

**International Equities Corporation Ltd**  
and Controlled Entities

ABN 97 009 089 696

**PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2007**

**APPENDIX 4E**

# APPENDIX 4E

## PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2007

Name of entity

**INTERNATIONAL EQUITIES CORPORATION LTD**

ABN or equivalent company reference

**97 009 089 696**

Year ended ('current period')

**30 JUNE 2007**

### For announcement to the market

				\$A'000
Revenues and other income	Decrease	9.36%	to	15,087
Profit (loss) from ordinary activities after tax attributable to members	Decrease	34.28%	to	1,953
Net profit (loss) for the period attributable to members	Decrease	34.28%	to	1,953
<b>Dividends</b>		Amount per security		Franked amount per security
Interim dividend		N/A		N/A
Previous corresponding period		N/A		N/A
<sup>+</sup> 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 the commentary on the results in the following pages.				

## PRELIMINARY FINAL REPORT

### DIRECTORS' REPORT

Your directors submit the preliminary final report of International Equities Corporation Limited for the year ended 30 June 2007.

#### Directors

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

Marcus Peng Fye Tow (Chairman)  
Tow Kong Liang  
Aubrey George Menezes  
Wong Tit Seng

#### Company Secretary

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

Aubrey George Menezes

#### Review of operations

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

	<b>Segment Revenue</b>	<b>Segment Results</b>
	<b>\$000</b>	<b>\$000</b>
Property Development/Rental	9,443	1,264
Tourism	5,554	608
Other	90	81
	<hr/>	<hr/>
	15,087	1,953
	<hr/>	<hr/>

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

#### Commentary on results

The company's 2007 results are summarised as follows:

	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
Profit (loss) after tax:		
Property development	1,264	(2,710)
Tourism	608	1,017
Other	81	4,665
Earnings per security	1.52c	2.32c
Net tangible asset backing	11.21c	7.53c

## **PRELIMINARY FINAL REPORT**

### **Commentary on results (continued)**

This financial year has seen the property market in Melbourne continue to stabilise. Rising interest rates and the tax break for contributions to superannuation funds have had an impact on the residential market. Despite this, the Company generated revenues of \$9.443 million from property related activities giving rise to an after tax profit of \$1.264 million. The lower revenues were mainly due to the competitive market which required a re-pricing of stock of unsold apartments.

Additionally, revenues of \$5.644 million were generated from Seasons of Perth hotel and other non-core activities. This segment resulted in an after tax profit of \$0.689 million. In the coming financial period the Company expects the Tourism segment to grow as its 2<sup>nd</sup> core activity. The soft launch of Seasons Heritage Melbourne Serviced Apartments from its St. Kilda Road project would take place early next year.

## PRELIMINARY FINAL REPORT

### DIRECTORS' REPORT

For the financial year ended 30<sup>th</sup> June 2007 the company concentrated its activities on development of 572 St. Kilda Road in Melbourne now known as 'Seasons Heritage Melbourne Serviced Apartments'. The Gross Development Value is expected at approximately \$70 million. The Gross Development Cost is not expected to exceed \$50 million. The full impact of these financials will be included in the 2008 financial report.

Additionally, the company has begun the development at 112 Leopold Street in South Yarra, Melbourne. Presently, this is expected to generate a Gross Development Value of \$9 million. The project is expected to commence later this year. The full impact of these financials will be included in the 2009 financial report.

In Perth, the company has obtained approval for the re-development of Seasons of Perth hotel. The re-development will increase the size of the property with additional rooms, venues and conferencing areas. Whilst the feasibility remains attractive, the Company is exploring reasonable ways to maximise development profit due to an overheated construction market in Western Australia. This project has been earmarked to commence in 2008. In the meantime, Seasons of Perth will continue to generate profits for the Company from its hotel operations.

In line with the Company's objective of building and managing hotels and serviced apartments, the Company, on 28<sup>th</sup> September 2006, announced to the stock exchange, the acquisition of a 7 storey commercial building at 2 King William Street in Adelaide. The acquisition was completed in May 2007. This property will be converted to a 120 room serviced apartment to be known as Seasons of Adelaide.

