

Silver Heritage Limited

Company number: 568240

**Directors' Report and Annual Financial Statements - 31
December 2015**

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Silver Heritage Limited
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31 December 2015

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Silver Heritage Limited
Directors' report
31 December 2015

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 2015.

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:

Mr Philip Groves - Chairman
Mr Mike Bolsover
Mr Martin Wright
Mr Timothy Shepherd
Mr Hamilton Tang
Mr Hugh Holmes
Mr Philip Tose
Mr David Green (resigned 26 January 2015)

Alternates:

Mr John Bolsover (Alternate Non-executive Director to Mr Philip Tose)
Mr David Madden (Alternate Non-executive Director to Mr 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 amounted to US\$4,240,000 (31 December 2014: US\$3,872,000).

Significant changes in the state of affairs

On 25 November 2015, the Company disposed of its 100% interest in its Philippines business unit due to the regulatory environment in the Philippines. The disposal has been treated as a discontinued operation in 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

Nepal legal proceedings

The Company is currently engaged in legal proceedings in Nepal under which a Nepali Parliamentary Committee decided that the Company's wholly owned subsidiary Happy World Pvt. Limited ('Happy World') should "reinstate" a number of former employees of the previous operator of the casino at the Shangri-La in Kathmandu where the Group currently operates TMC and pay compensation to such former employees for unpaid wages and loss of employment arising when the previous operator ceased to operate the casino. Happy World strongly rejects the claims for reinstatement and compensation on a number of grounds including that it had never been the employer of these former employees or had any contract with them. Accordingly, Happy World successfully petitioned the Nepali Appellate Courts for a stay of this decision pending a final decision in the legal proceedings and is seeking an order for the decision to be quashed rendering it of no legal force or effect.

Whilst, based on independent legal advice, the Group is confident that it has strong prospects of success in having the decision of the Parliamentary committee overturned, should the decision be upheld, the Group would incur increased costs of approximately US\$150,000 as a result of the additional salary costs of the additional employees and any compensation required to be paid to such former employees.

Tanelang contract

On 31 March 2016 the Board approved the termination of an existing revenue sharing contract at Tanelang, Laos and the subsequent lease back of the electronic gaming machines located in Tanelang to another machine operator. A net termination settlement of US\$498,155 was agreed to be paid to the Group.

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No other matter or circumstance has arisen since 31 December 2015 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.

Auditor

The auditor Grant Thornton Audit Pty Ltd continues in office.

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

On behalf of the directors



Martin Wright
Director

14 April 2016
Hong Kong



Mike Bolsover
Chief Executive Officer

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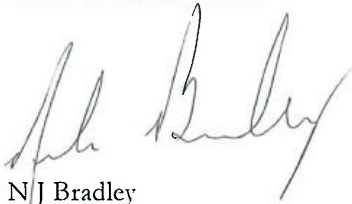
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**Auditor's Independence Declaration
To the Directors of Silver Heritage Limited**

As lead auditor for the audit of Silver Heritage Limited for the year ended 31 December 2015, 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, 14 April 2016

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Silver Heritage Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	Consolidated 2015 US\$'000	2014 US\$'000
Revenue from continuing operations	5	17,207	9,869
Share of profits of joint ventures accounted for using the equity method		20	-
Expenses			
Employee benefits expense		(6,694)	(5,025)
Depreciation and amortisation expense	6	(2,388)	(1,994)
Impairment of assets	6	(698)	(1,578)
Legal and professional fees		(688)	(257)
Nepal gaming royalties and license fees		(663)	-
Advertising and promotion expenses		(1,718)	(463)
Occupancy expense		(1,195)	(449)
Termination expenses		(485)	-
Travel and accommodation expenses		(679)	(368)
Expenses for future projects		(2,243)	(1,517)
Other expenses		(2,088)	(1,216)
Finance costs	6	(1,075)	(393)
Loss before income tax expense from continuing operations		(3,387)	(3,391)
Income tax expense	7	(235)	(43)
Loss after income tax expense from continuing operations		(3,622)	(3,434)
Loss after income tax expense from discontinued operations	8	(618)	(438)
Loss after income tax expense for the year attributable to the owners of Silver Heritage Limited	21	(4,240)	(3,872)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(719)	(386)
Other comprehensive income for the year, net of tax		(719)	(386)
Total comprehensive income for the year attributable to the owners of Silver Heritage Limited		<u>(4,959)</u>	<u>(4,258)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(4,341)	(4,258)
Discontinued operations		(618)	-
		<u>(4,959)</u>	<u>(4,258)</u>

