) from ordinary activities before income tax has been determined after:		
(a) Borrowing costs:		
- other persons	<u>1,509</u>	<u>1,707</u>
Expenses:		
Administration costs	5,750	4,713
Hotel costs and cost of goods sold:		
- Payroll Costs	5,188	5,183
- Superannuation expense	480	479
- Other costs	7,870	8,853
Depreciation of non-current assets & amortisation	540	598
Development costs – apartments	4,920	3,374
Commissions	-	103
	<u>24,748</u>	<u>23,303</u>
(b) Significant revenues and expenses		
The following significant revenue and expense items, included above, are relevant in explaining the financial performance:		
Impairment – Land & Buildings and Inventories	-	(91)
Gain on Sale of Yarracity Investment		1,404
<b>4. INCOME TAX BENEFIT</b>		
Reversal of Deferred Tax Liability	-	-
	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 5. KEY MANAGEMENT PERSONNEL

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

Parent entity directors:		
Executive Directors:		
MPF Tow	Chairman	- International Equities Corporation Group
KL Tow	Director	- International Equities Corporation Group
Non-Executive Directors:		
AG Menezes	Director / Company Secretary	- International Equities Corporation Group
A Ambalavanar	Director / Chief Executive Officer	- Seasons Apartment Hotel Group Pty Ltd
Subsidiary entity directors:		
EWT Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
DJF Tow	Director	- Seasons Apartment Hotel Group Pty Ltd
CL Chuah	Director / General Manager	- (IEC) Pacific Pty Ltd
G Stidworthy	Director / Officer in Effective Control	- IEC Real Estate Pty Ltd

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

#### (b) Options and rights holdings

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

	Balance 1.07.13	Granted as remuneration	Options exercised*	Net change other*	Balance 30.6.14	Total vested 30.6.14	Total exercisable	Total unexercisable
Parent entity directors:								
Executive Directors:								
MPF Tow	-	-	-	-	-	-	-	-
KL Tow	-	-	-	-	-	-	-	-
Non - Executive Directors:								
AG Menezes	-	-	-	-	-	-	-	-
A Ambalavanar	-	-	-	-	-	-	-	-
Specified executives:								
EWT Tow	-	-	-	-	-	-	-	-
DJF Tow	-	-	-	-	-	-	-	-
CL Chuah	-	-	-	-	-	-	-	-
G Stidworthy	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 5. KEY MANAGEMENT PERSONNEL (continued)

#### (c) Shareholdings

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

	Balance 1.7.13	Received as remuneration	Options exercised	Net change other*	Balance 30.6.14
Parent entity directors:					
Executive Directors:					
MPF Tow +	61,216,332	-	-	-	61,216,332
KL Tow +++++	61,216,332	-	-	-	61,216,332
Non – Executive Directors:					
AG Menezes	-	-	-	-	-
A Ambalavanar	-	-	-	-	-
Specified executives:					
EWT Tow +	61,216,332	-	-	-	61,216,332
DJF Tow ++	61,216,332	-	-	-	61,216,332
CL Chuah +++	20,000,000	-	-	-	20,000,000
G Stidworthy	-	-	-	-	-

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

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

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

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

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

#### (d) Compensation

Refer to the remuneration report contained in the directors' for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30<sup>th</sup> June 2014.

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

	Consolidated entity	
	2014	2013
	\$000	\$000
Short term employee benefits	595	609
Post-employment benefits	25	24
Other long-term benefits	-	-
Share based payments	-	-
Total KMP compensation	<u>620</u>	<u>633</u>

#### Short term employment benefits

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

#### Post-employment benefits

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

#### Other long-term benefits

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

#### Share based payments

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated entity	
	2014 \$000	2013 \$000
<b>6. AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the parent company for:		
- auditing or reviewing the financial report	94	92
- other services	-	-
Remuneration of other auditors of controlled entities for:		
- auditing or reviewing the financial report of	-	-
- controlled entities	-	-
	94	92

## 7. EARNINGS / (LOSS) PER SHARE

Basic earnings per share is 1.10 cents (2013: 2.47 cents per share)

- (a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share is 128,223,577 (2013: 128,223,577).
- (b) Diluted earnings per share is not materially different from earnings per share

	Consolidated entity	
	2014 \$000	2013 \$000
<b>8. CASH FLOW INFORMATION</b>		
(a) Reconciliation of cash flow from operations with operating profit/(loss) after income tax		
Operating profit/(loss) after income tax	1,411	3,165
Non-cash flows in operating profit		
Depreciation and amortisation of non-current assets	540	598
Impairment of Land & Building and Inventories	-	91
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	532	(80)
(Increase)/Decrease in prepayments	-	(66)
(Increase)/Decrease in inventories	1,805	3,141
(Increase)/Decrease in other non-current assets	3,058	242
(Decrease)/increase in accounts payable	(830)	214
(Decrease) in accrued expenses	161	(647)
Increase/(decrease) in deferred tax	-	-
Increase/(Decrease) in provisions	(62)	12
Net cash (used in)/provided by operating activities	6,615	6,670

