

# **Silver Heritage Limited**

**Company number: 568240**

## **Directors' Report and Annual Financial Statements 31 December 2014**

# **Silver Heritage Limited**

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**31 December 2014**

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**Silver Heritage Limited**  
**Directors' report**  
**31 December 2014**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Silver Heritage Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2014.

**Directors**

The following persons were directors of Silver Heritage Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Philip Groves - Chairman  
Mike Bolsover  
Martin Wright  
Timothy Shepherd  
Hamilton Tang  
Hugh Holmes (appointed 5 February 2014)  
Philip Tose  
David Green (appointed 9 October 2014 and resigned 26 January 2015)

*Alternates:*

John Bolsover (Alternate Non-Executive Director to Philip Tose)  
David Madden (Alternate Non-Executive Director to Philip Groves)

**Principal activities**

The principal activities of the Group consisted of managing casinos, operating slots and electronic gaming equipment, and acting as a sales agent for gaming equipment suppliers.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Review of operations**

The loss for the Group after providing for income tax and non-controlling interest amounted to US\$3,872,000 (31 December 2013: US\$659,000).

**Significant changes in the state of affairs**

During the financial year the Company raised equity of US\$22,000,000 by issuing 14,666,666 shares at US\$1.50 per share, and raised US\$10,000,000 in debt finance by the issue of a Convertible Bond. Details of the share issue and the Convertible Bond issue are contained in the notes to the financial statements.

There were no other significant changes in the state of affairs of the Group during the financial year.

**Matters subsequent to the end of the financial year**

Subsequent to the end of the financial year, the Company has decided that it will sell 100% of its interest in its Philippines business unit due to the regulatory environment in the Philippines. Following the disposal of the Philippines business unit, which is expected to take place before the end of the current financial year, the Company will retain a debt due from the Philippines business unit of approximately US\$3.6 million. This debt will be impaired in full due to uncertainty over its recoverability. At 31 December 2014 the non-recoverable assets have been impaired.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

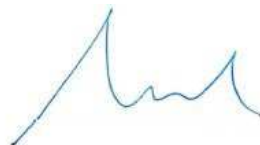
On behalf of the directors



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Martin Wright  
Director

9 October 2015  
Hong Kong



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Mike Bolsover  
Chief Executive Officer


Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
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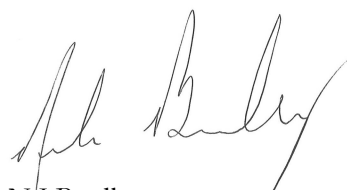
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**Auditor's Independence Declaration  
To the Directors of Silver Heritage Limited**

As lead auditor for the audit of Silver Heritage Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Accounting and Ethics Standards Board (IAESB).



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



N/J Bradley  
Partner - Audit & Assurance

Sydney, 9 October 2015

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**Silver Heritage Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2014**

|  |             | <b>Consolidated</b> |                    |
|--|-------------|---------------------|--------------------|
|  | <b>Note</b> | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  |             | <b>US\$'000</b>     | <b>US\$'000</b>    |
|  |             |                     | <b>Restated</b>    |
| <b>Revenue</b>   | 6           | 10,415              | 7,967              |
| Net gain on disposal of business                                     |             | -                   | 192                |
| <b>Expenses</b>  |             |                     |                    |
| Employee benefits expense  |             | (5,342)             | (4,414)            |
| Depreciation and amortisation expense                                | 7           | (2,145)             | (2,018)            |
| Impairment of assets   |             | (1,578)             | -                  |
| Legal and professional fees  |             | (334)               | (179)              |
| Advertising and promotion expenses                                   |             | (506)               | (397)              |
| Occupancy expense  |             | (699)               | (525)              |
| Travel and accommodation expenses                                    |             | (426)               | (524)              |
| Other expenses   |             | (2,809)             | (560)              |
| Finance costs  | 7           | (393)               | (203)              |
| <b>Loss before income tax expense</b>                                |             | (3,817)             | (661)              |
| Income tax expense   | 8           | (55)                | -                  |
| <b>Loss after income tax expense for the year</b>                    |             | (3,872)             | (661)              |
| <b>Other comprehensive income</b>                                    |             |                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i> |             |                     |                    |
| Foreign currency translation   |             | (386)               | 43                 |
| Other comprehensive income for the year, net of tax                  |             | (386)               | 43                 |
| <b>Total comprehensive income for the year</b>                       |             | <u>(4,258)</u>      | <u>(618)</u>       |
| Loss for the year is attributable to:                                |             |                     |                    |
| Non-controlling interest   |             | -                   | (2)                |
| Owners of Silver Heritage Limited                                    |             | (3,872)             | (659)              |
|  |             | <u>(3,872)</u>      | <u>(661)</u>       |
| Total comprehensive income for the year is attributable to:          |             |                     |                    |
| Non-controlling interest   |             | -                   | (2)                |
| Owners of Silver Heritage Limited                                    |             | (4,258)             | (616)              |
|  |             | <u>(4,258)</u>      | <u>(618)</u>       |
|  |             | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share   | 31          | (15.85)             | (4.40)             |
| Diluted earnings per share   | 31          | (15.85)             | (4.40)             |

Refer to note 4 for detailed information on restatement of comparatives.

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Silver Heritage Limited**  
**Statement of financial position**  
**As at 31 December 2014**

|  |             | <b>Consolidated</b> |                    |
|--|-------------|---------------------|--------------------|
|  | <b>Note</b> | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  |             | <b>US\$'000</b>     | <b>US\$'000</b>    |
|  |             |                     | <b>Restated</b>    |
| <b>Assets</b>  |             |                     |                    |
| <b>Current assets</b>  |             |                     |                    |
| Cash and cash equivalents                                    | 9           | 18,060              | 1,812              |
| Trade and other receivables                                  | 10          | 2,158               | 1,479              |
| Inventories  | 11          | 2,323               | 1,662              |
| Other  | 12          | 1,182               | 711                |
| Total current assets   |             | <u>23,723</u>       | <u>5,664</u>       |
| <b>Non-current assets</b>                                    |             |                     |                    |
| Receivables  | 13          | 84                  | -                  |
| Other financial assets                                       | 14          | 150                 | 150                |
| Property, plant and equipment                                | 15          | 9,819               | 4,449              |
| Intangibles  | 16          | 7,063               | 6,951              |
| Other  |             | 26                  | 26                 |
| Total non-current assets                                     |             | <u>17,142</u>       | <u>11,576</u>      |
| <b>Total assets</b>  |             | <u>40,865</u>       | <u>17,240</u>      |
| <b>Liabilities</b>   |             |                     |                    |
| <b>Current liabilities</b>                                   |             |                     |                    |
| Trade and other payables                                     | 17          | 1,651               | 4,672              |
| Borrowings   | 18          | -                   | 269                |
| Total current liabilities                                    |             | <u>1,651</u>        | <u>4,941</u>       |
| <b>Non-current liabilities</b>                               |             |                     |                    |
| Borrowings   | 19          | 9,472               | 484                |
| Total non-current liabilities                                |             | <u>9,472</u>        | <u>484</u>         |
| <b>Total liabilities</b>                                     |             | <u>11,123</u>       | <u>5,425</u>       |
| <b>Net assets</b>  |             | <u>29,742</u>       | <u>11,815</u>      |
| <b>Equity</b>  |             |                     |                    |
| Issued capital   | 20          | 38,893              | 17,829             |
| Reserves   | 21          | 1,596               | 835                |
| Accumulated losses   |             | (10,747)            | (6,875)            |
| Equity attributable to the owners of Silver Heritage Limited |             | <u>29,742</u>       | <u>11,789</u>      |
| Non-controlling interest                                     |             | -                   | 26                 |
| <b>Total equity</b>  |             | <u>29,742</u>       | <u>11,815</u>      |

Refer to note 4 for detailed information on restatement of comparatives.