Finally, the company will continue its efforts to sell down its stock of unsold apartments in Swanston Street to retire borrowings and re-focus the business in developing and operating hotels and service apartments.

This financial year Earnings per security and Net tangible asset backing were 1.52c and 11.21c (2006: 2.32c and 7.53c), respectively. The Net tangible asset of 11.21c includes an asset revaluation reserve of 2.16c from reclassification of investment property to property, plant and equipment.

#### **Rounding of accounts**

The consolidated entity is of a kind referred to in class order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and the financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

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

For and on behalf of the  
Board of Directors of  
International Equities Corporation Ltd.



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**Aubrey Menezes**  
**Company Secretary**

**Perth, Western Australia**  
**30<sup>th</sup> August 2007**

## **DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The preliminary final report attached:
  - (a) complies with accounting standards and the corporations regulations; and
  - (b) gives a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that International Equities Corporation Ltd 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 directors.

For and on behalf of the  
Board of Directors of  
International Equities Corporation Ltd.



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**Aubrey Menezes**  
**Company Secretary**

**Perth, Western Australia**  
**30<sup>th</sup> August 2007**

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated Entity	
		2007 \$000	2006 \$000
Revenue	1(i)	15,087	16,645
Expenses and net gains excluding borrowing costs expense	1(ii)	(11,561)	(11,569)
Borrowing costs expense	1(ii)	(2,082)	(2,104)
Profit/(loss) before income tax expense	1(ii)	1,443	2,972
Income tax benefit/(expense)	1(iii)	510	-
Profit/(loss) from continuing operations after related income tax expense		1,953	2,972
Profit/(loss) from extraordinary item after related income tax expense/(revenue)		-	-
Net profit/(loss)		1,953	2,972
Net exchange difference on translation of financial report of self sustaining foreign operations		-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		1,953	2,972
Basic and diluted earnings per security (cents per share)		1.52c	2.32c
Franked dividends per security (cents per security)		NIL	NIL
The number of security in issue during the period used in the calculation of basic and diluted EPS (Weighted average number of securities in issue in 2006: 128,223,577)		128,223,577	128,223,577

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE INCOME STATEMENTS**

	Note	Consolidated Entity	
		2007	2006
<b>1(i). REVENUE</b>		<b>\$000</b>	<b>\$000</b>
Operating activities			
-Sale of apartments		5,844	6,049
-Sale of services & accommodation		5,520	4,836
-Property management fees		239	120
-Rental revenue		1,128	949
-Interest received – other persons		80	18
-Other revenue		44	9
		12,855	11,980
Revenue from outside the operating activities			
-Fair value gain arising from related party loan		-	3,840
-Write back of provision and loans		2,232	825
		15,087	16,645
<b>1(ii). EXPENSES AND OTHER GAINS/ (LOSSES)</b>			
(a) Expenses			
Borrowing costs			
- Other persons		2,082	2,104
		2,082	2,104
Administration costs		2,905	2,850
Hotel costs and cost of goods sold		3,057	2,785
Depreciation of non-current assets:			
- Plant & equipment		88	160
Development costs – apartments		5,479	5,517
Commissions		32	-
ATO GST payable expenses		-	257
		11,561	11,569
(b) Significant Revenues and Expenses			
The following significant revenue and expense items, included above, are relevant in explaining the financial performance.			
Provision for diminution in development costs		-	-
Fair value gains arising from related party loan		-	3,840
Write back provisions and loans		2,232	825
Net (loss) gain		2,232	4,665
<b>1(iii). INCOME TAX BENEFIT</b>			
Reversal of Deferred Tax Liability		510	-
		510	-



