

# Appendix 4D

## Half yearly report

Name of entity

**INTERNATIONAL EQUITIES CORPORATION LTD**

ABN or equivalent company reference

**97 009 089 696**

Half year ended ('current period')

**31 DECEMBER 2016**

### For announcement to the market

*Extracts from this report for announcement to the market.*

\$A'000

Revenues from ordinary activities	Down	13.23%	to	9,563
Profit (loss) from ordinary activities after tax attributable to members (Dec 2015: Profit of \$432k)	Down	145.60%	to	(197)
Net profit (loss) for the period attributable to members (Dec 2015: Profit of \$432k)	Down	145.60%	to	(197)
<b>Dividends</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Interim dividend		N/A		N/A
Previous corresponding period		N/A		N/A
+Record date for determining entitlements to the dividend		N/A		
Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market:				
Please refer to interim financial report for the half year ended 31 <sup>st</sup> December 2016 as attached.				

### NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per <sup>+</sup> ordinary security	\$0.107	\$0.161

+ See chapter 19 for defined terms.

### Control gained over entities having material effect

Name of entity (or group of entities) N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was <sup>+</sup> acquired	N/A
Date from which such profit has been calculated	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

### Loss of control of entities having material effect

Name of entity (or group of entities) N/A

	<i>\$A'000</i>
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
Date to which the profit (loss) in item 14.2 has been calculated	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	N/A

### Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable N/A

<sup>+</sup>Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if <sup>+</sup>securities are not <sup>+</sup>CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if <sup>+</sup>securities are <sup>+</sup>CHESS approved) N/A

### Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
<b>Interim dividend:</b> Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

<sup>+</sup> See chapter 19 for defined terms.

**Interim dividend (distribution) on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
<sup>+</sup> Ordinary securities <i>(each class separately)</i>	N/A	N/A
Preference <sup>+</sup> securities <i>(each class separately)</i>	N/A	N/A
Other equity instruments <i>(each class separately)</i>	N/A	N/A
<b>Total</b>	N/A	N/A

The <sup>+</sup>dividend or distribution plans shown below are in operation.

N/A
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The last date(s) for receipt of election notices for the <sup>+</sup>dividend or distribution plans

N/A
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Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

**Details of aggregate share of profits (losses) of associates and joint venture entities**

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
<b>Profit (loss) from ordinary activities after tax</b>	N/A	N/A
Extraordinary items net of tax	N/A	N/A
<b>Net profit (loss)</b>	N/A	N/A
Adjustments	N/A	N/A
<b>Share of net profit (loss) of associates and joint venture entities</b>	N/A	N/A

+ See chapter 19 for defined terms.

**Material interests in entities which are not controlled entities**

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition (“from dd/mm/yy”) or disposal (“to dd/mm/yy”).)*

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current Period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
<b>Equity accounted associates and joint venture entities</b>				
<b>Total</b>	N/A	N/A	N/A	N/A
Other material interests	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A

**Foreign Entities**

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)

N/A

**Audit Dispute or Qualification**

For all entities, if the <sup>+</sup>accounts are subject to audit dispute or qualification, a description of the dispute or qualification should follow:

N/A

+ See chapter 19 for defined terms.

**International Equities Corporation Ltd**  
and controlled entities

ABN 97 009 089 696

**Financial report for the half year ended 31 December 2016**

## INTERIM FINANCIAL REPORT

### DIRECTORS' REPORT

Your Directors submit the consolidated financial report of International Equities Corporation Limited for the half year ended 31 December 2016.

#### Directors

The directors in office during or since the end of the half year are:

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

The company secretary in office during or since the end of the half year is:

Aubrey George Menezes

#### Review of Operations

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

	Segment Revenue		Segment Results	
	31 December		31 December	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Property Development	19	879	(308)	(272)
Tourism	9,095	9,672	(80)	466
Leasing/Rental Property	449	470	191	238
	<u>9,563</u>	<u>11,021</u>	<u>(197)</u>	<u>432</u>

Comments on the operations and the results of those operations are set out below:

For the half year ended 31 December 2016, International Equities Corporations Limited (IEQ) generated revenues of \$9.563 million mostly from hotel operations. Revenues were down by 13.23%, mostly due to a fall in hotel revenues in Perth and property sales.

