

International Equities Corporation Ltd
and Controlled Entities

ABN 97 009 089 696

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2020

APPENDIX 4E

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2020

Name of entity

INTERNATIONAL EQUITIES CORPORATION LTD

ABN or equivalent company reference

97 009 089 696

Year ended ('current period')

30 JUNE 2020

Results for announcement to the market

\$A'000

| | | | | |
|--|----------|--------|----|---------|
| Revenues and other income | Decrease | 22.39% | to | 14,848 |
| Profit (loss) from ordinary activities after tax attributable to members | Increase | 74.85% | to | (1,530) |
| Net profit (loss) for the period attributable to members | Increase | 74.85% | to | (1,530) |

| 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 2019.

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

Your directors submit the preliminary final report of International Equities Corporation Limited for the year ended 30 June 2020.

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:

| | 2020 | 2019 |
|----------------------|------------------------|------------------------|
| | Segment Revenue | Segment Revenue |
| | \$'000 | \$'000 |
| Property Development | 915 | 1,261 |
| Tourism | 12,583 | 16,984 |
| Leasing | 837 | 886 |
| Others | 513 | - |
| | <hr/> | <hr/> |
| | 14,848 | 19,131 |

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

Commentary on results

The company's 2020 results are summarised as follows:

| | 2020 | 2019 |
|--------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Profit (loss) after tax: | | |
| Property development | (790) | (980) |
| Tourism | (1,607) | (283) |
| Leasing | 354 | 388 |
| Others | 513 | - |

| | 2020 | 2019 |
|----------------------------|-------------|-------------|
| Loss per security | (1.19c) | (0.68c) |
| Net tangible asset backing | 6.61c | 7.76c |

PRELIMINARY FINAL REPORT

Commentary on results (continued)

Like many other organisations, for the financial year ended 30 June 2020, International Equities Corporation Ltd (IEQ) had to deal with the emergence of a pandemic. The greatest impact was felt in the last quarter of the financial year. To mitigate its position all supplier contracts were either reviewed, renegotiated and/or suspended, where possible. Revenue from tourism fell substantially due to closure of domestic and international borders.

At Seasons of Perth in Western Australia occupancies remain low and continue to affect revenue beyond June 2020. The Board of IEQ expects occupancies around 15% – 20% in the coming financial year.

At Seasons Heritage Melbourne and Seasons Botanic Gardens, both in Melbourne, the effects of a lockdown and a return to lockdown continues to hinder a return to some level of “normal” trading. The company has had to consider the use of these apartments as long term residential tenancies where possible to generate additional cashflows.

At Seasons Darling Harbour in Sydney, the effects of an early lockdown and subsequent easing has resulted in some early signs of domestic tourism. Whilst early days yet and if there are no further restrictions would be the first state to partially recover.

At Seasons Harbour Plaza in Sydney, leases expired on 31 March 2020 and were not renewed.

Confidence in sales of apartments remain unknown and greatly dependant on lockdown restrictions and banks lending criteria. However, the Company will endeavour to find other avenues to sell its stock of apartments to repay bank borrowings. During the last financial year, the company did sell apartments.

During the year the Company cleared more of its stock of residential property to partially retire borrowings. The Company will continue to sell down residential stock for the coming year to retire borrowings. Loss after tax for this segment was \$0.790 million.

This financial year saw revenue from the hotel division decline due to the pandemic. We are seeing further instability into 2020/2021. The Company will continue to make its presence felt through advertising and marketing upon easing of restrictions and border closures. Confidence in the sector remains tough for the year ahead. This segment resulted in an after-tax loss of \$1.607 million.

On Sales and Leasing activities the company will continue to actively list new properties for sale or lease. Profit after tax stood at \$0.354 million from long term leases and commissions. The outlook for the year ahead is uncertain.

Federal and state government grants and financial assist totalled \$0.513 million.

During the year ended 30 June 2020, the Company generated revenues of \$14.848 million from sales of property, hotel accommodation and related activities. This resulted in an after-tax loss of \$1.530 million due mainly to lower profits from hotel and tourism activities.