**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007**

	Note	Consolidated Entity	
		2007 \$000	2006 \$000
<b>CURRENT ASSETS</b>			
Cash		1,944	2,750
Receivables		1,479	474
Inventories		18,600	24,076
Other		50	152
<b>TOTAL CURRENT ASSETS</b>		<u>22,073</u>	<u>27,453</u>
<b>NON CURRENT ASSETS</b>			
Inventories		40,779	12,815
Other financial assets		339	294
Property, plant & equipment		14,182	11,412
Intangible assets		1	1
<b>TOTAL NON CURRENT ASSETS</b>		<u>55,301</u>	<u>24,523</u>
<b>TOTAL ASSETS</b>		<u>77,374</u>	<u>51,975</u>
<b>CURRENT LIABILITIES</b>			
Payables		3,358	1,785
Short term borrowings		862	-
Provisions		70	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,290</u>	<u>1,785</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		-	510
Long term borrowings		58,709	40,029
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>58,709</u>	<u>40,539</u>
<b>TOTAL LIABILITIES</b>		<u>62,999</u>	<u>42,324</u>
<b>NET ASSETS</b>		<u>14,375</u>	<u>9,652</u>
<b>EQUITY</b>			
Contributed equity		12,093	12,093
Reserves	1	2,810	40
Accumulated profits/(losses)	2	(528)	(2,481)
<b>TOTAL EQUITY</b>		<u>14,375</u>	<u>9,652</u>

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE BALANCE SHEETS**

**1. REVALUATION RESERVE**

During the financial year the Company changed its accounting policy to reclassify the subsidiary company's asset which comprised of the Seasons of Perth Hotel and associated plant and equipment, from an investment property to property, plant and equipment. The Hotel is now an owner-managed property and has accordingly been classified as property, plant and equipment.

This change in accounting policy has resulted in revaluation increments being credited directly to an equity reserve as opposed to being credited to income under the previous accounting standard. The investment property was previously carried at fair value, determined periodically by independent and director valuations.

	<b>Consolidated Entity</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>2 ACCUMULATED PROFITS/(LOSSES)</b>		
Accumulated losses at the beginning of the financial year	(2,481)	(5,453)
Net profit/(loss) attributable to the members of the parent entity	1,953	2,972
Accumulated profits/(losses) at the end of the financial year	(528)	(2,481)

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED  
30 JUNE 2007**

	Share capital	Share option reserves	Asset revaluation reserves	Retained earnings	Total	Minority interests	Total equity
<b>Balance at 1 July 2006</b>	<b>12,093</b>	<b>40</b>	-	<b>(2,481)</b>	<b>9,652</b>	-	<b>9,652</b>
Net profit (loss)	-	-	-	1,953	<b>1,953</b>	-	<b>1,953</b>
<b>Total recognised income &amp; expense for the period</b>	12,093	40	-	(528)	<b>11,605</b>	-	<b>11,605</b>
Revaluation Reserve		-	2,770		<b>2,770</b>		<b>2,770</b>
Dividends paid or declared	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Equity share options issued	-	-	-	-	-	-	-
<b>Balance at 30 June 2007</b>	<b>12,093</b>	<b>40</b>	<b>2,770</b>	<b>(528)</b>	<b>14,375</b>	-	<b>14,375</b>
<b>Balance at 1 July 2005</b>	12,093	40	-	(5,453)	<b>6,680</b>	-	<b>6,680</b>
Net profit (loss)	-	-	-	2,972	<b>2,972</b>	-	<b>2,972</b>
<b>Total recognised income &amp; expense for the period</b>	12,093	40	-	(2,481)	<b>9,652</b>	-	<b>9,652</b>
Revaluation Reserve	-	-	-	-	-	-	-
Dividends paid or declared	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Equity share options issued	-	-	-	-	-	-	-
<b>Balance at 30 June 2006</b>	<b>12,093</b>	<b>40</b>	-	<b>(2,481)</b>	<b>9,652</b>	-	<b>9,652</b>

Ratios	<b>2007</b>	<b>2006</b>
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**Net Tangible Asset Backing**

Net tangible asset backing per ordinary security	11.21c	7.53c
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**Cashflow per share**

In accordance with general principles used by financial analysts, "cashflow per share" has been calculated by adding all forms of depreciation and amortisation to net profit after tax and dividing by the weighted average number of ordinary security on issue during the year