IEQ did not sell any residential apartments for the period due mostly to favourable borrowing arrangements and low interest rates. However, the company will need to continue its selling program to reduce debt going forward.

This resulted in a consolidated post tax loss of \$0.197 million due mostly from interest cost within the property development segment and a fall in hotel revenue. Lowering operating costs, finding efficiencies from renegotiating contracts and improving yields will be a key focus.

Property development, management and tourism continue to be IEC's main core business. In 2017, the sale of residential apartments will continue to be a priority to reduce debt whilst the serviced apartment operations will provide a steady income stream.

## **DIRECTORS' REPORT**

### **Events Occurring after Balance Date**

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

### **Auditor's Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 3.

### **Rounding of amounts**

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

This report is signed in accordance with a resolution of the Board of Directors.



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**Aubrey George Menezes**  
Director

**Dated this 28<sup>th</sup> day of February 2017**

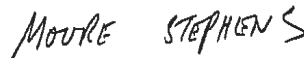
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307c  
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
INTERNATIONAL EQUITIES CORPORATION LIMITED**

As lead auditor for the review of International Equities Corporation Limited and its controlled entities for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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



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



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

Signed at Perth this 28<sup>th</sup> day of February 2017



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Consolidated entity 31 December 2016 \$000	31 December 2015 \$000
Revenues from continuing operations	2	9,563	11,021
Property development costs		-	(762)
Hotel cost of goods sold & Administrative expenses		(9,016)	(9,016)
Sales commission		-	(18)
Borrowing costs expense	2	(547)	(604)
Depreciation and amortisation expenses		(197)	(189)
Profit/(loss) from continuing operations before income tax expense		(197)	432
Income tax expense		-	-
Profit/(loss) from continuing operations after tax		<b>(197)</b>	<b>432</b>
<b>Other Comprehensive Income</b>		-	-
<b>Other comprehensive loss for the period, net of tax</b>		-	-
<b>Total comprehensive loss for the period</b>		<b>(197)</b>	<b>432</b>
<b>Net gain/(loss) from continuing operations attributable to the members of the parent entity</b>		<b>(197)</b>	<b>432</b>
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(197)</b>	<b>432</b>
Basic earnings per share		(0.15)c	0.34c
Diluted earnings per share		(0.15)c	0.34c

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Consolidated Entity (Restated)	
	31 December 2016 \$000	30 June 2016 \$000
<b>CURRENT ASSETS</b>		
Cash assets	3,048	2,702
Receivables	1,245	1,292
Inventories	2,811	2,852
Other	341	389
<b>TOTAL CURRENT ASSETS</b>	<b>7,445</b>	<b>7,235</b>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	34,554	34,523
Intangible assets	253	169
<b>TOTAL NON CURRENT ASSETS</b>	<b>34,807</b>	<b>34,692</b>
<b>TOTAL ASSETS</b>	<b>42,252</b>	<b>41,927</b>
<b>CURRENT LIABILITIES</b>		
Payables	3,642	3,036
Interest-bearing liabilities	21,177	21,266
Provisions	368	352
<b>TOTAL CURRENT LIABILITIES</b>	<b>25,187</b>	<b>24,654</b>
<b>NON CURRENT LIABILITIES</b>		
Interest-bearing liabilities	3,040	3,051
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>3,040</b>	<b>3,051</b>
<b>TOTAL LIABILITIES</b>	<b>28,227</b>	<b>27,705</b>
<b>NET ASSETS</b>	<b>14,025</b>	<b>14,222</b>
<b>EQUITY</b>		
Contributed equity	12,093	12,093
Reserves	10,746	10,746
Retained earnings / (accumulated losses)	(8,814)	(8,617)
<b>TOTAL EQUITY</b>	<b>14,025</b>	<b>14,222</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