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

For the financial year ended 30 June 2020 the company focused mainly on tourism, sales of residential properties and non – core investments. The full impact of these financials has been included in the 2020 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 1.19c (2019: Loss after Tax per security was 0.68c). Net tangible asset backing per security was 6.61c (2019: 7.76c).

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
31st August 2020

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 2020 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
31st August 2020

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

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

| | Note | Consolidated entity 30 June 2020 | 30 June 2019 |
|---|-------|-------------------------------------|--------------|
| | | \$'000 | \$'000 |
| Continuing Operations | | | |
| Revenue | 1(i) | 14,847 | 19,124 |
| Other Income | 1(i) | 1 | 7 |
| Property development costs | 1(ii) | (834) | (1,125) |
| Hotel cost of goods sold | 1(ii) | (7,014) | (11,919) |
| Sales commission | 1(ii) | (36) | (45) |
| Lease Interest | 1(ii) | (1,383) | - |
| Borrowing costs expense | 1(ii) | (695) | (935) |
| Administrative expenses | 1(ii) | (4,262) | (5,681) |
| Depreciation and amortisation expenses | 1(ii) | (2,154) | (280) |
| Other cost | 1(ii) | - | (21) |
| Profit/(loss) before income tax expense | | (1,530) | (875) |
| Income tax expense | | - | - |
| Net Profit/(loss) from continuing operations | | (1,530) | (875) |
| Discontinued Operations | | | |
| Profit/(loss) from discontinued operations after tax | | - | - |
| Net Profit/(loss) for the year | | (1,530) | (875) |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss | | - | - |
| Other comprehensive income/(loss) for the year | | - | - |
| Total comprehensive income/(loss) for the year | | (1,530) | (875) |

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

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

| | Note | Consolidated entity 30 June 2020 | 30 June 2019 |
|---|------|-------------------------------------|---------------|
| | | <u>\$'000</u> | <u>\$'000</u> |
| Net profit/(loss) attributable to: | | | |
| Members of the parent entity | | (1,530) | (875) |
| Non-controlling interest | | - | - |
| | | <u>(1,530)</u> | <u>(875)</u> |
| Total comprehensive income/(loss) attributable to: | | | |
| Members of the parent entity | | (1,530) | (875) |
| Non-controlling interest | | - | - |
| | | <u>(1,530)</u> | <u>(875)</u> |
| Earnings Per Share | | | |
| From continuing and discontinued operations: | | | |
| Basic earnings per share | | (1.19c) | (0.68c) |
| Diluted earnings per share | | (1.19c) | (0.68c) |
| From continuing operations: | | | |
| Basic earnings per share | | (1.19c) | (0.68c) |
| Diluted earnings per share | | (1.19c) | (0.68c) |
| 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 | |
|-------------------|------------------------------------|---------------------------|---------------|
| | | 2020 | 2019 |
| 1(i). | REVENUE FOR THE PERIOD | \$'000 | \$'000 |
| | Operating activities | | |
| | -Sale of apartments | 863 | 1,203 |
| | -Sales services & accommodation | 11,879 | 16,605 |
| | -Property management fees | 830 | 877 |
| | -Rental revenue | 356 | 360 |
| | -Interest received – other persons | 1 | 5 |
| | -Other revenue | 919 | 81 |
| | | 14,848 | 19,131 |
| 1(ii). | EXPENSES | | |
| | Expenses | | |
| | Borrowing costs | 695 | 935 |
| | Administration costs | 4,262 | 5,681 |
| | Hotel costs and cost of goods sold | 7,014 | 11,919 |
| | Depreciation and amortisation | 2,154 | 280 |
| | Development cost of apartments | 834 | 1,125 |
| | Lease Interest | 1,383 | - |
| | Commissions | 36 | 45 |
| | Other cost | - | 21 |
| | | 16,378 | 19,071 |