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Silver Heritage Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2014**

| <b>Consolidated - Restated</b>                               | <b>Issued capital<br/>US\$'000</b> | <b>Reserves<br/>US\$'000</b> | <b>Accumulated losses<br/>US\$'000</b> | <b>Non-controlling interest<br/>US\$'000</b> | <b>Total equity<br/>US\$'000</b> |
|--|------------------------------------|------------------------------|--|--|----------------------------------|
| Balance at 1 January 2013                                    | 15,132                             | 343                          | (6,234)                                | -  | 9,241                            |
| Loss after income tax expense for the year                   | -                                  | -                            | (659)                                  | (2)  | (661)                            |
| Other comprehensive income for the year, net of tax          | -                                  | 43                           | -                                      | -  | 43                               |
| Total comprehensive income for the year                      | -                                  | 43                           | (659)                                  | (2)  | (618)                            |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |                              |  |  |                                  |
| Contributions of equity, net of transaction costs            | 2,697                              | (302)                        | -                                      | -  | 2,395                            |
| Share-based payments   | -                                  | 769                          | -                                      | -  | 769                              |
| Cancellation of options                                      | -                                  | (18)                         | 18                                     | -  | -                                |
| Acquisition of business                                      | -                                  | -                            | -                                      | 3  | 3                                |
| Set up new subsidiary  | -                                  | -                            | -                                      | 25   | 25                               |
| Balance at 31 December 2013                                  | <u>17,829</u>                      | <u>835</u>                   | <u>(6,875)</u>                         | <u>26</u>                                    | <u>11,815</u>                    |

Refer to note 4 for detailed information on restatement of comparatives.

| <b>Consolidated</b>  | <b>Issued capital<br/>US\$'000</b> | <b>Reserves<br/>US\$'000</b> | <b>Accumulated losses<br/>US\$'000</b> | <b>Non-controlling interest<br/>US\$'000</b> | <b>Total equity<br/>US\$'000</b> |
|--|------------------------------------|------------------------------|--|--|----------------------------------|
| Balance at 1 January 2014                                    | 167                                | 18,698                       | (6,105)                                | 26   | 12,786                           |
| Adjustment for correction of error (note 4)                  | -                                  | (201)                        | (770)                                  | -  | (971)                            |
| Adjustment for reclassification (note 4)                     | <u>17,662</u>                      | <u>(17,662)</u>              | <u>-</u>                               | <u>-</u>                                     | <u>-</u>                         |
| Balance at 1 January 2014 - restated                         | 17,829                             | 835                          | (6,875)                                | 26   | 11,815                           |
| Loss after income tax expense for the year                   | -                                  | -                            | (3,872)                                | -  | (3,872)                          |
| Other comprehensive income for the year, net of tax          | -                                  | (386)                        | -                                      | -  | (386)                            |
| Total comprehensive income for the year                      | -                                  | (386)                        | (3,872)                                | -  | (4,258)                          |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |                              |  |  |                                  |
| Contributions of equity, net of transaction costs            | 21,064                             | -                            | -                                      | -  | 21,064                           |
| Share-based payments   | -                                  | 1,147                        | -                                      | -  | 1,147                            |
| Repurchase of non-controlling interest                       | -                                  | -                            | -                                      | (26)   | (26)                             |
| Balance at 31 December 2014                                  | <u>38,893</u>                      | <u>1,596</u>                 | <u>(10,747)</u>                        | <u>-</u>                                     | <u>29,742</u>                    |

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

**Silver Heritage Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2014**

|  |             | <b>Consolidated</b> |                    |
|--|-------------|---------------------|--------------------|
|  | <b>Note</b> | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  |             | <b>US\$'000</b>     | <b>US\$'000</b>    |
| <b>Cash flows from operating activities</b>                      |             |                     |                    |
| Receipts from customers  |             | 8,425               | 8,388              |
| Payments to suppliers and employees                              |             | (14,188)            | (3,874)            |
|  |             | (5,763)             | 4,514              |
| Interest received  |             | 2                   | 3                  |
| Interest and other finance costs paid                            |             | (393)               | (203)              |
| Income taxes refunded  |             | -                   | 7                  |
| Income taxes paid  |             | (55)                | -                  |
| Net cash from/(used in) operating activities                     |             | (6,209)             | 4,321              |
| <b>Cash flows from investing activities</b>                      |             |                     |                    |
| Payments for property, plant and equipment                       |             | (8,896)             | (919)              |
| Payments for intangibles   |             | (654)               | (5,093)            |
| Payments for loans given to subsidiaries                         |             | (4,074)             | (459)              |
| Proceeds from disposal of business                               |             | -                   | 50                 |
| Repayment of loans advanced to related parties                   |             | 8,291               | -                  |
| Net cash used in investing activities                            |             | (5,333)             | (6,421)            |
| <b>Cash flows from financing activities</b>                      |             |                     |                    |
| Proceeds from issue of shares                                    |             | 22,000              | 2,698              |
| Share issue transaction costs                                    |             | (936)               | -                  |
| Proceeds from borrowings   |             | -                   | 439                |
| Repayment of borrowings  |             | (439)               | -                  |
| Advances on shareholder loans                                    |             | 7,194               | -                  |
| Advances to non-controlling interest                             |             | -                   | 28                 |
| Repurchase of non-controlling interest                           |             | (26)                | -                  |
| Net cash from financing activities                               |             | 27,793              | 3,165              |
| Net increase in cash and cash equivalents                        |             | 16,251              | 1,065              |
| Cash and cash equivalents at the beginning of the financial year |             | 1,812               | 704                |
| Effects of exchange rate changes on cash and cash equivalents    |             | (3)                 | 43                 |
| Cash and cash equivalents at the end of the financial year       | 9           | <u>18,060</u>       | <u>1,812</u>       |

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



**Note 1. General information**

The financial statements cover Silver Heritage Limited ('Company' or 'parent entity') as a Group consisting of Silver Heritage Limited and the entities it controlled at the end of, or during, the year, together are referred to in these financial statements as the 'Group'. The financial statements are presented in US dollars, which is Silver Heritage Limited's functional and presentation currency.

The principal activities of the Group consisted of managing casinos, operating slots and electronic gaming equipment, and acting as a sales agent for gaming equipment suppliers.

Silver Heritage Limited is the Group's ultimate parent company. Silver Heritage Limited is a limited liability company incorporated and domiciled in the British Virgin Islands. The address of its registered office is Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands and its principal place of business is 6/F The Phoenix, 23 Luard Road, Wanchai, Hong Kong.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 October 2015.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as appropriate for for-profit oriented entities.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silver Heritage Limited as at 31 December 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

**Note 2. Significant accounting policies (continued)**

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

The financial statements are presented in US dollars, which is Silver Heritage Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into US dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Casino and gaming equipment revenue*

Revenue from gaming equipment is recognised on an accruals basis in accordance with the contractual terms of respective leasing or revenue sharing agreements. Such revenue is calculated at an agreed percentage of net win from each item of gaming equipment after deducting relevant gaming tax and specific direct expenses under the terms of the leasing or revenue sharing agreements.

*Commission*

Commission from sports betting is determined at an agreed percentage of transactions or profits from sports betting.

*Service income*

Service income is recognised when the service is rendered.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Note 2. Significant accounting policies (continued)**

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Note 2. Significant accounting policies (continued)**

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Spare parts for gaming machine and the gaming related inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

|                                   |                 |
|-----------------------------------|-----------------|
| Land                              | Not depreciated |
| Plant and equipment (new)         | 5 years         |
| Plant and equipment (second hand) | 3 years         |
| Construction in progress          | Not depreciated |

**Note 2. Significant accounting policies (continued)**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Services agreement*

Costs in relation to services agreement are capitalised as an asset and amortised on a straight-line basis over the contract period.