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated entity	
	2014 \$000	2013 \$000
<b>9. CASH</b>		
Cash at bank and on hand	4,349	2,068
	<u>4,349</u>	<u>2,068</u>
	<u><u>4,349</u></u>	<u><u>2,068</u></u>
<b>Reconciliation of cash</b>		
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 (as above)	4,349	2,068
	<u>4,349</u>	<u>2,068</u>
	<u><u>4,349</u></u>	<u><u>2,068</u></u>
No deposit rates apply for 2014 (2013: NIL %)		
Loan facilities		
Bank and other loan facilities available comprise:		
- Renaissance Assets Pty Ltd <sup>(a)</sup>	7,000	8,500
- Bank of Queensland <sup>(b)</sup>	1,964	1,964
- Bank of Melbourne <sup>(c)</sup>	22,000	24,633
- Other loans	-	21
	<u>30,964</u>	<u>35,118</u>
Total facilities available	30,964	35,118
Used at balance date	<u>30,931</u>	<u>35,106</u>
	<u><u>30,931</u></u>	<u><u>35,106</u></u>
Terms of facilities		
(a) \$7.0 million is a zero rate loan facility provided by Renaissance Assets Pty Ltd, a related party, with no fixed terms of repayment.		
(b) \$1.964 million is a bank bill variable rate facility with a 5 year term expiring 2015 subject to annual review		
(c) \$22.0 million is a mix of fixed and bank bill variable rate facilities expiring before 31 August 2015.		
<b>10. RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	1,923	2,458
Less: provision for doubtful debts	(9)	(11)
	<u>1,914</u>	<u>2,447</u>
Other debtors		
Amount receivable from other persons	-	-
	-	-
	<u>1,914</u>	<u>2,447</u>
	<u><u>1,914</u></u>	<u><u>2,447</u></u>
<b>Non-current</b>		
Amounts receivable from controlled entities	-	-
Less: provision for non - recovery	-	-
Provision for GST Refundable	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Loans to controlled entities largely form part of the net investment in those entities

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated entity	
		2014	2013
		\$000	\$000
<b>11.</b>	<b>INVENTORIES</b>		
	<b>Current</b>		
	Completed units held for resale	6,439	8,302
	Land and contract costs held for resale *	-	-
	Consumables and stores – at cost	168	110
		<u>6,607</u>	<u>8,412</u>
<b>12.</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Non-current</b>		
	Non-quoted investments:		
	Investment in other entities – at cost <sup>(a)</sup>	-	-
	Shares in controlled entities – at cost (refer to note 24)	-	-
	Less: provision for diminution of shares in controlled entities	-	-
		<u>-</u>	<u>-</u>
<b>13.</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	<b>Freehold land and buildings</b>		
	Seasons of Perth hotel at valuation <sup>(1)</sup>	29,943	29,943
	Seasons Heritage Melbourne hotel at valuation <sup>(2)</sup>	9,587	12,645
		<u>39,531</u>	<u>42,588</u>
	<b>Furniture, fittings and equipment</b>		
	At cost	4,666	4,509
	Less: accumulated depreciation	(4,295)	(3,845)
		<u>371</u>	<u>664</u>
	<b>Motor vehicles</b>		
	At cost	-	10
	Less: accumulated depreciation	-	(10)
		<u>-</u>	<u>-</u>
	<b>Total</b>	<u>39,902</u>	<u>43,252</u>

