

International Equities Corporation Ltd

and Controlled Entities

ABN 97 009 089 696

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2019

APPENDIX 4E

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2019

Name of entity

INTERNATIONAL EQUITIES CORPORATION LTD

ABN or equivalent company reference

97 009 089 696

Year ended ('current period')

30 JUNE 2019

Results for announcement to the market

\$A'000

Revenues and other income	Decrease	13.50%	to	19,131
Profit (loss) from ordinary activities after tax attributable to members	Decrease	190.00%	to	(875)
Net profit (loss) for the period attributable to members	Decrease	190.00%	to	(875)
Dividends		Amount per security		Franked amount per security
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 the commentary on the results in the following pages. These results should be read in conjunction with the most recent Annual Report 2018.				

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

Your directors submit the preliminary final report of International Equities Corporation Limited for the year ended 30 June 2019.

Directors

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

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

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:

	2019	2018
	Segment Revenue	Segment Revenue
	\$'000	\$'000
Property Development	1,261	2,531
Tourism	16,984	18,816
Leasing	886	825
	<hr/>	<hr/>
	19,131	22,172
	<hr/>	<hr/>

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

Commentary on results

The company's 2019 results are summarised as follows:

		2019	2018
		\$'000	\$'000
Profit (loss) after tax:	Property development	(980)	(510)
	Tourism	(283)	1,137
	Leasing	388	345

		2019	2018
Loss per security		(0.68c)	0.76c
Net tangible asset backing		7.76c	8.37c

PRELIMINARY FINAL REPORT

Commentary on results (continued)

For the financial year ended 30 June 2019, International Equities Corporation Ltd (IEQ) continued to repay borrowings from sale of apartment stock. All contracts continue to be tightly reviewed and/or renegotiated to lower cost across all hotels. Revenue was weaker mainly due to competition from newer hotels. Hotels in New South Wales and Victoria continued to perform well despite a 10% - 15% fall in revenues.

At Seasons of Perth in Western Australia headwinds from new hotels and flagging consumer confidence continue to affect revenue and property values. The Board of IEQ expects revenue to soften in the coming financial year.

Tourism has remained reasonable with the assistance from a lower Australian Dollar.

Confidence in sales of apartments remain uncertain due to further restrictions on lending and government requirements. However, the Company will endeavour to find other avenues to sell its stock of apartments to repay bank borrowings.

During the year the Company cleared more of its stock of residential property, with no new stock developed for the year. The Company will continue to sell down residential stock for the coming year to retire borrowings. Loss after tax for this segment was \$0.980 million.

This financial year saw revenue from the hotel division decline mainly from activities in Perth, Western Australia. We are seeing further instability into 2019/2020. The Company will continue to make its presence felt through advertising and marketing. Confidence in the sector remains tough for the year ahead. This segment resulted in an after tax loss of \$0.283 million.

On Sales and Leasing activities the company will continue to actively list new properties for sale or lease. Profit after tax stood at \$0.388 million from long term leases and commissions. The outlook for the year ahead remains stable.

During the year ended 30 June 2019, the Company generated revenues of \$19.131 million from sales of property, hotel accommodation and related activities. This resulted in an after tax loss of \$0.875 million due mainly to lower profits from hotel and tourism activities.

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

For the financial year ended 30 June 2019 the company focused mainly on sales of residential properties and non – core investments. The full impact of these financials has been included in the 2019 financial report.

Sales of apartment stock have been slow but encouraging. Our sales team will continue to sell down stock to retire borrowings.

The Company will also continue to develop further our presence in the hospitality and tourism sector and return to property development when conditions improve.

This financial year Loss after tax per security was 0.68c (2018: Profit after Tax per security was 0.76c). Net tangible asset backing per security was 7.76c (2018: 8.37c).

Rounding of accounts

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

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.



Aubrey Menezes
Company Secretary

Perth, Western Australia
30th August 2019

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 2019 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.