*Software licences*

Software licenses that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

*Contract amendment fee*

Costs in relation to contract amendment fee are capitalised as an asset and amortised on a straight-line basis over the contract period.

*Indefinite life intangible assets*

Intangible assets are not amortised when their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

**Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**Note 2. Significant accounting policies (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Employee benefits**

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

**Note 2. Significant accounting policies (continued)**

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Silver Heritage Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Value Added Tax ('VAT') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

**Note 2. Significant accounting policies (continued)**

**Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2014. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*IFRS 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. IFRS 9 has been revised and reissued and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The reissued standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows where the contractual cash flows arise on specified dates and are solely payments of principal and interest based on the principal outstanding. A financial asset shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is to both hold assets in order to collect contractual cash flows (as per amortised cost) and sell financial assets. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). This removes situations where gains caused by a deterioration in own credit risk on financial liabilities held are no longer recognised in profit or loss. New hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities undertaken by entities enabling entities to better reflect these activities through enhanced disclosure.

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance meaning that it is no longer necessary for a credit event to have occurred before credit losses are recognised. This will therefore bring forward the timing of recognising impairment losses. Impairment will be measured at either an amount equal to the 12-month expected credit losses, being the portion of lifetime expected credit losses that represent the expected credit losses resulting from events of default that could occur within the 12 months of reporting date, or the full lifetime expected credit losses which are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses shall be measured under the 12-month expected credit losses method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss method is adopted. The amendments add extensive new disclosures relating to the ECL provisions.

The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

*IFRS 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.



**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

*Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Estimation of impairment of Philippines assets*

The provision for impairment of the Philippines assets is based on the estimate and judgement that no recoverable value will be received for the sale of these assets.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**Note 4. Restatement of comparatives**

*Correction of error*

On a review of the terms and conditions of the employee loan agreements related to the purchase of shares in the Company, it was found that there was limited recourse within the agreements and as a result the loans fall within the scope of IAS 2 'Share-based payments'.

In substance the shares and loan are an option over the shares exercisable at the amount of the loan. Under IAS 2 this should be accounted for as a share-based payment expense as there are no vesting conditions and the loan cannot be recognised as an asset because it does not meet the definition of a financial asset.

This has resulted in an adjustment to the reported figures at 31 December 2013 of \$769,279 between reserves in the statement of financial position and employee expense in profit or loss in relation to the cost of the loans and also an adjustment of \$969,638 to remove the loans from non-current receivables to reserves in the statement of financial position in order to correct this error.

*Reclassification*

The reported figures for the comparative period to 31 December 2013 were limited in relation to the expenses in the statement of comprehensive income. All expenses were included under one line item called operating expenses. In order to provide more meaningful financial information to the users and in line with the current year presentation, the operating expenses have been allocated out to respective expense categories.

Interest income was previously included in other income however has been reclassified to other revenue in line with current year presentation.

Prepayments and deposits were previously included under trade and other payables but as their nature is not really trade they have been reclassified to other assets in the statement of financial position.

Accruals were previously included in trade and other payables but as their nature is not really trade they have been reclassified to other liabilities in the statement of financial position.

The effect of the correction of error and reclassification adjustments are shown in the following statements:

**Note 4. Restatement of comparatives (continued)**

*Statement of profit or loss and other comprehensive income*

|   | 31 Dec 2013<br>US\$'000<br>Reported | Consolidated<br>US\$'000<br>Adjustment | 31 Dec 2013<br>US\$'000<br>Restated |
|---|-------------------------------------|--|-------------------------------------|
| <b>Revenue</b>  | 7,964                               | 3                                      | 7,967                               |
| Net gain on disposal of business                            | 195                                 | (3)                                    | 192                                 |
| <b>Expenses</b>   |                                     |  |                                     |
| Operating expenses  | (7,847)                             | 7,847                                  | -                                   |
| Employee benefits expense                                   | -                                   | (4,414)                                | (4,414)                             |
| Depreciation and amortisation expense                       | -                                   | (2,018)                                | (2,018)                             |
| Legal and professional fees                                 | -                                   | (179)                                  | (179)                               |
| Advertising and promotion expenses                          | -                                   | (397)                                  | (397)                               |
| Occupancy expense   | -                                   | (525)                                  | (525)                               |
| Travel and accommodation expenses                           | -                                   | (524)                                  | (524)                               |
| Other expenses  | -                                   | (560)                                  | (560)                               |
| Finance costs   | (203)                               | -                                      | (203)                               |
| <b>Profit/(loss) before income tax expense</b>              | 109                                 | (770)                                  | (661)                               |
| Income tax expense  | -                                   | -                                      | -                                   |
| <b>Profit/(loss) after income tax expense for the year</b>  | 109                                 | (770)                                  | (661)                               |
| <b>Other comprehensive income</b>                           |                                     |  |                                     |
| Foreign currency translation                                | 43                                  | -                                      | 43                                  |
| Other comprehensive income for the year, net of tax         | 43                                  | -                                      | 43                                  |
| <b>Total comprehensive income for the year</b>              | <u>152</u>                          | <u>(770)</u>                           | <u>(618)</u>                        |
| Loss for the year is attributable to:                       |                                     |  |                                     |
| Non-controlling interest                                    | (2)                                 | -                                      | (2)                                 |
| Owners of Silver Heritage Limited                           | 111                                 | (770)                                  | (659)                               |
|   | <u>109</u>                          | <u>(770)</u>                           | <u>(661)</u>                        |
| Total comprehensive income for the year is attributable to: |                                     |  |                                     |
| Non-controlling interest                                    | (2)                                 | -                                      | (2)                                 |
| Owners of Silver Heritage Limited                           | 154                                 | (770)                                  | (616)                               |
|   | <u>152</u>                          | <u>(770)</u>                           | <u>(618)</u>                        |

*Statement of financial position at the beginning of the earliest comparative period*

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 January 2013. However, as there were no adjustments made as at 1 January 2013, the Group has elected not to show the 1 January 2013 statement of financial position.

**Note 4. Restatement of comparatives (continued)**

*Statement of financial position at the end of the earliest comparative period*

|  | 31 Dec 2013<br>US\$'000<br>Reported | Consolidated<br>US\$'000<br>Adjustment | 31 Dec 2013<br>US\$'000<br>Restated |
|--|-------------------------------------|--|-------------------------------------|
| <b>Assets</b>  |                                     |  |                                     |
| <b>Current assets</b>  |                                     |  |                                     |
| Cash and cash equivalents                                    | 1,812                               | -                                      | 1,812                               |
| Trade and other receivables                                  | 2,190                               | (711)                                  | 1,479                               |
| Inventories  | 1,662                               | -                                      | 1,662                               |
| Other  | -                                   | 711                                    | 711                                 |
| Total current assets   | 5,664                               | -                                      | 5,664                               |
| <b>Non-current assets</b>                                    |                                     |  |                                     |
| Receivables  | 970                                 | (970)                                  | -                                   |
| Investments accounted for using the equity method            | 150                                 | (150)                                  | -                                   |
| Other financial assets                                       | -                                   | 150                                    | 150                                 |
| Property, plant and equipment                                | 4,449                               | -                                      | 4,449                               |
| Intangibles  | 6,951                               | -                                      | 6,951                               |
| Other  | 26                                  | -                                      | 26                                  |
| Total non-current assets                                     | 12,546                              | (970)                                  | 11,576                              |
| <b>Total assets</b>  | 18,210                              | (970)                                  | 17,240                              |
| <b>Liabilities</b>   |                                     |  |                                     |
| <b>Current liabilities</b>                                   |                                     |  |                                     |
| Trade and other payables                                     | 4,671                               | 1                                      | 4,672                               |
| Borrowings   | 269                                 | -                                      | 269                                 |
| Total current liabilities                                    | 4,940                               | 1                                      | 4,941                               |
| <b>Non-current liabilities</b>                               |                                     |  |                                     |
| Borrowings   | 484                                 | -                                      | 484                                 |
| Total non-current liabilities                                | 484                                 | -                                      | 484                                 |
| <b>Total liabilities</b>                                     | 5,424                               | 1                                      | 5,425                               |
| <b>Net assets</b>  | 12,786                              | (971)                                  | 11,815                              |
| <b>Equity</b>  |                                     |  |                                     |
| Issued capital   | 167                                 | 17,662                                 | 17,829                              |
| Reserves   | 18,698                              | (17,863)                               | 835                                 |
| Accumulated losses   | (6,105)                             | (770)                                  | (6,875)                             |
| Equity attributable to the owners of Silver Heritage Limited | 12,760                              | (971)                                  | 11,789                              |
| Non-controlling interest                                     | 26                                  | -                                      | 26                                  |
| <b>Total equity</b>  | 12,786                              | (971)                                  | 11,815                              |