- (i) The fair value of Seasons of Perth Hotel was determined on 12 June 2014 by an independent valuation by CB Richard Ellis (V) Pty Ltd. As the fair value was not materially different to the carrying value as at 30 June 2014 no fair value gain or loss was recognised for the financial year ended 30 June 2014.
- (ii) The fair value of Seasons of Heritage Melbourne was adjusted in 13 June 2012 based on an independent valuation by CB Richard Ellis (V) Pty Ltd. A fair value loss adjustment of \$0.833 million to the fair value has been expensed in the Statement of Comprehensive Income in the financial year ended 2012.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<b>Consolidated entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>13. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
Reconciliations:		
<b>Freehold land and buildings</b>		
Opening balance	42,558	42,823
Gain on revaluation – Seasons of Perth	-	-
Impairment on revaluation – Seasons Heritage Melbourne	-	-
Development cost of sale (apartments released for sale)	(3,027)	(265)
Closing balance	<u>39,531</u>	<u>42,558</u>
<b>Furniture, fittings and equipment</b>		
Opening balance	664	636
Reclassified as hotel assets	-	-
Additions	158	561
Depreciation	(451)	(533)
Closing balance	<u>371</u>	<u>664</u>
<b>Motor vehicles</b>		
Opening balance	-	1
Additions	-	-
Depreciation	-	(1)
Closing balance	<u>-</u>	<u>-</u>
<b>14. INTANGIBLE ASSETS</b>		
<b>Management Letting Rights</b>		
Balance at beginning of period	324	358
Acquired during the period	-	-
	<u>324</u>	<u>358</u>
Amortisation	(52)	(34)
Balance at end of period	<u>272</u>	<u>324</u>
<b>Other Intangibles</b>		
Balance at beginning of period	81	-
Acquired during the period	-	113
Balance at end of period	<u>81</u>	<u>113</u>
Amortisation	(37)	(32)
Balance at end of period	<u>44</u>	<u>81</u>
Total balance at end of period	<u>316</u>	<u>405</u>
Management Letting Rights (MLR's) allow the Group to derive revenue from letting apartments in the operations of Seasons Darling Harbour. MLR's are amortised on a straight line basis over the average lease terms to which they attach which has been assessed as 10 years.		
<b>15. OTHER ASSETS</b>		
Prepayments	<u>259</u>	<u>259</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated entity	
		2014	2013
		\$000	\$000
<b>16.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	<b>Current</b> - unsecured liabilities		
	Trade creditors	1,161	1,992
	Other creditors and accrued charges	438	276
		1,599	2,268
<b>17.</b>	<b>INTEREST-BEARING LIABILITIES</b>		
	<b>Current</b>		
	Finance lease <sup>(a)</sup>	-	21
	Loan from related party <sup>(e)</sup>	900	1,280
	Bank loan – secured <sup>(a)</sup>	3,752	26,596
		4,652	27,897
	<b>Non current</b>		
	Bank loans - secured <sup>(a)</sup>	20,212	-
	Loan from related party <sup>(e)</sup>	6,067	7,209
	Other loans – secured	-	-
		26,279	7,209
	<b>Notes:</b>		
	(a) Secured loans are expected to be settled:		
	- within 12 months	-	1,301
	- 12 months or more	23,964	26,596
		23,964	27,897
	(b) Total current and non-current secured liabilities		
	(c) The carrying amounts of current and non-current assets pledged as security are:		
	First mortgage		
	Freehold land and buildings	39,531	42,588
	Inventory for sale	3,564	5,427
	Property under development	-	-
		43,095	48,015
	(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 unsecured.		

The covenants within the bank borrowings of a major lender require the minimum interest cover ratio (the ratio of EBIT to Gross Interest) be 2.0 times ending 30<sup>th</sup> June 2013 and thereafter. In addition, the maximum property finance loan to value ratios (LVR) cannot exceed 57% and reducing to 52% by 31<sup>st</sup> August 2015. Equity ratio should be greater than 25%. Refer to Note 1 (x) for discussion as to compliance with these covenants.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<b>Consolidated entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>18. PROVISIONS</b>		
Employee entitlements	<u>381</u>	<u>444</u>
		<b>Employee Benefits</b>
		<b>\$000</b>
<b>Consolidated Group</b>		
Opening balance at 1 July 2013		444
Additional provisions		-
Amounts used		(63)
Unused amounts reversed		-
Increase in the discounted amount arising because of time and the effect of any change in the discount rate		-
Balance at 30 June 2014		<u>381</u>

### Analysis of total provisions

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Current	381	444
Non-current	-	-
	<u>381</u>	<u>444</u>

### 19. CONTRIBUTED EQUITY

Paid-up capital:		
128,223,577 fully paid ordinary shares (2013: 128,223,577)	<u>12,093</u>	<u>12,093</u>
128,223,577 issued and fully paid ordinary shares (2013: 128,223,577) at the start of the financial year	12,093	12,093
Movement in the year	-	-
At end of the financial year	<u>12,093</u>	<u>12,093</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 19. CONTRIBUTED EQUITY (Continued)

	12 months to 30 June 2014		12 months to 30 June 2013	
	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 issued for nil consideration	-	-	-	-
Shares bought back on-market	-	-	-	-
At end of the financial year	<u>128,223,577</u>	<u>12,093</u>	<u>128,223,577</u>	<u>12,093</u>