Aubrey Menezes
Company Secretary

Perth, Western Australia
30th August 2019

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated entity 30 June 2019	30 June 2018
		\$'000	\$'000
Continuing Operations			
Revenue	1(i)	19,124	21,987
Other Income	1(i)	7	185
Property development costs	1(ii)	(1,125)	(1,917)
Hotel cost of goods sold	1(ii)	(11,919)	(11,857)
Sales commission	1(ii)	(45)	(56)
Borrowing costs expense	1(ii)	(935)	(1,146)
Administrative expenses	1(ii)	(5,681)	(5,751)
Depreciation and amortisation expenses	1(ii)	(280)	(473)
Other cost	1(ii)	(21)	-
Profit/(loss) before income tax expense		(875)	972
Income tax expense		-	-
Net Profit/(loss) from continuing operations		(875)	972
Discontinued Operations			
Profit/(loss) from discontinued operations after tax		-	-
Net Profit/(loss) for the year		(875)	972
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Revaluation of Seasons of Perth hotel		-	(4,000)
Other comprehensive income/(loss) for the year		-	(4,000)
Total comprehensive income/(loss) for the year		(875)	(3,028)

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated entity 30 June 2019	30 June 2018
		<u>\$'000</u>	<u>\$'000</u>
Net profit/(loss) attributable to:			
Members of the parent entity		(875)	972
Non-controlling interest		-	-
		<u>(875)</u>	<u>972</u>
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		(875)	(3,028)
Non-controlling interest		-	-
		<u>(875)</u>	<u>(3,028)</u>
 Earnings Per Share			
From continuing and discontinued operations:			
Basic earnings per share		(0.68c)	0.76c
Diluted earnings per share		(0.68c)	0.76c
From continuing operations:			
Basic earnings per share		(0.68c)	0.76c
Diluted earnings per share		(0.68c)	0.76c
From discontinued operations			
Basic earnings per share		-	-
Diluted earnings per share		-	-

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

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Consolidated Group	
		2019	2018
1(i).	REVENUE FOR THE PERIOD	\$'000	\$'000
	Operating activities		
	-Sale of apartments	1,203	2,364
	-Sales services & accommodation	16,605	18,400
	-Property management fees	877	948
	-Rental revenue	360	264
	-Interest received – other persons	5	11
	-Other revenue	81	185
		19,131	22,172
		19,131	22,172
1(ii).	EXPENSES		
	Expenses		
	Borrowing costs	935	1,146
		935	1,146
	Administration costs	5,681	5,751
	Hotel costs and cost of goods sold	11,919	11,857
	Depreciation and amortisation	280	473
	Development cost of apartments	1,125	1,917
	Commissions	45	56
	Other cost	21	-
		19,071	20,054
		19,071	20,054

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Consolidated Entity	
	30 June 2019	30 June 2018
	\$'000	\$'000
CURRENT ASSETS		
Cash assets	1,162	1,832
Receivables	719	764
Inventories	1,098	1,452
Other	152	148
TOTAL CURRENT ASSETS	<u>3,131</u>	<u>4,196</u>
NON CURRENT ASSETS		
Property, plant and equipment	29,801	30,137
Intangible assets	124	215
TOTAL NON CURRENT ASSETS	<u>29,925</u>	<u>30,352</u>
TOTAL ASSETS	<u>33,056</u>	<u>34,548</u>
CURRENT LIABILITIES		
Payables	3,891	3,316
Interest-bearing liabilities	15,147	17,068
Provisions	432	386
TOTAL CURRENT LIABILITIES	<u>19,470</u>	<u>20,770</u>
NON CURRENT LIABILITIES		
Interest-bearing liabilities	3,509	2,826
TOTAL NON CURRENT LIABILITIES	<u>3,509</u>	<u>2,826</u>
TOTAL LIABILITIES	<u>22,979</u>	<u>23,596</u>
NET ASSETS	<u><u>10,077</u></u>	<u><u>10,952</u></u>
EQUITY		
Contributed equity	12,093	12,093
Reserves	6,746	6,746
Retained earnings / (accumulated losses)	(8,762)	(7,887)
TOTAL EQUITY	<u><u>10,077</u></u>	<u><u>10,952</u></u>