	Share capital	Other reserves	Retained earnings	Total Equity
<b>Balance at 1 July 2016 (restated)</b>	<b>12,093</b>	<b>10,746</b>	<b>(8,617)</b>	<b>14,222</b>
Net loss for the period	-	-	(197)	(197)
Other comprehensive loss for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	(197)	(197)
Dividends paid or declared	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>12,093</b>	<b>10,746</b>	<b>(8,814)</b>	<b>14,025</b>

	Share capital	Other reserves	Retained earnings	Total
<b>Balance at 1 July 2015</b>	<b>12,093</b>	<b>16,746</b>	<b>(8,455)</b>	<b>20,384</b>
Net profit for the period	-	-	432	432
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	432	432
Dividends paid or declared	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>12,093</b>	<b>16,746</b>	<b>(8,023)</b>	<b>20,816</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

	<b>Consolidated entity</b>	
	<b>31 December 2016 \$000</b>	<b>31 December 2015 \$000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	9,678	9,960
Payments to suppliers and employees	(8,404)	(8,053)
Interest received	8	22
Borrowing costs paid	(547)	(604)
Other Income	13	76
Net cash provided by operating activities	<u>748</u>	<u>1,402</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(192)	(59)
Purchase of Goodwill	(110)	-
Net cash used in investing activities	<u>(302)</u>	<u>(59)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	603	-
Repayment of borrowings	(703)	(1,375)
Net cash used in financing activities	<u>(100)</u>	<u>(1,375)</u>
Net increase/(decrease) in cash held	346	(32)
Cash at start of period	2,702	3,665
<b>Cash at end of period</b>	<u><b>3,048</b></u>	<u><b>3,633</b></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## NOTE 1: BASIS OF PREPARATION

- (a) These general purpose interim financial statements for half year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with any public announcements made by International Equities Corporation Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the 30 June 2016 annual report.

This report does not include full disclosures of the type normally included in an annual financial report.

### **New and revised accounting requirements applicable to the current interim period**

The Group has considered the implications of the new or amended Accounting Standards applicable to the Group for the first time in the current half-year reporting period 1 July 2016 to 31 December 2016 but determined that their application to the financial statements is either not relevant or not material.

- (b) Prior period error & restatement of 30 June 2016 comparatives

Errors were made in the 30 June 2016 financial statements in relation to the value of Seasons of Perth Hotel ("SOP"). Around late September 2016, the Directors received a valuation report from Bank of Melbourne ("BOM"), the Group's primary financier. The report was prepared by an independent expert and valued SOP at \$6 million less than its reported carrying book value disclosed in the 30 June 2016 financial statements. Whilst the valuation report remained subject to internal review for compliance and acceptance by BOM at that time, it was ultimately accepted by BOM subsequent to 30 September 2016. Whilst the effective date of the valuation was post 30 June 2016, the Directors have taken the conservative decision to recognise the updated SOP valuation retrospectively by restating the 30 June 2016 financial statements as detailed below. This retrospective non-cash adjustment is a reversal of a previous uplift in the value of SOP recognised in the asset revaluation reserve and therefore goes through other comprehensive income instead of the Profit or Loss account. At 31 December 2016, the remaining value of the Group's asset revaluation reserve is \$10.46 million which relates to SOP.

**NOTE 1: BASIS OF PREPARATION**

(b) Prior period error &amp; restatement of 30 June 2016 comparatives (cont'd)

(i) Adjustments made to consolidated statement of profit or loss and other comprehensive income