### Capital Management

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

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

There are no externally imposed capital requirements

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

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

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

	Consolidated entity	
	2014 \$000	2013 \$000
Total Borrowings – see note 17	30,931	35,106
Less cash and cash equivalents – see note 9	<u>(4,349)</u>	<u>(2,068)</u>
Net Debt	26,582	33,038
Total Equity	<u>20,436</u>	<u>19,025</u>
Total Capital	<u>47,018</u>	<u>52,063</u>
Gearing Ratio	57%	64%

### 20. RESERVES

Share option reserve	40	40
Gain on Revaluation	-	-
Asset revaluation reserve	<u>16,706</u>	<u>16,706</u>
	<u>16,746</u>	<u>16,746</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated entity	
	2014	2013
	\$000	\$000
<b>21. ACCUMULATED PROFITS/(LOSSES)</b>		
Accumulated profits/(losses) at beginning of the financial year		
	(9,814)	(12,979)
Net profit/(loss) attributable to the members of the parent entity	1,411	3,165
Accumulated profits/(losses) at end of the financial year	<u>(8,403)</u>	<u>(9,814)</u>

## 22. Financial Risk Management

### (a) Financial Risk Management Policies

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

#### i) Treasury Risk Management

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

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 2014, approximately 8% 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 22. Financial Risk Management (continued)

#### Credit risk

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

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

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

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

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

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

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

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

	Consolidated Group	
	2014 \$000	2013 \$000
<b>Trade and other Receivables</b>		
AA rated counterparties	-	-
B rated counterparties	-	-
Counterparties not rated	1,914	2,447
Total	<u>1,914</u>	<u>2,447</u>

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

#### Price risk

The group is not exposed to risk in commodity prices.

#### b) Financial Instruments

##### i) Derivative Financial Instruments

Derivative financial instruments were not used by the consolidated group for the period ending 30 June 2014.

Interest Rate Swap

Interest Rate Swaps were not entered into for the period ending 30 June 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 22. Financial Risk Management (continued)

#### ii. Financial Instrument Composition and maturity analysis

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

	Weighted Average		Fixed Interest Rate Maturing								Total	
	Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 Years		Non - Interest Bearing			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Group:</b>												
<b>Financial Assets</b>												
Cash and cash equivalents	1.15	1.54	-	-	3,193	420	-	-	1,156	1,648	4,349	2,068
Receivables	-	-	-	-	-	-	-	-	1,914	2,447	1,914	2,447
Investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>			-	-	3,193	420	-	-	3,070	4,095	6,263	4,515
<b>Financial Liabilities</b>												
Bank loans and overdrafts	5.99	5.24	-	-	3,752	27,897	20,212	-	-	-	23,964	27,897
Trade and sundry payables	-	-	-	-	-	-	-	-	1,599	2,268	1,599	2,268
Amounts payable related parties	-	-	-	-	900	-	6,067	7,209	-	-	6,967	7,209
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>			-	-	4,652	27,897	26,279	7,209	1,599	2,268	32,530	37,374

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 22. Financial Risk Management (continued)

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

	Consolidated Group	
	2014 \$000	2013 \$000
<b>Trade and other Receivables</b>		
Not past due	650	975
Past due 30 days	617	714
Past due 60 days	258	150
Past due 90 days	47	55
Past due 90 days +	352	564
Less: Amount impaired	(10)	(11)
Total amount not impaired	<u>1,914</u>	<u>2,447</u>

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

	Consolidated Group	
	2014 \$000	2013 \$000
<b>Trade and other Payables</b>		
Less than 6 months	1,559	2,268
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>1,559</u>	<u>2,268</u>

#### (iii) 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:

	2014		2013	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
<b>Financial Assets</b>				
Financial assets	-	-	-	-
Trade and other receivables	1,914	1,914	2,447	2,447
	<u>1,914</u>	<u>1,914</u>	<u>2,447</u>	<u>2,447</u>
<b>Financial Liabilities</b>				
Trade and other payables	1,599	1,599	2,268	2,268
Bank and other loans payable	30,931	30,931	35,106	35,106
	<u>32,530</u>	<u>32,530</u>	<u>37,374</u>	<u>37,374</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 22. Financial Risk Management (continued)

#### (iv) Sensitivity Analysis

##### Interest Rate Risk

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

##### Interest Rate Sensitivity Analysis

At 30 June 2014, 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:

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Change in Profit		
- Increase in interest rate by 2%	(479)	(532)
- Decrease in interest rate by 2%	479	532
Change in Equity		
- Increase in interest rate by 2%	(479)	(532)
- Decrease in interest rate by 2%	479	532

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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 2014 Using:		
Description	Note	Quoted Prices in Active Markets for Identical Assets \$000 (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$000 (Level 2)	Significant Unobservable Inputs \$000 (Level 3)
<b>Recurring fair value measurements</b>				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings	(i)	-	39,531	-