**Note 5. Operating segments**

*Identification of reportable operating segments*

The Group is organised into four geographical operating segments: Cambodia and Laos, Nepal, Vietnam and Philippines. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

*Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

*Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Major customers*

During the year ended 31 December 2014 approximately 80% of the Group's external revenue was derived from sales to three customers, Dansavanh Nam Mqum Resort, Phoenix and Tanelang.

*Operating segment information*

| <b>Consolidated - 31 Dec 2014</b>     | Cambodia,<br>Laos<br>and Tinian<br>US\$'000 | Nepal<br>US\$'000 | Vietnam<br>US\$'000 | Philippines<br>US\$'000 | Other<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|---|-------------------|---------------------|-------------------------|-------------------|-------------------|
| <b>Revenue</b>                        |   |                   |                     |                         |                   |                   |
| Gaming revenue                        | 3,882                                       | -                 | 5,290               | 543                     | -                 | 9,715             |
| Other revenue                         | 622   | -                 | -                   | -                       | 78                | 700               |
| <b>Total revenue</b>                  | <u>4,504</u>                                | <u>-</u>          | <u>5,290</u>        | <u>543</u>              | <u>78</u>         | <u>10,415</u>     |
| <b>Segment profit</b>                 | <u>2,163</u>                                | <u>-</u>          | <u>3,907</u>        | <u>(663)</u>            | <u>78</u>         | <u>5,485</u>      |
| Depreciation and amortisation         |   |                   |                     |                         |                   | (2,145)           |
| Impairment of assets                  |   |                   |                     |                         |                   | (1,578)           |
| Interest revenue                      |   |                   |                     |                         |                   | 2                 |
| Finance costs                         |   |                   |                     |                         |                   | (393)             |
| Other expenses                        |   |                   |                     |                         |                   | (2,452)           |
| Expenses incurred for future projects |   |                   |                     |                         |                   | (1,517)           |
| Share-based compensation expenses     |   |                   |                     |                         |                   | (1,147)           |
| Bad debt expense                      |   |                   |                     |                         |                   | (72)              |
| <b>Loss before income tax expense</b> |   |                   |                     |                         |                   | <u>(3,817)</u>    |
| Income tax expense                    |   |                   |                     |                         |                   | (55)              |
| <b>Loss after income tax expense</b>  |   |                   |                     |                         |                   | <u>(3,872)</u>    |
| <b>Assets</b>                         |   |                   |                     |                         |                   |                   |
| Segment assets                        | 5,686                                       | 10,468            | 7,027               | 627                     | 17,057            | 40,865            |
| <b>Total assets</b>                   |   |                   |                     |                         |                   | <u>40,865</u>     |
| <b>Liabilities</b>                    |   |                   |                     |                         |                   |                   |
| Segment liabilities                   | 479   | -                 | -                   | -                       | 10,644            | 11,123            |
| <b>Total liabilities</b>              |   |                   |                     |                         |                   | <u>11,123</u>     |

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**Note 5. Operating segments (continued)**

| <b>Consolidated - 31 Dec 2013</b>     | Cambodia,<br>Laos<br>and Tinian<br>US\$'000 | Nepal<br>US\$'000 | Vietnam<br>US\$'000 | Philippines<br>US\$'000 | Other<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|---|-------------------|---------------------|-------------------------|-------------------|-------------------|
| <b>Revenue</b>                        |   |                   |                     |                         |                   |                   |
| Gaming revenue                        | 5,259                                       | 650               | 1,130               | 128                     | 420               | 7,587             |
| Other revenue                         | 193   | -                 | -                   | -                       | 187               | 380               |
| <b>Total revenue</b>                  | <u>5,452</u>                                | <u>650</u>        | <u>1,130</u>        | <u>128</u>              | <u>607</u>        | <u>7,967</u>      |
| <b>Segment profit</b>                 | <u>3,579</u>                                | <u>(373)</u>      | <u>575</u>          | <u>(315)</u>            | <u>287</u>        | <u>3,753</u>      |
| Depreciation and amortisation         |   |                   |                     |                         |                   | (2,018)           |
| Finance costs                         |   |                   |                     |                         |                   | (203)             |
| Other expenses                        |   |                   |                     |                         |                   | (2,193)           |
| <b>Loss before income tax expense</b> |   |                   |                     |                         |                   | (661)             |
| Income tax expense                    |   |                   |                     |                         |                   | -                 |
| <b>Loss after income tax expense</b>  |   |                   |                     |                         |                   | <u>(661)</u>      |
| <b>Assets</b>                         |   |                   |                     |                         |                   |                   |
| Segment assets                        | <u>5,470</u>                                | <u>2,187</u>      | <u>6,315</u>        | <u>712</u>              | <u>2,556</u>      | <u>17,240</u>     |
| <b>Total assets</b>                   |   |                   |                     |                         |                   | <u>17,240</u>     |
| <b>Liabilities</b>                    |   |                   |                     |                         |                   |                   |
| Segment liabilities                   | <u>418</u>                                  | <u>855</u>        | <u>3,237</u>        | <u>5</u>                | <u>910</u>        | <u>5,425</u>      |
| <b>Total liabilities</b>              |   |                   |                     |                         |                   | <u>5,425</u>      |

**Note 6. Revenue**

|                                     | <b>Consolidated<br/>31 Dec 2014<br/>US\$'000</b> | <b>31 Dec 2013<br/>US\$'000</b> |
|-------------------------------------|--|---------------------------------|
| <i>Sales revenue</i>                |  |                                 |
| Casino and gaming equipment revenue | 9,715  | 7,587                           |
| <i>Other revenue</i>                |  |                                 |
| Commission                          | 22   | 68                              |
| Consulting fees                     | 60   | 53                              |
| Interest                            | 2  | 3                               |
| Other revenue                       | <u>616</u>                                       | <u>256</u>                      |
|                                     | <u>700</u>                                       | <u>380</u>                      |
| <b>Revenue</b>                      | <u><u>10,415</u></u>                             | <u><u>7,967</u></u>             |