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | Consolidated Entity | |
|--|---------------------|---------------|
| | 30 June 2020 | 30 June 2019 |
| | \$'000 | \$'000 |
| CURRENT ASSETS | | |
| Cash assets | 1,297 | 1,162 |
| Receivables | 672 | 719 |
| Inventories | 1,085 | 1,098 |
| Other | 61 | 152 |
| TOTAL CURRENT ASSETS | 3,115 | 3,131 |
| NON CURRENT ASSETS | | |
| Property, plant and equipment | 28,839 | 29,801 |
| Right-of-use Assets | 16,397 | - |
| Intangible assets | 69 | 124 |
| TOTAL NON CURRENT ASSETS | 45,305 | 29,925 |
| TOTAL ASSETS | 48,420 | 33,056 |
| CURRENT LIABILITIES | | |
| Payables | 4,194 | 3,891 |
| Interest-bearing liabilities | 15,231 | 15,147 |
| Lease Liability | 888 | - |
| Provisions | 299 | 432 |
| TOTAL CURRENT LIABILITIES | 20,612 | 19,470 |
| NON CURRENT LIABILITIES | | |
| Interest-bearing liabilities | 2,765 | 3,509 |
| Lease Liability | 16,496 | - |
| TOTAL NON CURRENT LIABILITIES | 19,261 | 3,509 |
| TOTAL LIABILITIES | 39,873 | 22,979 |
| NET ASSETS | 8,547 | 10,077 |
| EQUITY | | |
| Contributed equity | 12,093 | 12,093 |
| Reserves | 6,746 | 6,746 |
| Retained earnings / (accumulated losses) | (10,292) | (8,762) |
| TOTAL EQUITY | 8,547 | 10,077 |

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 2020**

| | Share capital \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|---------------------------------------|----------------------------|--------------------|---------------------------------|---------------------------|
| Balance at 1 July 2019 | 12,093 | 6,746 | (8,762) | 10,077 |
| Net profit for the year | - | - | (1,530) | (1,530) |
| | 12,093 | 6,746 | (10,292) | 8,547 |
| Other Comprehensive loss for the year | - | - | - | - |
| | 12,093 | 6,746 | (10,292) | 8,547 |
| Dividends paid or declared | - | - | - | - |
| Issue of share capital | - | - | - | - |
| Equity share options issued | - | - | - | - |
| Balance at 30 June 2020 | 12,093 | 6,746 | (10,292) | 8,547 |

| | 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) | 10,777 |
| Dividends paid or declared | - | - | - | - |
| Issue of share capital | - | - | - | - |
| Equity share options issued | - | - | - | - |
| Balance at 30 June 2019 | 12,093 | 6,746 | (8,762) | 10,777 |

| | 2020 | 2019 |
|--|-------|-------|
| Net Tangible Asset Backing | | |
| Net tangible asset backing per ordinary security | 6.61c | 7.76c |

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 2020**

| | Consolidated entity | |
|---|---------------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 14,079 | 19,121 |
| Payments to suppliers and employees | (12,525) | (17,046) |
| Interest received | 1 | 5 |
| Borrowing costs paid | (695) | (935) |
| Other income | 919 | 80 |
| Net cash provided by / (used in) operating activities | 1,779 | 1,225 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant & equipment | - | - |
| Purchase of intangibles | - | - |
| Purchase of property, plant & equipment | (89) | (657) |
| Purchase of investments | - | - |
| Net cash used in investing activities | (89) | (657) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 950 | 683 |
| Repayment of borrowings | (2,505) | (1,921) |
| Net cash provided by/ (used in) financing activities | (1,555) | (1,238) |
| Net increase/(decrease) in cash held | 135 | (670) |
| Cash at start of period | 1,162 | 1,832 |
| Cash at end of period | 1,297 | 1,162 |

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

| | Consolidated Entity | |
|---|----------------------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| 1. CASH FLOW INFORMATION | | |
| Reconciliation of Cash flow from Operations with Operating loss after Income Tax | | |
| Operating profit/(loss) after income tax | (1,530) | (875) |
| Non-cash flows in operating profit/(loss): | | |
| Depreciation and amortisation | 2,154 | 280 |
| Changes in assets and liabilities | | |
| (Increase)/Decrease in trade debtors | 47 | 45 |
| (Increase)/Decrease in prepayments | 90 | (3) |
| (Increase)/Decrease in inventories | 848 | 1,158 |
| (Increase)/Decrease in other non-current assets | - | - |
| (Decrease)/Increase in accounts payable | 1,099 | 634 |
| (Decrease)/Increase in accrued expenses | (797) | (59) |
| Increase/(Decrease) in provisions | (132) | 45 |
| | <hr/> | <hr/> |
| Net cash provided by/(used in) operating activities | <u>1,779</u> | <u>1,225</u> |