		Fair Value Measurements at 30 June 2013 Using:		
Description	Note	Quoted Prices in Active Markets for Identical Assets \$000 (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$000 (Level 2)	Significant Unobservable Inputs \$000 (Level 3)
<b>Recurring fair value measurements</b>				
Property, plant and equipment (at revalued amounts):				
Freehold land and buildings	(i)	-	42,588	-

(i) The fair value measurement amounts of freehold land and buildings relate to the Seasons of Perth Hotel in Western Australia and the Serviced Apartments at Seasons Heritage Melbourne Hotel in Victoria. The fair values of these assets are based on the Valuation Report conducted by CBRE in 2014 for Seasons of Perth and 2012 for Serviced Apartments at Seasons Heritage Melbourne Hotel.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 23. Fair Value Measurement (continued)

#### b. Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 30 June 2014	Description of Valuation Techniques	Inputs Used
<b>Level 2</b>	<b>\$000</b>		
38 Apartments within Seasons Heritage Melbourne (CBRE Valuation Report 13 June 2012)	9,587	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Seasons of Perth (CBRE Valuation Report 12 June 2014)	29,943	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.

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

Description	Fair Value at 30 June 2013	Description of Valuation Techniques	Inputs Used
<b>Level 2</b>	<b>\$000</b>		
60 Apartments within Seasons Heritage Melbourne (CBRE Valuation Report 13 June 2012)	12,645	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.
Seasons of Perth (CBRE Valuation Report 13 June 2012)	29,943	Direct Comparison Approach, Estimation of future trading results, Going Concern valuation	Supply-demand factors, current market rental and sales prices, Management Rights, Historical and forecasted trading figures.

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 2014

	Consolidated entity	
	2014	2013
	\$000	\$000
<b>24. INCOME TAX EXPENSE</b>		
(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(loss) from ordinary activities before income tax	<u>1,411</u>	<u>3,165</u>
Income tax liability/(benefit) calculated at 30% of profit/(loss) from ordinary activities before income tax	423	950
Add: Tax effect of permanent differences	-	-
	<u>423</u>	<u>950</u>
Timing differences and tax losses not brought to account as future income tax benefits	(423)	(950)
Overprovision for income tax in prior year	-	-
Capital profits not subject to income tax	-	-
Income tax expense	<u>-</u>	<u>-</u>
(b) Deferred tax liability comprises; Profits deferred for tax purposes	<u>-</u>	<u>-</u>
(c) Deferred tax assets Certain deferred tax assets have not been recognised as an asset: attributable to tax losses at 30% (2013: 30%)	<u>2,796</u>	<u>2,840</u>

The benefit of tax losses will be only obtained if:

- (i) Assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deduction to be realised;
- (ii) The conditions for deductibility imposed by the law are complied with; and
- (iii) No changes in tax legislation adversely affect the realisation of the benefit from the deductions.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 25. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation	Percentage owned	
		2014	2013
Parent entity:			
International Equities Corporation Ltd*	Australia	-	-
Controlled entities:			
(IEC) Pacific Pty Ltd*	Australia	100	100
IEC (Management) Pty Ltd*	Australia	100	100
IEC Real Estate Pty Ltd*	Australia	100	100
Renaissance Australia Pty Ltd*	Australia	100	100
Seasons Heritage Melbourne Pty Ltd*	Australia	100	100
IEC Properties Pty Ltd**	Australia	100	100
Seasons Apartment Hotel Group Pty Ltd**	Australia	100	100
Seasons International Management Pty Ltd*	Australia	100	100
Seasons Darling Harbour Pty Ltd*	Australia	100	100
Seasons Harbour Plaza Pty Ltd*	Australia	100	100

\* Audited by Moore Stephens, Perth

\*\* Dormant in the Financial Year 2013 and 2014

### 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) During the financial year the company provided accounting and administration services to other entities in the group at no cost.
- (ii) Details of all share and share option transactions between directors and director related entities in the company are as follows:

	2014	2013
Aggregate number held at 30 June:		
Shares	61,216,332	61,216,332
Share options	-	-

- (iii) MPF Tow has an interest in Renaissance Assets Pty Ltd and Renaissance United Asset Management Pty Ltd arising from his directorship in these entities.

	Consolidated entity	
	2014	2013
	\$000	\$000
Loans receivable at year end from:		
Renaissance Assets Pty Ltd – non-current <sup>(i)</sup>	-	-
Loans payable at year end to:		
Renaissance Assets Pty Ltd – current <sup>(i)</sup>	900	1,280
Renaissance Assets Pty Ltd – non-current <sup>(i)</sup>	6,067	7,209

- (i) These loans are unsecured and interest free.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 27. WHOLLY OWNED GROUP

The wholly owned group consists of the company and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in note 24.