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**Note 7. Expenses**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Loss before income tax includes the following specific expenses: |                     |                    |
| <i>Depreciation</i>  |                     |                    |
| Plant and equipment  | 1,603               | 1,784              |
| <i>Amortisation</i>  |                     |                    |
| Services agreement   | 542                 | 158                |
| Contract amendment fee   | -                   | 76                 |
| Total amortisation   | 542                 | 234                |
| Total depreciation and amortisation                              | 2,145               | 2,018              |
| <i>Impairment</i>  |                     |                    |
| Plant and equipment  | 1,251               | -                  |
| Prepayments and other deposits                                   | 327                 | -                  |
| Total impairment   | 1,578               | -                  |
| <i>Finance costs</i>   |                     |                    |
| Interest on borrowings   | 22                  | 38                 |
| Interest on shareholder loans                                    | 350                 | 137                |
| Interest on finance leases                                       | 21                  | 28                 |
| Finance costs expensed   | 393                 | 203                |
| <i>Net foreign exchange loss</i>                                 |                     |                    |
| Net foreign exchange loss  | 39                  | 87                 |
| <i>Rental expense relating to operating leases</i>               |                     |                    |
| Minimum lease payments   | 304                 | 330                |
| <i>Superannuation expense</i>                                    |                     |                    |
| Defined contribution superannuation expense                      | 44                  | 30                 |

Plant and equipment of US\$1,251,000 and prepayments and other deposits of US\$327,000 have been impaired due to the expected sale of the Company's Philippines business units, as further detailed in Note 30. The Philippines is a cash generating unit as disclosed in Note 5. The recoverable amount is based on fair value less costs to sell.

**Note 8. Income tax expense**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|   | <b>US\$'000</b>     | <b>US\$'000</b>    |
| <i>Income tax expense</i>   |                     |                    |
| Current tax   | 55                  | -                  |
| Aggregate income tax expense  | <u>55</u>           | <u>-</u>           |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> |                     |                    |
| Loss before income tax expense  | (3,817)             | (661)              |
| Tax at the statutory tax rate of 0% (2013: 0%)                                      | -                   | -                  |
| Difference in overseas tax rates  | 55                  | -                  |
| Income tax expense  | <u>55</u>           | <u>-</u>           |

**Note 9. Current assets - cash and cash equivalents**

|              | <b>Consolidated</b> |                    |
|--------------|---------------------|--------------------|
|              | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|              | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Cash on hand | 68                  | 37                 |
| Cash at bank | 17,992              | 1,775              |
|              | <u>18,060</u>       | <u>1,812</u>       |

**Note 10. Current assets - trade and other receivables**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|   | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Trade receivables                             | 1,061               | 709                |
| Other receivables                             | 597                 | 136                |
| Deposit and prepayment for Vietnam investment | 500                 | 634                |
|   | <u>2,158</u>        | <u>1,479</u>       |

**Note 11. Current assets - inventories**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Spare parts and gaming consumables - at cost | 2,159               | 1,518              |
| Consumable goods in transit - at cost        | 164                 | 144                |
|  | <u>2,323</u>        | <u>1,662</u>       |



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**Note 12. Current assets - other**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Accrued revenue                              | 200                 | -                  |
| Prepayments                                  | 542                 | 369                |
| Other deposits                               | 767                 | 342                |
| Impairment of prepayments and other deposits | (327)               | -                  |
|  | <u>1,182</u>        | <u>711</u>         |

Refer to note 7 for further information on impairment.

**Note 13. Non-current assets - receivables**

|                   | <b>Consolidated</b> |                    |
|-------------------|---------------------|--------------------|
|                   | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                   | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Other receivables | <u>84</u>           | <u>-</u>           |

**Note 14. Non-current assets - other financial assets**

|                             | <b>Consolidated</b> |                    |
|-----------------------------|---------------------|--------------------|
|                             | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                             | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Investment in joint venture | <u>150</u>          | <u>150</u>         |

Refer to note 29 for further information on investment in joint ventures.

**Note 15. Non-current assets - property, plant and equipment**

|                                    | <b>Consolidated</b> |                    |
|------------------------------------|---------------------|--------------------|
|                                    | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                                    | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Land - at cost                     | <u>2,188</u>        | <u>-</u>           |
| Plant and equipment - at cost      | 11,757              | 10,179             |
| Less: Accumulated depreciation     | (6,342)             | (5,730)            |
| Less: Impairment                   | (1,251)             | -                  |
|                                    | <u>4,164</u>        | <u>4,449</u>       |
| Construction in progress - at cost | <u>3,467</u>        | <u>-</u>           |
|                                    | <u>9,819</u>        | <u>4,449</u>       |

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**Note 15. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| <b>Consolidated</b>         | Land<br>US\$'000 | Plant and<br>equipment<br>US\$'000 | Construction<br>in<br>progress<br>US\$'000 | Total<br>US\$'000 |
|-----------------------------|------------------|------------------------------------|--|-------------------|
| Balance at 1 January 2013   | -                | 6,231                              | -  | 6,231             |
| Additions                   | -                | 919                                | -  | 919               |
| Disposals                   | -                | (917)                              | -  | (917)             |
| Depreciation expense        | -                | (1,784)                            | -  | (1,784)           |
| Balance at 31 December 2013 | -                | 4,449                              | -  | 4,449             |
| Additions                   | 2,188            | 3,241                              | 3,467                                      | 8,896             |
| Disposals                   | -                | (18)                               | -  | (18)              |
| Impairment of assets        | -                | (1,251)                            | -  | (1,251)           |
| Transfers to inventory      | -                | (654)                              | -  | (654)             |
| Depreciation expense        | -                | (1,603)                            | -  | (1,603)           |
| Balance at 31 December 2014 | <u>2,188</u>     | <u>4,164</u>                       | <u>3,467</u>                               | <u>9,819</u>      |

Refer to note 7 for further information on impairment.

*Property, plant and equipment secured under finance leases*

Refer to note 26 for further information on property, plant and equipment secured under finance leases.

**Note 16. Non-current assets - intangibles**

|  | <b>Consolidated</b>             |                                 |
|--|---------------------------------|---------------------------------|
|  | <b>31 Dec 2014<br/>US\$'000</b> | <b>31 Dec 2013<br/>US\$'000</b> |
| Software licences - at cost                | 2,695                           | 2,116                           |
| Less: Accumulated amortisation             | (43)                            | (43)                            |
|  | <u>2,652</u>                    | <u>2,073</u>                    |
| Services agreement - at cost               | 4,500                           | 4,500                           |
| Less: Accumulated amortisation             | (700)                           | (158)                           |
|  | <u>3,800</u>                    | <u>4,342</u>                    |
| Indefinite life intangible asset - at cost | 611                             | 536                             |
|  | <u>7,063</u>                    | <u>6,951</u>                    |

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**Note 16. Non-current assets - intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| <b>Consolidated</b>         | Software<br>licences<br>US\$'000 | Services<br>agreement<br>US\$'000 | Indefinite life<br>intangible<br>asset<br>US\$'000 | Contract<br>amendment<br>fee<br>US\$'000 | Total<br>US\$'000 |
|-----------------------------|----------------------------------|-----------------------------------|--|--|-------------------|
| Balance at 1 January 2013   | 2,016                            | -                                 | -  | 378                                      | 2,394             |
| Additions                   | 57                               | 4,500                             | 536  | -  | 5,093             |
| Disposals                   | -                                | -                                 | -  | (302)                                    | (302)             |
| Amortisation expense        | -                                | (158)                             | -  | (76)                                     | (234)             |
| Balance at 31 December 2013 | 2,073                            | 4,342                             | 536  | -  | 6,951             |
| Additions                   | 579                              | -                                 | 75   | -  | 654               |
| Amortisation expense        | -                                | (542)                             | -  | -  | (542)             |
| Balance at 31 December 2014 | <u>2,652</u>                     | <u>3,800</u>                      | <u>611</u>   | <u>-</u>                                 | <u>7,063</u>      |

**Note 17. Current liabilities - trade and other payables**

|                  | <b>Consolidated</b>             |                                 |
|------------------|---------------------------------|---------------------------------|
|                  | <b>31 Dec 2014<br/>US\$'000</b> | <b>31 Dec 2013<br/>US\$'000</b> |
| Trade payables   | 679                             | 4,271                           |
| Accrued expenses | 792                             | 232                             |
| Other payables   | 180                             | 169                             |
|                  | <u>1,651</u>                    | <u>4,672</u>                    |

Refer to note 22 for further information on financial instruments.