	1.59c	2.44c
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**Dividends**

No dividends were declared or paid during the year

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated Entity	
		2007	2006
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11,871	11,910
Payments to suppliers & employees & dev. costs		(4,350)	(5,830)
Interest received		79	18
Borrowing costs paid		(2,082)	(2,104)
Other income		-	-
Other – Property development costs		(25,732)	(4,986)
		<hr/>	<hr/>
Net cash (used in)/provided by operating activities	1	(20,214)	(991)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant & equipment		-	-
Purchase of property, plant & equipment		(88)	(122)
Purchase of investments		(45)	(72)
		<hr/>	<hr/>
Net cash provided by/(used in) investing activities		(133)	(194)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		31,781	2,099
Repayment of borrowings		(12,240)	(161)
		<hr/>	<hr/>
Net cash provided by financing activities		19,541	1,939
Net increase/(decrease) in cash held		(806)	753
Cash at the beginning of the financial year		2,750	1,997
Effect of exchange rates on cash		-	-
Cash at the end of the financial year	2	<hr/> <u>1,944</u>	<hr/> <u>2,750</u>

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE STATEMENTS OF CASH FLOWS**

	<b>Consolidated Entity</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>1. CASH FLOW INFORMATION</b>		
Reconciliation of Cash flow from Operations with Operating Profit after Income Tax		
Operating Profit/(Loss) after Income Tax	1,953	2,972
Non-cash flows in operating profit		
Writeback of provision and loan payable	(509)	(825)
Fair value gain from related party loan	-	(3,840)
Depreciation of plant and equipment	88	160
Net (profit)/loss on disposal of non-current assets	-	-
Writeback provision diminution of dev costs	(2,232)	-
(Profit)/loss on disposal of a controlled entity	-	-
Written-down amount of inventory	-	-
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	(1,005)	(108)
(Increase)/Decrease in other debtors	-	-
(Increase)/Decrease in prepayments	103	56
(Increase)/Decrease in inventories	(20,256)	531
(Increase)/Decrease in other non-current assets	-	-
(Decrease)/Increase in accounts payable	1,260	475
(Decrease)/Increase in accrued expenses	314	(358)
Increase/(Decrease) in Deferred tax	-	-
Increase/(Decrease) in provisions	70	(54)
Net Cash (used in)/provided by operating activities	(20,214)	(991)

	<b>Consolidated Entity</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>2. CASH</b>		
Cash at bank and on hand	1,944	2,153
Short term deposits	-	597
	1,944	2,750

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash (as above)	1,944	2,750
Bank Overdrafts	-	-
	1,944	2,750

# INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### Note 1: Summary of Significant Accounting Policies

The consolidated financial statements are a general purpose financial report in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, including Australian Accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2006 annual report, unless otherwise stated.

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

The financial report covers the economic entity of International Equities Corporation Limited and controlled entities. International Equities Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of International Equities Corporation Limited and controlled entities comply with all Australian equivalents to 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.

#### *Reporting Basis and Conventions*

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### **Accounting Policies**

#### **(a) Principles of Consolidation**

A controlled entity is any entity International Equities Corporation Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included / excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in consolidated financial report.

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**1. Statement of accounting policies (continued)**

**(b) Income tax**

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

**(c) Inventories**

Other than inventories associated with land held for development and resale which are valued at cost, current inventories comprising stores and consumables are valued at lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis.

**(d) Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

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.

**(e) 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), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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,

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**1. Statement of accounting policies (continued)**

**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 income statement during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including capitalised lease assets, but excluding freehold land, 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.

**(f) 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.

**(g) Earnings per share**

*a. Basic earnings per share*

Basic earning 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.



**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**1. Statement of accounting policies (continued)**

**(h) 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.

**(i) 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. Collectibility 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.

**(j) Revenue**

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

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

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

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

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

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

**(k) 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.

**(l) 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.

# INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 1. Statement of accounting policies (continued)

#### (m) 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 balance sheet.

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.

#### (n) 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.

#### (o) Financial Instruments

##### Recognition

Financial instruments are initially measured at cost on trade date, which include transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

##### Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments - Recognition and Measurement. Derivatives are also categorised as held for trading hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

##### 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 stated at amortised cost using the effective interest rate method.

##### Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

##### Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

##### Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**1. Statement of accounting policies (continued)**

**Derivative Instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to income statement unless they are designated as hedges.