Transactions between the company and other entities in the wholly-owned group during the year consist of:

- (a) loans advanced; and
- (b) loans repaid.

Transaction	Terms and conditions	% owned	Amount (payable) or receivable	
			2014	2013
			\$000	\$000
Non-current loan to IEC (Management) Pty Ltd	Interest free	100%	(1,682)	(3,092)
Non-current loan to (IEC) Pacific Pty Ltd	Interest free	100%	14,356	13,780
Non-current loan to IEC Properties Pty Ltd	Interest free	100%	2	2
Non-current loan to Renaissance Australia Pty Ltd	Interest free	100%	5,133	6,766
Non-current loan to Seasons Apartment Hotel Group Pty Ltd	Interest free	100%	1	1
Non-current loan to Seasons International Management Pty Ltd	Interest free	100%	(267)	-
Non-current loan to Seasons Heritage Melbourne Pty Ltd	Interest free	100%	390	972
Non-current loan to Seasons Darling Harbour	Interest free	100%	1	1
Non-current loan to IEC Real Estate Pty Ltd	Interest free	100%	-	-
Non-current loan to Seasons Harbour Plaza Pty Ltd	Interest free	100%	1	1
Non-current loan of Ren. Australia vs SDH Pty Ltd	Interest free	100%	-	3
Non-current loan of Ren. Australia vs SIM Pty Ltd	Interest free	100%	92	6
Non-current loan of Ren. Australia vs SHM Pty Ltd	Interest free	100%	2,269	2,084
Non-current loan of Ren. Australia vs SHP Pty Ltd	Interest free	100%	18	7
Non-current loan of SIM Pty Ltd vs SHM Pty Ltd	Interest free	100%	197	307
Non-current loan of SIM Pty Ltd vs SDH Pty Ltd	Interest free	100%	594	622
Non-current loan of SIM Pty Ltd vs SHP Pty Ltd	Interest free	100%	8	121
Non-current loan of SDH Pty Ltd vs SHP Pty Ltd	Interest free	100%	502	365
Non-current loan of IEC Management Pty Ltd vs IEC Real Estate PL	Interest free	100%	-	33
			<u>21,615</u>	<u>21,977</u>

Amounts payable to and receivable from controlled entities are unsecured with no fixed term of repayment.

### 28. CAPITAL & LEASING COMMITMENTS

(a) The economic entity is not subject to any operating lease commitments as at 30 June 2014.

	Consolidated entity	
	2014	2013
	\$000	\$000
(b) Finance Lease Commitments:		
Payable – minimum lease payments		
- not later than 12 months	-	21
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	<u>-</u>	<u>21</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated entity	
2014	2013
\$000	\$000

### 28. CAPITAL & LEASING COMMITMENTS (Continued)

#### (c) Capital Expenditure Commitments

Capital expenditure commitments contracted for property developments:

Payable		
- not later than 12 months	-	-
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

(d) Seasons Harbour Plaza Pty Ltd, a wholly owned subsidiary of the parent company, has provided a bank guarantee of up to \$775,000 as a rental bond to Landlords of the Seasons Harbour Plaza Hotel.

### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 29. SEGMENTAL REPORTING (Continued)

#### 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 2014

### 29. SEGMENTAL REPORTING (Continued)

#### (i) Segment performance

	Property Development	Tourism	Leasing	Total
	\$'000	\$'000	\$'000	\$'000
<b>Twelve months ended 30.06.2014</b>				
<b>Revenue</b>				
External Sales	5,058	21,333	1,142	27,533
Intersegment sales	800	842	21	1,663
Interest income	27	23	-	50
<b>Total segment revenue</b>	<b>5,885</b>	<b>22,198</b>	<b>1,163</b>	<b>29,246</b>
<b>Reconciliation of segment revenue to group revenue</b>				
Other revenue	62	23	-	85
Less: Intersegment elimination	(800)	(842)	(21)	(1,663)
Revenue from discontinued operations	-	-	-	-
<b>Total group revenue</b>	<b>5,147</b>	<b>21,379</b>	<b>1,142</b>	<b>27,668</b>
<b>Segment net profit/(loss) from continuing operations before tax</b>	<b>228</b>	<b>7,840</b>	<b>1,142</b>	<b>9,210</b>
<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	(544)	(4,828)	(378)	(5,750)
– Depreciation and amortisation	(95)	(443)	(2)	(540)
– Equity accounted profits of associates and joint venture	-	-	-	-
– Impairment of property, plant and equipment	-	-	-	-
(b) Unallocated items:				
– Finance Costs	(618)	(891)	-	(1,509)
– Other	-	-	-	-
<b>Net profit/(loss) before tax from continuing operations</b>	<b>(1,029)</b>	<b>1,678</b>	<b>762</b>	<b>1,411</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### (i) Segment performance