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

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Share capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	12,093	6,746	(7,887)	10,952
Net profit for the year	-	-	(875)	(875)
	12,093	6,746	(8,762)	10,077
Other Comprehensive loss for the year	-	-	-	-
	12,093	6,746	(8,762)	10,077
Dividends paid or declared	-	-	-	-
Issue of share capital	-	-	-	-
Equity share options issued	-	-	-	-
Balance at 30 June 2019	12,093	6,746	(8,762)	10,077

	Share capital \$000	Reserves \$000	Accumulated losses \$000	Total equity \$000
Balance at 1 July 2017	12,093	10,746	(8,859)	13,980
Net profit for the year	-	-	972	972
	12,093	10,746	(7,887)	14,952
Other Comprehensive loss for the year	-	(4,000)	-	(4,000)
	12,093	6,746	(7,887)	10,952
Dividends paid or declared	-	-	-	-
Issue of share capital	-	-	-	-
Equity share options issued	-	-	-	-
Balance at 30 June 2018	12,093	6,746	(7,887)	10,952

	2019	2018
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	7.76c	8.37c

Dividends

No dividends were declared or paid during the year.

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

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 30 JUNE 2019**

	Consolidated entity	
	30 June 2019	30 June 2018
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	19,201	22,331
Payments to suppliers and employees	(17,046)	(17,705)
Interest received	5	11
Borrowing costs paid	(935)	(1,146)
Net cash provided by / (used in) operating activities	1,225	3,491
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	-	-
Purchase of intangibles	-	(85)
Purchase of property, plant & equipment	(657)	(853)
Purchase of investments	-	-
Net cash used in investing activities	(657)	(938)
Cash flows from financing activities		
Proceeds from borrowings	683	663
Repayment of borrowings	(1,921)	(4,200)
Net cash provided by/ (used in) financing activities	(1,238)	(3,537)
Net increase/(decrease) in cash held	(670)	(984)
Cash at start of period	1,832	2,816
Cash at end of period	1,162	1,832

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

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

NOTES TO THE STATEMENTS OF CASH FLOWS

1. CASH FLOW INFORMATION	Consolidated Entity	
	2019	2018
	\$'000	\$'000
Reconciliation of Cash flow from Operations with Operating loss after Income Tax		
Operating profit/(loss) after income tax	(875)	972
Non-cash flows in operating profit/(loss):		
Depreciation and amortisation	280	473
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	45	144
(Increase)/Decrease in prepayments	(3)	-
(Increase)/Decrease in inventories	1,158	1,943
(Increase)/Decrease in other non-current assets	-	-
(Decrease)/Increase in accounts payable	634	(74)
(Decrease)/Increase in accrued expenses	(59)	5
Increase/(Decrease) in provisions	45	28
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	<u>1,225</u>	<u>3,491</u>

2. CASH	Consolidated Entity	
	2019	2018
	\$'000	\$'000
Cash at bank and on hand	1,162	1,832
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)	1,162	1,832
Bank overdrafts	-	-
	<hr/>	<hr/>
	<u>1,162</u>	<u>1,832</u>

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: BASIS OF PREPARATION

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 financial report as were applied in the 30 June 2018 annual report, unless otherwise stated below.

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

Adoption of new and revised accounting standards

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

- *AASB 9: Financial Instruments; and*
- *AASB 15: Revenue from Contracts with Customers*

The impact of the adoption of these standards and the respective accounting policies is discussed below.

AASB 9: Financial Instruments – Accounting Policies

AASB 9 replaces the “incurred loss” impairment model in AASB 139 Financial Instruments: “Recognition and Measurement” with a forward-looking “expected credit loss” (ECL) model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the ECL model, the Company assesses on a forward looking basis on its expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets at amortised cost such as receivables and investments in equities. The application of the new standard results in a change in accounting policy. The Company applies the simplified approach permitted by AASB 9, which requires the recognition of lifetime expected losses for accounts receivables from initial recognition of such assets. At every reporting date, the Company reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. As regards other receivables, the Company considers they have low credit risk and hence recognises 12-month expected credit losses for such item where appropriate. The expected losses (if any) are considered to be insignificant to the Company. The adoption of AASB 9 has had no material impact on the results and financial position of the Company for the current and prior years.