**Note 18. Current liabilities - borrowings**

|                   | <b>Consolidated</b>             |                                 |
|-------------------|---------------------------------|---------------------------------|
|                   | <b>31 Dec 2014<br/>US\$'000</b> | <b>31 Dec 2013<br/>US\$'000</b> |
| Shareholder loans | -                               | 214                             |
| Lease liability   | -                               | 55                              |
|                   | <u>-</u>                        | <u>269</u>                      |

Refer to note 22 for further information on financial instruments.

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**Note 19. Non-current liabilities - borrowings**

|                           | <b>Consolidated</b> |                    |
|---------------------------|---------------------|--------------------|
|                           | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                           | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Shareholder loans         | -                   | 100                |
| Unsecured loans           | -                   | 286                |
| Convertible notes payable | 9,472               | -                  |
| Lease liability           | -                   | 98                 |
|                           | <u>9,472</u>        | <u>484</u>         |

Refer to note 22 for further information on financial instruments.

*Shareholder loans*

The shareholder loans were unsecured and interest bearing at an effective rate of 12% (2013: 12%) per annum. The shareholder loans were repaid during the year.

*Convertible notes*

During the year, the Company had a total fair value of debt of US\$9,472,000 in the form of a US\$10,000,000 convertible note. This convertible note has a coupon rate of 8.0% payable semi-annually in arrears, but has a redemption rate of 15.0% if there is no qualifying Initial Public Offering ('IPO'). The note may be converted into ordinary shares at a price of US\$1.913 per share which, if converted, would equate to the issue of a further 5,227,392 ordinary shares.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

|                 | <b>Consolidated</b> |                    |
|-----------------|---------------------|--------------------|
|                 | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                 | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Lease liability | -                   | 153                |

*Assets pledged as security*

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

**Note 20. Equity - issued capital**

|  | <b>Consolidated</b> |                    |                    |                    |
|--|---------------------|--------------------|--------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> | <b>31 Dec 2014</b> | <b>31 Dec 2013</b> |
|  | <b>Shares</b>       | <b>Shares</b>      | <b>US\$'000</b>    | <b>US\$'000</b>    |
| Ordinary shares of 1 cent each - issued and fully paid | <u>32,001,288</u>   | <u>16,679,622</u>  | <u>38,893</u>      | <u>17,829</u>      |

*Authorised share capital*

40,000,000 (2013: 20,000,000) ordinary shares of 1 cent par value each amounting to par value of US\$400,000 (2013: US\$200,000). The authorised share capital was increased on 23 May 2014.

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**Note 20. Equity - issued capital (continued)**

*Movements in ordinary share capital*

| Details                                | Date              | Shares            |          | US\$'000      |
|--|-------------------|-------------------|----------|---------------|
| Balance                                | 1 January 2013    | 14,224,027        |          | 15,388        |
| Issue of shares on exercise of options | 9 September 2013  | 777,946           | US\$1.15 | -             |
| Issue of shares on exercise of options | 9 September 2013  | 50,000            | US\$1.50 | -             |
| Issue of shares                        | 10 September 2013 | 1,627,649         | US\$1.50 | 2,441         |
| Balance                                | 31 December 2013  | 16,679,622        |          | 17,829        |
| Issue of shares on exercise of options | 27 March 2014     | 655,000           | US\$2.00 | -             |
| Issue of shares                        | 24 June 2014      | 13,166,666        | US\$1.50 | 19,750        |
| Issue of shares                        | 8 October 2014    | 1,500,000         | US\$1.50 | 2,250         |
| Share issue transaction costs          |                   |                   |          | (936)         |
| Balance                                | 31 December 2014  | <u>32,001,288</u> |          | <u>38,893</u> |

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Note 21. Equity - reserves**

|                              | <b>Consolidated</b> |                    |
|------------------------------|---------------------|--------------------|
|                              | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                              | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Foreign currency reserve     | (320)               | 66                 |
| Share-based payments reserve | 1,916               | 769                |
|                              | <u>1,596</u>        | <u>835</u>         |

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to US dollars.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 21. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

| <b>Consolidated</b>                 | Foreign<br>currency<br>US\$'000 | Share-based<br>payments<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------------|---------------------------------|-------------------------------------|-------------------|
| Balance at 1 January 2013           | 23                              | 320                                 | 343               |
| Foreign currency translation        | 43                              | -                                   | 43                |
| Premium on issue of ordinary shares | -                               | (302)                               | (302)             |
| Cancellation of share options       | -                               | (18)                                | (18)              |
| Non-recourse loans                  | -                               | 769                                 | 769               |
| Balance at 31 December 2013         | 66                              | 769                                 | 835               |
| Foreign currency translation        | (386)                           | -                                   | (386)             |
| Non-recourse loans                  | -                               | 1,147                               | 1,147             |
| Balance at 31 December 2014         | <u>(320)</u>                    | <u>1,916</u>                        | <u>1,596</u>      |

**Note 22. Financial instruments**

***Financial risk management objectives***

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

***Foreign currency risk***

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group operated mainly in South East Asia and is exposed to foreign currency exchange rate risk arising from various foreign currency exposures, primarily with respect to the Thailand Baht.

At 31 December 2014, if the foreign currencies below had weakened/strengthened against the US dollar with all other variables held constant, the effect on profit and equity would have been as follows as a result of foreign exchange losses/gains on translation of the foreign currency denominated trade and other receivables, cash and cash equivalents and trade and other payables:

**Note 22. Financial instruments (continued)**

| Consolidated - 31 Dec 2014 | % change | USD strengthened                  |                     | % change | USD weakened                      |                     |
|----------------------------|----------|-----------------------------------|---------------------|----------|-----------------------------------|---------------------|
|                            |          | Effect on<br>profit before<br>tax | Effect on<br>equity |          | Effect on<br>profit before<br>tax | Effect on<br>equity |
| Thailand Baht              | 5%       | 23,728                            | 23,728              | 5%       | (23,728)                          | (23,728)            |
| Philippine Peso            | 5%       | 211,977                           | 211,977             | 5%       | (211,977)                         | (211,977)           |
| Nepalese Rupee             | 5%       | 211,629                           | 211,629             | 5%       | (211,629)                         | (211,629)           |
|                            |          | <u>447,334</u>                    | <u>447,334</u>      |          | <u>(447,334)</u>                  | <u>(447,334)</u>    |
| Consolidated - 31 Dec 2013 | % change | USD strengthened                  |                     | % change | USD weakened                      |                     |
|                            |          | Effect on<br>profit before<br>tax | Effect on<br>equity |          | Effect on<br>profit before<br>tax | Effect on<br>equity |
| Thailand Baht              | 5%       | 1,702                             | 1,702               | 5%       | (1,702)                           | (1,702)             |
| Philippine Peso            | 5%       | 20,990                            | 20,990              | 5%       | (20,990)                          | (20,990)            |
| Nepalese Rupee             | 5%       | 48,807                            | 48,807              | 5%       | (48,807)                          | (48,807)            |
|                            |          | <u>71,499</u>                     | <u>71,499</u>       |          | <u>(71,499)</u>                   | <u>(71,499)</u>     |

**Price risk**

The Group is not exposed to any significant price risk.