	Property Development	Tourism	Leasing	Total
	\$'000	\$'000	\$'000	\$'000
<b>Twelve months ended 30.06.2013</b>				
<b>Revenue</b>				
External Sales	3,655	21,827	1,253	26,735
Intersegment sales	1,639	867	100	2,606
Interest income	7	25	-	32
<b>Total segment revenue</b>	<b>5,301</b>	<b>22,719</b>	<b>1,353</b>	<b>29,373</b>
<b>Reconciliation of segment revenue to group revenue</b>				
Other revenue	73	22	-	95
Less: Intersegment elimination	(1,639)	(867)	(100)	(2,606)
Revenue from discontinued operations	-	-	-	-
<b>Total group revenue</b>	<b>3,734</b>	<b>21,875</b>	<b>1,253</b>	<b>26,862</b>
<b>Segment net profit/(loss) from continuing operations before tax</b>	<b>1,708</b>	<b>7,409</b>	<b>1,207</b>	<b>10,324</b>
<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	430	(4,846)	(347)	(4,763)
– Depreciation and amortisation	(105)	(491)	(2)	(598)
– Equity accounted profits of associates and joint venture	-	-	-	-
– Impairment of property, plant and equipment	(91)	-	-	(91)
(b) Unallocated items:				
– Finance Costs	(851)	(856)	-	(1,707)
– Other	-	-	-	-
<b>Net profit/(loss) before tax from continuing operations</b>	<b>1,091</b>	<b>1,216</b>	<b>858</b>	<b>3,165</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 29. SEGMENTAL REPORTING (Continued)

#### (ii) Segment assets

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2014</b>				
<b>Segment assets</b>	19,131	37,439	140	56,710
Segment asset increases for the period:				
– Capital expenditure	-	-	-	-
– Acquisitions	-	-	-	-
	19,131	37,439	140	56,710
Included in segment assets are:				
– Equity accounted associates and joint ventures	-	-	-	-
<b>Reconciliation of segment assets to group assets:</b>				
Intersegment eliminations	-	(3,091)	-	(3,091)
Unallocated assets:				
– Derivative assets	-	-	-	-
– Deferred tax assets	-	-	-	-
– Intangibles	-	(272)	-	(272)
<b>Total group assets</b>	<b>19,131</b>	<b>34,076</b>	<b>140</b>	<b>53,347</b>

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2013</b>				
<b>Segment assets</b>	20,375	38,574	199	59,148
Segment asset increases for the period:				
– Capital expenditure	611	-	-	611
– Acquisitions	-	-	-	-
	20,986	38,574	199	59,759
Included in segment assets are:				
– Equity accounted associates and joint ventures	-	-	-	-
<b>Reconciliation of segment assets to group assets:</b>				
Intersegment eliminations	-	(2,592)	-	(2,592)
Unallocated assets:				
– Derivative assets	-	-	-	-
– Deferred tax assets	-	-	-	-
– Intangibles	-	(324)	-	(324)
<b>Total group assets</b>	<b>20,986</b>	<b>35,658</b>	<b>199</b>	<b>56,843</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 29. SEGMENTAL REPORTING (Continued)

#### (iii) Segment liabilities

	Property Development \$'000	Tourism \$'000	Leasing \$'000	Consolidated \$'000
<b>2014</b>				
<b>Segment liabilities</b>	29,009	22,353	85	51,447
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(12,677)	(5,859)	-	(18,536)
Unallocated liabilities:				
– Deferred tax liabilities	-	-	-	-
– Other financial liabilities	-	-	-	-
Current tax liabilities	-	-	-	-
<b>Total group liabilities</b>	<b>16,332</b>	<b>16,494</b>	<b>85</b>	<b>32,911</b>
<b>2013</b>				
<b>Segment liabilities</b>	31,171	28,572	137	59,880
Reconciliation of segment liabilities to group liabilities:				
Intersegment eliminations	(10,691)	(11,371)	-	(22,062)
Unallocated liabilities:				
– Deferred tax liabilities	-	-	-	-
– Other financial liabilities	-	-	-	-
Current tax liabilities	-	-	-	-
<b>Total group liabilities</b>	<b>20,480</b>	<b>17,201</b>	<b>137</b>	<b>37,818</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 29. SEGMENTAL REPORTING (Continued)

#### 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:

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$000</b>	<b>\$000</b>
Australia	27,668	26,862
United States of America	-	-
United Kingdom	-	-
Other foreign countries	-	-
<b>Total revenue</b>	<u>27,668</u>	<u>26,862</u>