**Fair Value**

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 arms length transaction, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assess 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 value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

**(p) Comparative Figures**

Where appropriate, comparative figures have been adjusted to confirm changes in presentation for the current financial period.

**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.

**(q) Changes in accounting policy**

During the financial year the economic entity changed its accounting policy to reclassify the subsidiary company's asset, which comprised of the Seasons of Perth Hotel and associated plant and equipment, from an investment property to property, plant and equipment. The Hotel is now an owner-managed property and has accordingly been classified as property, plant and equipment.

This change in accounting policy has not resulted in any significant changes to the financial statements, except that revaluation increments are credited directly to an equity reserve as opposed to being credited to income under the previous accounting standard. The investment property was previously carried at fair value, determined periodically by independent and director valuations. The directors have also adopted the fair value model for the property, plant and equipment.

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Note 2: Segmental Information**

**Primary reporting business segments**

	Property Development \$'000	Tourism \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
<b>2007</b>					
Revenue	7,301	5,554	-	-	12,855
Fair value gain from related party loan	-	-	-	-	-
Write back provision and loan payable	2,232	-	-	-	2,232
Segment operating (loss)/profit after tax	1,264	608	81	-	1,953
Segment assets	61,293	16,081	-	-	77,374
Segment liabilities	38,519	24,180	-	-	62,699
<b>2006</b>					
Revenue	7,144	4,836	-	-	11,980
Fair value gain from related party loan	-	-	3,840	-	3,840
Write back provision and loan payable	-	-	825	-	825
Segment operating (loss)/profit after tax	(2,710)	1,017	4,665	-	2,972
Segment assets	39,542	12,433	-	-	51,975
Segment liabilities	18,414	23,910	-	-	42,324

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**Note 2: Segmental Information (continued)**

**Secondary Reporting**

<b>Geographical Segments</b>	<b>Australia \$'000</b>	<b>South East Asia \$'000</b>	<b>Inter-Segment Elimination \$'000</b>	<b>Consolidated \$'000</b>
<b>2007</b>				
Revenue	15,087	-	-	15,087
Segment operating (loss)/profit after tax	1,953	-	-	1,953
Segment assets	77,374	-	-	77,374
Segment liabilities	62,999	-	-	62,699
<b>2006</b>				
Revenue	16,645	-	-	16,645
Segment operating (loss)/profit after tax	2,972	-	-	2,972
Segment assets	51,975	-	-	51,975
Segment liabilities	42,324	-	-	42,324

The economic entity effectively operates predominantly in one geographical segment, based in Western Australia and Victoria.

**INTERNATIONAL EQUITIES CORPORATION LTD  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Note 3: Issued and quoted securities at end of current period**

<b>Category of securities</b>	<b>Total Number</b>	<b>Number quoted</b>	<b>Issue price per security (cents)</b>	<b>Amount paid up per security (cents)</b>
Preference securities	Nil			
Changes during current period	Nil			
- Increases through issues	Nil			
- Decreases through returns of capital, buybacks	Nil			
Ordinary securities	128,223,577			
Changes during current period	Nil			
- Increases through issues	Nil			
- Decreases through returns of capital, buybacks	Nil			
Convertible debt securities				
Changes during current period	Nil			
- Increases through issues	Nil			
- Decreases through securities matured, converted	Nil			
Options	Nil			
Issued during current period	Nil			
Exercised during current period	Nil			
Expired during current period	Nil			
Debentures				
Changes during current period	Nil			
- Increases through issues	Nil			
- Decreases through securities matured, converted	Nil			
Unsecured notes	Nil			
Changes during current period	Nil			
- Increases through issues	Nil			
- Decreases through securities matured, converted	Nil			

**INTERNATIONAL EQUITIES CORPORATION LTD  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Note 4: Disposal of controlled entity**

During the year there were no disposals of entities within the group.

**Note 5: Commentary on the results for the period**

The commentary on the results for the period is contained in the Director's commentary accompanying this statement.

**Note 6: Events occurring after reporting date**

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

**Note 7: Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**Note 8: Annual General Meeting**

The annual general meeting will be held at a place and date to be advised.

**Note 9: Audit**

This report is based on accounts which are in the process of being audited.