	<b>Year ended 30 June 2016</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>Restated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	20,350		20,350
Other Income	82		82
Property development costs	(1,029)		(1,029)
Hotel cost of goods sold	(13,097)		(13,097)
Sales commission	(27)		(27)
Borrowing costs expense	(1,197)		(1,197)
Administrative expenses	(4, 857)		(4, 857)
Depreciation and amortisation expenses	(387)		(387)
<b>Loss before income tax expense</b>	<u>(162)</u>		<u>(162)</u>
Income tax expense	-		-
<b>Net loss for the year</b>	<u><u>(162)</u></u>		<u><u>(162)</u></u>
<hr/>			
<b>Other comprehensive income</b>			
Revaluation of the Seasons of Perth Hotel	-	(6,000)	(6,000)
<b>Other comprehensive loss for the year</b>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>
<b>Total comprehensive loss for the year</b>	<u><b>(162)</b></u>	<u><b>(6,000)</b></u>	<u><b>(6,162)</b></u>
Net loss attributable to:			
Members of the parent entity	(162)		(162)
Non-controlling interest	-		-
	<u>(162)</u>		<u>(162)</u>
Total comprehensive loss attributable to:			
Members of the parent entity	(162)	(6,000)	(6,162)
Non-controlling interest	-		-
	<u>(162)</u>	<u>(6,000)</u>	<u>(6,162)</u>
Earnings Per Share:			
Basic earnings per share	(0.13) c		(0.13) c
Diluted earnings per share	(0.13) c		(0.13) c

## NOTE 1: BASIS OF PREPARATION

(b) Prior period error & restatement of 30 June 2016 comparatives (cont'd)

(ii) Adjustments made to the consolidated statement of financial position

	Reported 30 June 2016 \$'000	Adjustments \$'000	Restated 30 June 2016 \$'000
<b>CURRENT ASSETS</b>			
Cash assets	2,702		2,702
Receivables	1,292		1,292
Inventories	2,852		2,852
Other	389		389
<b>TOTAL CURRENT ASSETS</b>	<u>7,235</u>		<u>7,235</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	40,523	(6,000)	34,523
Intangible assets	169		169
<b>TOTAL NON CURRENT ASSETS</b>	<u>40,692</u>		<u>34,692</u>
<b>TOTAL ASSETS</b>	<u>47,927</u>		<u>41,927</u>
<b>CURRENT LIABILITIES</b>			
Payables	3,036		3,036
Interest-bearing liabilities	2,036	19,230	21,266
Provisions	352		352
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,424</u>		<u>24,654</u>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities	22,281	(19,230)	3,051
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>22,281</u>		<u>3,051</u>
<b>TOTAL LIABILITIES</b>	<u>27,705</u>		<u>27,705</u>
<b>NET ASSETS</b>	<u>20,222</u>	<b>(6,000)</b>	<u>14,222</u>
<b>EQUITY</b>			
Contributed equity	12,093		12,093
Reserves	16,746	(6,000)	10,746
Accumulated losses	(8,617)		(8,617)
<b>TOTAL EQUITY</b>	<u>20,222</u>	<b>(6,000)</b>	<u>14,222</u>

During the year ended 30 June 2016, the Group had certain obligations under its loan facilities, including the requirement to meet financial covenants. Due to the retrospective revaluation of the Seasons of Perth Hotel, it became evident that the Group would have breached its requirement to maintain its Loan to Value Ratio ("LVR") below 53%. Therefore, the bank borrowings related to this financial covenant have been reclassified as current in the restated Statement of Financial Position as at 30 June 2016 shown above.

**NOTE 2 (I): PROFIT OR LOSS FOR THE PERIOD**

	<b>Consolidated Group</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Operating Activities</b>		
Sales of Apartments	-	807
Property Management fees	386	404
Sales of Services and Accommodation	8,994	9,538
Rental Revenue	162	174
Interest Received	8	22
Other Revenue	13	76
	<hr/>	<hr/>
	9,563	11,021

**NOTE 2 (II): FINANCIAL COST EXPENSES**

	<b>Consolidated Group</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
Borrowing Costs	(547)	(604)
	<hr/>	<hr/>
	(544)	(604)