| | Consolidated Entity | |
|---|----------------------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| 2. CASH | | |
| Cash at bank and on hand | 1,297 | 1,162 |
| 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) | 1,297 | 1,162 |
| Bank overdrafts | - | - |
| | <hr/> | <hr/> |
| | <u>1,297</u> | <u>1,162</u> |

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 2019 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 16: Leases*

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

AASB 16: Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE1: BASIS OF PREPARATION (continued)

Adoption of New and Revised Accounting Standards (continued)

Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. AASB 16 was adopted using the modified retrospective approach, whereby the right of use asset recognised as at 1 July 2019 was at an amount equal to the lease liability at that date and the comparatives for the 2018 reporting period have not been restated.

Upon adoption of the new standard the Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee. The adoption of the new standard has also resulted in a reduction in lease rental expense replaced with depreciation of the right of use assets and interest on lease liabilities.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 6.07%.

Impact of Standards issued but not yet applied by the Company

There are no accounting standards issued but not yet applied by the Company which are expected to have a significant impact on the future results or financial position of the Company.

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 2020

NOTE 3: GOING CONCERN

The Company has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of the expected issue of its financial report (being 30 September 2020).

The impact of the COVID 19 pandemic has significantly impacted on the trading performance of the Group's hotels and the financial position of the Group. Whilst the situation is continuing to evolve, the directors remain confident that it is appropriate to prepare the financial statements on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

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

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 \$16.15 million at balance date.

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

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

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

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

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Within 1 year | 2,202 | 5,272 |
| Later than 1 year but not later than 5 years | 7,957 | 20,319 |
| Later than 5 years | 13,713 | 23,392 |
| | <hr/> 23,872 | <hr/> 48,984 |

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 30 June 2020. 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 2020 | At 30 June 2019 | At 30 June 2020 |
| (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: RIGHT-OF-USE ASSETS

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

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

**INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES**

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: RIGHT-OF-USE ASSETS (continued)

| | 30 June 2020 |
|---|---------------------|
| (i) AASB 16 related amounts recognised in the balance sheet | \$000 |
| Right-of-use assets | |
| Leased apartments (1) | 18,279 |
| Accumulated depreciation | (1,882) |
| | 16,397 |
| Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117) | 18,279 |
| Depreciation expense for the full-year ended | (1,882) |
| Net carrying amount | 16,397 |

- (1) The new owners of Seasons Harbour Plaza exercised their right under the lease agreement to terminate all leases with the Group effective 31 March 2020. Therefore these leases will no longer be for more than 12 months and do not qualify to be recognised under AASB 16: Leases, thus have not been included in the Right-of-Use assets of the Group. The associated lease expenditure of \$2,183,574 has been expensed to profit and loss.

NOTE 7: LEASES LIABILITIES

(a) Current

| | |
|--------------------------------------|------------|
| Lease Liability - Right of Use Asset | 888 |
| Total current | 888 |

(b) Non-Current

| | |
|--------------------------------------|---------------|
| Lease Liability - Right of Use Asset | 16,496 |
| Total current | 16,496 |

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to retained earnings.

NOTE 8: BASIS OF VALUATION OF PROPERTY RELATED ASSETS

Valuation Basis

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

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

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

INTERNATIONAL EQUITIES CORPORATION LTD AND CONTROLLED ENTITIES

NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: BASIS OF VALUATION OF PROPERTY RELATED ASSETS (continued)

Uncertainty around Property Valuations

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

NOTE 9: ANNUAL GENERAL MEETING

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

NOTE 10: 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 other than in respect of being unable to assess if carrying values of inventory and property, plant & equipment are impaired. The auditors are also likely to include an Emphasis of Matters paragraph regarding the going concern position of the company as referred to in Note 3 of this report.