The measurement categories for all financial liabilities remain the same, the carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application of AASB 9.

The Company did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 July 2018.

AASB 15: Revenue from Contracts with Customers – Accounting Policies

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue. The Company has adopted AASB 15 from 1 July 2018, which has not resulted in any significant changes to accounting policies for the recognition or valuation of revenue and accordingly there have been no adjustments to the amounts recognised in the financial statements.

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

New Accounting Standards not yet adopted

A number of new standards and amendments to standards are effective for annual accounting periods beginning after 1 January 2019 and earlier application is permitted, however the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Of the standards that are not yet effective AASB 16 is expected to have a material impact on the Groups' consolidated financial statements.

AASB 16 Leases

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

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

The transitional provisions of AASB 16 allow a lessee to retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Group is likely to apply the latter option in which case comparative information shall not be restated.

The Group has assessed the full impact of the Standard and assuming no significant changes to its existing lease arrangements (including the exercise of any renewal options), expects to recognise a Right of Use Asset and Lease Liability of approximately \$36.7 million respectively thereby grossing up the assets and liabilities in the consolidated balance sheet as at 1 July 2019.

The adjustment for AASB 16 will have a positive impact on EBITDA as the costs of operating leases (previously recognised as part of EBIT expense over the term of the lease) will now be excluded from EBITDA as lease costs will be recognised separately in depreciation (for right of use assets) while interest on lease liabilities will be disclosed as part of financing costs. Notwithstanding this the adjustment for AASB 16 is expected to have a negative impact on net profit after tax for the next 3 to 5 years, largely because interest on lease liabilities will be greater in the earlier periods of lease contracts when the related lease liabilities are highest. Over the later period of the leases this impact will reverse thereby having a positive impact on net profit after tax.

NOTE 2: 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.

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: GOING CONCERN

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 2019, these financial covenants have not been met.

At the time of this report, the breach of these covenants have been waived by Bank of Melbourne ("BOM") who retain their rights in respect of any other past, present or future breaches of the conditions contained in their facility offer. Given the covenant breach and the 1 October 2018 maturity date of BOM's current facility, the borrowings payable to BOM have been classified as a current liability. As a result, the Group's current liabilities exceed its current assets by \$16.34 million at balance date.

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

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

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

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

NOTE 4: COMMITMENTS

(a) Operating Lease Commitments

The Group has assessed the full impact of the Standard and assuming no significant changes to its existing lease arrangements (including the exercise of any renewal options), expects to recognise a Right of Use Asset and Lease Liability of approximately \$36.7 million.

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

(b) Operating Lease Commitments (Cont'd)

	2019	2018
	\$000	\$000
Within 1 year	5,272	5,529
Later than 1 year but not later than 5 years	20,319	20,517
Later than 5 years	23,392	28,466
	48,984	54,513

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 30 June 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests
		At 30 June 2019	At 30 June 2018	At 30 June 2019
(IEC) Pacific Pty Ltd	Australia	100 %	100 %	0%
IEC (Management) Pty Ltd	Australia	100 %	100 %	0%
IEC Real Estate Pty Ltd	Australia	100 %	100 %	0%
Renaissance Australia Pty Ltd	Australia	100 %	100 %	0%
Seasons Heritage Melbourne Pty Ltd	Australia	100 %	100 %	0%
IEC Properties Pty Ltd	Australia	100 %	100 %	0%
Seasons Apartment Hotel Group Pty Ltd	Australia	100 %	100 %	0%
Seasons International Management Pty Ltd	Australia	100 %	100 %	0%
Seasons Darling Harbour Pty Ltd	Australia	100 %	100 %	0%
Seasons Harbour Plaza Pty Ltd	Australia	100 %	100 %	0%

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

There have been no acquisition or disposal of group entities during the year.

NOTE 6: ANNUAL GENERAL MEETING

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

NOTE 7: AUDIT

This report is based on accounts which are in the process of being audited. At the time of this report, the Directors are not aware of any matter that will result in a qualification of the audit report. The auditors are however likely to include an Emphasis of Matter paragraph regarding the going concern position of the company as referred to in Note 3 of this report.