## NOTE 3: OPERATING SEGMENTS

### 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 Rental Property

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

#### (i) Segment performance

	Property Development	Tourism	Leasing	Total
	\$000	\$000	\$000	\$000
<b>Six months ended 31 December 2016</b>				
<b>Revenue</b>				
Total segment revenue	219	9,441	460	10,120
Interest income	6	2	-	8
Less: intersegment elimination	(206)	(348)	(11)	(565)
Total segment revenue	19	9,095	449	9,563
Segment results	(308)	(80)	191	(197)
Profit/(loss) from operations before income tax expense				(197)

### NOTE 3: OPERATING SEGMENTS (CONTINUED)

	Property Development	Tourism	Leasing	Total
	\$000	\$000	\$000	\$000
<b>Six months ended 31 December 2015</b>				
<b>Revenue</b>				
Total segment revenue	1,067	10,018	492	11,577
Interest income	18	4	-	22
Less: intersegment elimination	(206)	(350)	(22)	(578)
Total segment revenue	879	9,672	470	11,021
Segment results	(272)	466	238	432
Profit from operations before income tax expense				432

#### (ii) Segment assets

	Property Development	Tourism	Leasing	Total
	\$000	\$000	\$000	\$000
Opening balance 1 July 2016 (restated)	14,028	27,685	214	41,927
Additions	54	641	144	839
Disposals	(89)	(424)	(1)	(514)
Closing balance 31 December 2016	13,993	27,902	357	42,252

#### (iii) Revenues & Assets by Geographic Region

The consolidated entity's revenues and assets are based in Australia.

#### (iv) Major customers

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

### NOTE 4: CONTINGENT LIABILITIES

The Group has no contingent liabilities aside from 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.

### NOTE 5: EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD

There has not arisen, in the interval between the end of the financial half 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 affairs of the Company in future financial years.

## **NOTE 6: 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. The covenants within the bank borrowings of Bank of Melbourne require the group to ensure:

1. EBITDA in respect of Renaissance Australia Pty Ltd, is not less than \$2.3 million on a rolling 12 month basis.
2. Gross Operating Income in respect of Seasons Heritage Melbourne Pty Ltd, is not less than \$2.9 million on a rolling 12 month basis
3. In addition, the maximum combined property finance loan to value ratios (LVR) must be maintained at 53% by 30 September 2016, and 50% by 30 September 2017.

As at 31 December 2016, these covenants have not been met.

At the time of this report, a review was being conducted by Bank of Melbourne who was unable to provide an indication as to whether it would be taking any action. Therefore, the bank borrowings payable to the Bank of Melbourne have been classified as a current liability. As a result, current liabilities exceed current assets as at 31 December 2016 by \$17.74 million.

Going forward, the directors will endeavour to meet these obligations, or agree some form of accommodation from its financier. In the event these obligations are not met, the debts may become due and payable.

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

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

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

## **DIRECTOR'S DECLARATION**

In accordance with a resolution of the Directors of International Equities Corporation Ltd, the Directors of the Company declare that:

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date.
  
2. 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.



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**AG Menezes**  
Director

**Perth, Western Australia**  
**Dated this 28<sup>th</sup> day of February 2017**

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED

### REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of International Equities Corporation Limited and its controlled entities (“the consolidated entity”), which comprises the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at half year’s end or from time to time during the half year.

#### *Directors’ Responsibility for the Half-Year Financial Report*

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor’s Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: “Review of a Financial Report Performed by the Independent Auditor of the Entity”, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: “*Interim Financial Reporting*” and the *Corporations Regulations 2001*. As the auditor of International Equities Corporation Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF INTERNATIONAL EQUITIES CORPORATION LIMITED (CONTINUED)

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of International Equities Corporation Limited and its controlled entities is not in accordance with:

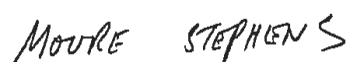
- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*; and

### *Emphasis of Matter*

Without qualification to the conclusion expressed above, we draw attention to note 6 of the financial statements which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in in the normal course of business and at amounts other than as stated in the financial report.



**Suan – Lee Tan**  
**Partner**



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

Dated in Perth, this 28<sup>th</sup> day of February 2017