**Interest rate risk**

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate cash and cash equivalents:

| Consolidated                                 | 31 Dec 2014                               |                     | 31 Dec 2013                               |                     |
|--|---|---------------------|---|---------------------|
|  | Weighted<br>average<br>interest rate<br>% | Balance<br>US\$'000 | Weighted<br>average<br>interest rate<br>% | Balance<br>US\$'000 |
| Cash at bank                                 | 0.01%                                     | <u>17,992</u>       | 0.06%                                     | <u>1,775</u>        |
| Net exposure to cash flow interest rate risk |   | <u>17,992</u>       |   | <u>1,775</u>        |

An official increase/decrease in interest rates would have no significant impact on the results.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

**Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 22. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| <b>Consolidated - 31 Dec 2014</b>    | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>US\$'000 | Between 1<br>and 2 years<br>US\$'000 | Between 2<br>and 5 years<br>US\$'000 | Over 5 years<br>US\$'000 | Remaining<br>contractual<br>maturities<br>US\$'000 |
|--------------------------------------|---|----------------------------|--------------------------------------|--------------------------------------|--------------------------|--|
| <b>Non-derivatives</b>               |   |                            |                                      |                                      |                          |  |
| <i>Non-interest bearing</i>          |   |                            |                                      |                                      |                          |  |
| Trade payables                       | -%  | 679                        | -                                    | -                                    | -                        | 679  |
| Other payables                       | -%  | 180                        | -                                    | -                                    | -                        | 180  |
| <i>Interest-bearing - fixed rate</i> |   |                            |                                      |                                      |                          |  |
| Convertible notes payable            | 8.00%                                     | -                          | 10,000                               | -                                    | -                        | 10,000   |
| Total non-derivatives                |   | 859                        | 10,000                               | -                                    | -                        | 10,859   |
| <hr/>                                |   |                            |                                      |                                      |                          |  |
| <b>Consolidated - 31 Dec 2013</b>    | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>US\$'000 | Between 1<br>and 2 years<br>US\$'000 | Between 2<br>and 5 years<br>US\$'000 | Over 5 years<br>US\$'000 | Remaining<br>contractual<br>maturities<br>US\$'000 |
| <b>Non-derivatives</b>               |   |                            |                                      |                                      |                          |  |
| <i>Non-interest bearing</i>          |   |                            |                                      |                                      |                          |  |
| Trade payables                       | -%  | 4,271                      | -                                    | -                                    | -                        | 4,271  |
| Other payables                       | -%  | 169                        | -                                    | -                                    | -                        | 169  |
| Unsecured loans                      | -%  | -                          | 286                                  | -                                    | -                        | 286  |
| <i>Interest-bearing - fixed rate</i> |   |                            |                                      |                                      |                          |  |
| Lease liability                      | -%  | 87                         | 116                                  | -                                    | -                        | 203  |
| Shareholder loans                    | 12.00%                                    | 240                        | 112                                  | -                                    | -                        | 352  |
| Total non-derivatives                |   | 4,767                      | 514                                  | -                                    | -                        | 5,281  |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 23. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.



**Note 24. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

|                              | <b>Consolidated</b> |                    |
|------------------------------|---------------------|--------------------|
|                              | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|                              | <b>US\$</b>         | <b>US\$</b>        |
| Short-term employee benefits | 833                 | 3,595              |
| Long-term benefits           | 36                  | 32                 |
|                              | <u>869</u>          | <u>3,627</u>       |

**Note 25. Contingent liabilities**

Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision, management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

**Note 26. Commitments**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|   | <b>US\$'000</b>     | <b>US\$'000</b>    |
| <i>Lease commitments - operating</i>  |                     |                    |
| Committed at the reporting date but not recognised as liabilities, payable: |                     |                    |
| Within one year   | 158                 | 21                 |
| One to five years   | 68                  | -                  |
|   | <u>226</u>          | <u>21</u>          |
| <i>Lease commitments - finance</i>  |                     |                    |
| Committed at the reporting date and recognised as liabilities, payable:     |                     |                    |
| Within one year   | -                   | 87                 |
| More than five years  | -                   | 116                |
| Total commitment  | -                   | 203                |
| Less: Future finance charges  | -                   | (50)               |
| Net commitment recognised as liabilities                                    | <u>-</u>            | <u>153</u>         |
| Representing:   |                     |                    |
| Lease liability - current (note 18)   | -                   | 55                 |
| Lease liability - non-current (note 19)                                     | -                   | 98                 |
|   | <u>-</u>            | <u>153</u>         |

The Company entered into an agreement on 28 September 2012 to purchase 600 gaming licenses, 200 gaming terminals and related spare parts for a total consideration of US\$2,383,200. The outstanding capital commitment as at the end of the financial period with respect to the purchase of gaming licenses was US\$1,225,813 (2013: US\$1,808,000).

At 31 December 2014, the shortest lease outstanding expires at the end of February 2015 and longest lease outstanding expires in June 2016.

**Silver Heritage Limited**  
**Notes to the financial statements**  
**31 December 2014**

**Note 27. Related party transactions**

*Parent entity*

Silver Heritage Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 28.

*Joint ventures*

Interests in joint ventures are set out in note 29.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 24.

*Transactions with related parties*

The following transactions occurred with related parties:

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  | <b>US\$</b>         | <b>US\$</b>        |
| Other income:  |                     |                    |
| Management fee received from Gaming Concepts Group             | 60,000              | -                  |
| Interest received from commonly controlled entity              | -                   | 771                |
| Payment for other expenses:                                    |                     |                    |
| Interest and early repayment charges paid on shareholder loans | -                   | 137,341            |
| Management fees paid to a commonly controlled entity           | -                   | 53,150             |

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 28. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

| Name                                       | Principal place of business / Country of incorporation | Principal activities  | Parent Ownership interest | Parent Ownership interest | Non-controlling interest Ownership interest | Non-controlling interest Ownership interest |
|--|--|---|---------------------------|---------------------------|---|---|
|  |  |   | 31 Dec 2014 %             | 31 Dec 2013 %             | 31 Dec 2014 %                               | 31 Dec 2013 %                               |
| SHL Leisure Management (HK) Limited        | Hong Kong  | Provision of management administrative services   | 100.00%                   | 100.00%                   | -%  | -%  |
| Gold & Silver Heritage Company Limited     | Thailand   | Inactive  | 100.00%                   | 100.00%                   | -%  | -%  |
| Silver Heritage (Cambodia) Limited         | Cambodia   | Management and maintenance of gaming equipment  | 100.00%                   | 100.00%                   | -%  | -%  |
| Silver Heritage Group Co., Limited         | Lao People's Democratic Republic                       | Management and maintenance of gaming equipment  | 100.00%                   | 100.00%                   | -%  | -%  |
| Silver Heritage Phils. Inc.                | The Philippines  | Management and maintenance of gaming equipment  | 100.00%                   | 10.00%                    | -%  | -%  |
| Dollarplus Pacific Limited                 | British Virgin Islands                                 | Inactive  | 100.00%                   | 100.00%                   | -%  | -%  |
| Prime Link Service Limited                 | British Virgin Islands                                 | Operating slots and electronic gaming equipment   | 100.00%                   | 100.00%                   | -%  | -%  |
| Ridgeway International Limited             | Hong Kong  | Investment holding  | 100.00%                   | 100.00%                   | -%  | -%  |
| Silver Heritage Technical Services Limited | The Philippines  | Management and maintenance of gaming equipment  | 100.00%                   | 100.00%                   | -%  | -%  |
| SHL Amusement & Gaming Inc.                | The Philippines  | Owns and operates the Company's own venues in the Philippines. Employs staff based out of those venues. | 100.00%                   | 100.00%                   | -%  | -%  |
| Tiger One Pvt. Limited                     | Nepal  | Owns and operates the Company's first hotel resort in Bhairahawa  | 100.00%                   | -%                        | -%  | -%  |
| SHL Vietnam Limited                        | Vietnam  | Set up to employ the Company's staff in Vietnam.  | 100.00%                   | 100.00%                   | -%  | -%  |
| Gaming Concepts Group Limited              | British Virgin Islands                                 | Sale of Gaming equipment  | 100.00%                   | 100.00%                   | -%  | -%  |
| SHL (Macau) Limited                        | Macau SAR, China                                       | Inactive  | 100.00%                   | 100.00%                   | -%  | -%  |
| Silver Heritage Investment Pvt. Limited    | Nepal  | Investment holding  | 100.00%                   | 90.00%                    | -%  | 10.00%                                      |
| Happy World Pvt. Limited                   | Nepal  | Inactive  | 100.00%                   | 90.00%                    | -%  | 10.00%                                      |

Summarised financial information for subsidiaries that have non-controlling interests has not been provided as they are not material to the Group.