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

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

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$000</b>	<b>\$000</b>
Australia	53,347	56,843
United States of America	-	-
United Kingdom	-	-
Other foreign countries	-	-
<b>Total assets</b>	<u>53,347</u>	<u>56,843</u>

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

##### (vi) Major customers

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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	
	2014	2013
	\$'000	\$'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current Assets	52	34
Total Assets	<u>(1,714)</u>	<u>1,902</u>
Current Liabilities	(4)	(3)
Total Liabilities	<u>(4)</u>	<u>(3,096)</u>
	<u>(1,718)</u>	<u>(1,194)</u>
Equity		
Contributed Equity	12,093	12,093
Reserves	40	40
Retained earnings / (Accumulated losses)	<u>(13,851)</u>	<u>(13,327)</u>
	<u>(1,718)</u>	<u>(1,194)</u>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Profit / (Loss) for the year	<u>(524)</u>	<u>(5,335)</u>
Total Comprehensive income / (Loss)	<u>(524)</u>	<u>(5,335)</u>

#### (b) Contractual Commitments

As at 30th June 2014, the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

#### (c) Guarantees and Contingent Liabilities

Seasons Harbour Plaza Pty Ltd, a wholly owned subsidiary of the parent company, has provided a bank guarantee of up to \$775,000 as a rental bond to Landlords of the Seasons Harbour Plaza Hotel.

### 31. EVENTS OCCURRING AFTER BALANCE DATE

There has not arisen in the interval since the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to significantly affect the operations of the company, the results of those operations, or the state of the affairs of the Company in future financial years.

There have been no significant events subsequent to balance date.

### 32. CONTINGENT LIABILITY

Other than disclosed in Note 29(c), the directors are not aware of any event or occurrence that would result in any contingent liability becoming enforceable as at 30 June 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 33. COMPANY DETAILS

The registered office of the company is:

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

The principal places of business are:

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

### 34. SHAREHOLDERS' INFORMATION

Details of shareholding in the company as at 11<sup>th</sup> September 2014 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	134	24.58	14,277	0.01
1,001 – 5,000	290	53.21	468,064	0.37
5,001 – 10,000	42	7.71	293,488	0.23
10,001 – 100,000	60	11.01	1,771,658	1.38
100,001 – and over	19	3.49	125,676,090	98.01
	<u>545</u>	<u>100.00</u>	<u>128,223,577</u>	<u>100.00</u>

(b) The number of shareholders with less than a marketable parcel of 2,500 shares was: 354

(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
	<u>102,715,625</u>	<u>80.11</u>	

(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
Furquan Business Organisation	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
Trevor Neil Hay	376,403	0.29	8
Dennis Jun Tow	368,144	0.28	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
	<u>125,784,840</u>	<u>98.09</u>	

# 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 2014.

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

## 1. Lay solid foundations for management and oversight

The board is responsible for:

- oversight of the company, including its control and accountability systems
- ratifying the appointment/removal of the executive directors, chief financial officer (or equivalent) and the company secretary
- input into and final 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
- appointing and removing external auditor.

The chairman is 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 communication with shareholders.

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.

Performance evaluation of all directors and executives are outlined in the remuneration report on pages 8 -12. Performance evaluation was conducted in the manner prescribed.

The company secretary will be the secretary of the board.

Copies of matters reserved for the board, those delegated to senior executives and the board charters are held by the company's secretary.

## 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.

The names of independent directors of the company are:

- AG Menezes
- A Ambalavanar

An independent director is a non-executive director and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last 3 years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment

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

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

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

Independent directors are to provide to the board all relevant information required for the board to regularly assess their independence. Both qualitative and quantitative information are assessed regularly for these purposes.

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. Promote ethical and responsible decision making

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.

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

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

Gender Diversity

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

## CORPORATE GOVERNANCE STATEMENT (Continued)

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:

	Actual at 30 June 2014		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	38	35%	44	40%	-	-
Senior Executive Positions	9	8%	22	20%	-	-
Board Members	-	-	2	40%	-	-

### Policy on Dealing in Company Securities

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

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

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

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

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

### 4. Safeguard integrity in financial reporting

The executive directors 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.

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

### 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 shareholders

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 is undertaking the setting 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.

### 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 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.

## CORPORATE GOVERNANCE STATEMENT (Continued)

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.

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.

### 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.

### 9. Remunerate fairly and responsibly

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.

### 10. Recognise the legitimate interests of stakeholders

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.

## AMENDMENTS TO THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council has issued final amendments to its *Corporate Governance Principles and Recommendations (2nd Edition)* relating to diversity, remuneration, trading policies and briefings. The changes to the Principles and Recommendations include:

### Gender diversity

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.

### Remuneration

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 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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