**Note 29. Interests in joint ventures**

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Group are set out below:

| Name   | Principal place of business /<br>Country of incorporation | Ownership interest               |                         |
|--|---|----------------------------------|-------------------------|
|  |   | 31 Dec 2014<br>%                 | 31 Dec 2013<br>%        |
| Gaming Concepts Group Limited  | Belize  | 50.00%                           | 50.00%                  |
| <i>Summarised financial information</i>                                      |   |                                  |                         |
|  |   | Gaming Concepts Group<br>Limited |                         |
|  |   | 31 Dec 2014<br>US\$'000          | 31 Dec 2013<br>US\$'000 |
| <i>Summarised statement of financial position</i>                            |   |                                  |                         |
| Cash and cash equivalents  |   | 47                               | 432                     |
| Other current assets   |   | 178                              | 533                     |
| Non-current assets   |   | 112                              | 63                      |
| Total assets   |   | 337                              | 1,028                   |
| Current liabilities  |   | 207                              | 899                     |
| Total liabilities  |   | 207                              | 899                     |
| Net assets   |   | 130                              | 129                     |
| <i>Summarised statement of profit or loss and other comprehensive income</i> |   |                                  |                         |
| Revenue  |   | 2,117                            | 2,445                   |
| Other expenses   |   | (2,110)                          | (2,328)                 |
| Finance costs  |   | (1)                              | (1)                     |
| Profit before income tax   |   | 6                                | 116                     |
| Other comprehensive income   |   | -                                | -                       |
| Total comprehensive income   |   | 6                                | 116                     |
| <i>Reconciliation of the Group's carrying amount</i>                         |   |                                  |                         |
| Opening carrying amount  |   | 150                              | 150                     |
| Closing carrying amount  |   | 150                              | 150                     |

Gaming Concepts Group Limited is a Private Company; therefore no quoted market prices are available for its shares.

**Note 30. Events after the reporting period**

Subsequent to the end of the financial year, the Company has decided that it will sell 100% of its interest in its Philippines business unit due to the regulatory environment in the Philippines. Following the disposal of the Philippines business unit, which is expected to take place before the end of the current financial year, the Company will retain a debt due from the Philippines business unit of approximately US\$3.6 million. This debt will be impaired in full due to uncertainty over its recoverability.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Silver Heritage Limited**  
**Notes to the financial statements**  
**31 December 2014**

**Note 31. Earnings per share**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|   | <b>US\$'000</b>     | <b>US\$'000</b>    |
| Loss after income tax   | (3,872)             | (661)              |
| Non-controlling interest  | -                   | 2                  |
| Loss after income tax attributable to the owners of Silver Heritage Limited               | <u>(3,344)</u>      | <u>(659)</u>       |
|   | <b>Number</b>       | <b>Number</b>      |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>24,421,357</u>   | <u>14,986,520</u>  |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>24,421,357</u>   | <u>14,986,520</u>  |
|   | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share  | (15.85)             | (4.40)             |
| Diluted earnings per share  | (15.85)             | (4.40)             |

Options and convertible notes have been excluded from the diluted earnings per share calculation as their inclusion would be anti-dilutive.

**Note 32. Share-based payments**

*Incentive share option plan ('ISOP')*

In 2010 the Company established an incentive share option plan ('ISOP') whereby the Company's directors may grant options to any senior employee, consultant or director of the Group, and any person who has made a significant contribution to the development of its business, to subscribe for shares in the Company at a price equal to the fair market value of the shares at the time of the grant as determined by the directors. No consideration is payable on the grant of the options. The share options do not confer rights on the holder to dividends or to vote at shareholder meetings.

The total number of share in respect of which options may be granted under the ISOP is not permitted to exceed 10% of the shares of the Company in issue at any point in time.

There are no outstanding share options, and under the terms of the Company's Incentive Share Option Plan ('ISOP'), there are a total of 1,568,888 share options available that have not been granted.

Set out below are summaries of options granted under the plan:

31 Dec 2014

| Grant date                      | Expiry date    | Exercise price | Balance at the start of the year | Granted  | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---------------------------------|----------------|----------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| 27/03/2014                      | No expiry date | US\$2.00       | -                                | 655,000  | (655,000) | -                         | -                              |
|                                 |                |                | -                                | 655,000  | (655,000) | -                         | -                              |
| Weighted average exercise price |                |                | US\$0.00                         | US\$2.00 | US\$2.00  | US\$0.00                  | US\$0.00                       |

**Note 32. Share-based payments (continued)**

31 Dec 2013

| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted  | Exercised        | Expired/ forfeited/ other | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|----------|------------------|---------------------------|--------------------------------|
| 01/06/2009                      | 31/05/2014  | US\$1.15       | 827,946                          | -        | (827,946)        | -                         | -                              |
| 31/12/2011                      | 31/12/2016  | US\$1.50       | 50,000                           | -        | -                | (50,000)                  | -                              |
|                                 |             |                | <u>877,946</u>                   | <u>-</u> | <u>(827,946)</u> | <u>(50,000)</u>           | <u>-</u>                       |
| Weighted average exercise price |             |                | US\$1.17                         | US\$0.00 | US\$1.17         | US\$1.15                  | US\$0.00                       |

The weighted average share price during the financial year was \$1.50 (2013: \$0.60).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date    | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|----------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 27/03/2014 | No expiry date | US\$0.00                  | US\$2.00       | -%                  | -%             | -%                      | US\$2.000                |

**Silver Heritage Limited**  
**Directors' declaration**  
**31 December 2014**

In the directors' opinion:

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

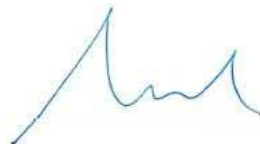
On behalf of the directors



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Martin Wright  
Director

9 October 2015  
Hong Kong



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Mike Bolsover  
Chief Executive Officer

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## **Independent Auditor's Report To the Members of Silver Heritage Limited**

We have audited the accompanying financial report of Silver Heritage Limited (the “Company”), which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Responsibility of the Directors for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) and other authoritative pronouncement of the IASB. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

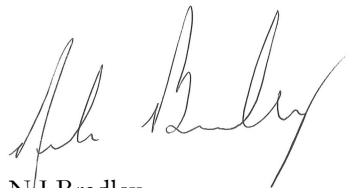
### **Auditor's Opinion**

In our opinion, the financial report of Silver Heritage Limited:

- a presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2014 and of its performance and cash flows for the year then ended; and
- b complies with International Financial Reporting Standards and other authoritative pronouncements of the IASB.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



N.J. Bradley  
Partner - Audit & Assurance

Sydney, 9 October 2015