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 profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	Consolidated	
		2015 US\$'000	2014 US\$'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Silver Heritage Limited			
Basic earnings per share	31	(11.32)	(14.06)
Diluted earnings per share	31	(11.32)	(14.06)
Earnings per share for loss from discontinued operations attributable to the owners of Silver Heritage Limited			
Basic earnings per share	31	(1.93)	(1.79)
Diluted earnings per share	31	(1.93)	(1.79)
Earnings per share for loss attributable to the owners of Silver Heritage Limited			
Basic earnings per share	31	(13.25)	(15.85)
Diluted earnings per share	31	(13.25)	(15.85)

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 2015

	Note	Consolidated	
		2015 US\$'000	2014 US\$'000
Assets			
Current assets			
Cash and cash equivalents	9	6,034	18,060
Trade and other receivables	10	1,599	2,158
Inventories	11	2,001	2,323
Other	12	1,835	1,182
Total current assets		11,469	23,723
Non-current assets			
Receivables	13	1,785	84
Other financial assets	14	150	150
Property, plant and equipment	15	16,144	9,819
Intangibles	16	11,437	7,063
Other		1,102	26
Total non-current assets		30,618	17,142
Total assets		42,087	40,865
Liabilities			
Current liabilities			
Trade and other payables	17	4,219	1,651
Employee benefits		60	-
Total current liabilities		4,279	1,651
Non-current liabilities			
Borrowings	18	13,025	9,472
Total non-current liabilities		13,025	9,472
Total liabilities		17,304	11,123
Net assets		24,783	29,742
Equity			
Issued capital	19	38,893	38,893
Reserves	20	877	1,596
Accumulated losses	21	(14,987)	(10,747)
Total equity		24,783	29,742

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 2015

Consolidated	Issued capital US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2014	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>
Consolidated	Issued capital US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2015	38,893	1,596	(10,747)	-	29,742
Loss after income tax expense for the year	-	-	(4,240)	-	(4,240)
Other comprehensive income for the year, net of tax	-	(719)	-	-	(719)
Total comprehensive income for the year	-	(719)	(4,240)	-	(4,959)
Balance at 31 December 2015	<u>38,893</u>	<u>877</u>	<u>(14,987)</u>	<u>-</u>	<u>24,783</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 2015

	Note	Consolidated	
		2015 US\$'000	2014 US\$'000
Cash flows from operating activities			
Receipts from customers		18,352	8,425
Payments to suppliers and employees		(16,473)	(14,188)
		1,879	(5,763)
Joint venture partnership distributions received		20	-
Interest received		14	2
Interest and other finance costs paid		(853)	(393)
Income taxes paid		(136)	(55)
Net cash from/(used in) operating activities		924	(6,209)
Cash flows from investing activities			
Payments for investments		(2,013)	-
Payments for property, plant and equipment		(8,802)	(8,896)
Payments for intangibles		(5,123)	(654)
Payments for loans given to related parties		-	(4,074)
Repayment of loans advanced to related parties		-	8,291
Net cash used in investing activities		(15,938)	(5,333)
Cash flows from financing activities			
Proceeds from issue of shares		-	22,000
Share issue transaction costs		-	(936)
Proceeds from borrowings		3,553	-
Repayment of borrowings		-	(439)
Advances on shareholder loans		-	7,194
Repurchase of non-controlling interest		-	(26)
Net cash from financing activities		3,553	27,793
Net increase/(decrease) in cash and cash equivalents		(11,461)	16,251
Cash and cash equivalents at the beginning of the financial year		18,060	1,812
Effects of exchange rate changes on cash and cash equivalents		(565)	(3)
Cash and cash equivalents at the end of the financial year	9	6,034	18,060

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

Silver Heritage Limited
Notes to the financial statements
31 December 2015

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, Wan Chai, Hong Kong.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 April 2016.

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 2015 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.

Note 2. Significant accounting policies (continued)

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.

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 from own venues

Revenue from casino and gaming equipment from own venues is recognised on an accruals basis in accordance with the contractual terms of agreement.

Share of casino and gaming equipment revenue from third party venues

Revenue from shared casino and gaming equipment from third party venues 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.

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.

Note 2. Significant accounting policies (continued)

Other revenue

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

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.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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

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.

Note 2. Significant accounting policies (continued)

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.

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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2015. 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.

Note 2. Significant accounting policies (continued)

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 2. Significant accounting policies (continued)

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. For lessee accounting, the standard eliminates the 'operating lease' and 'finance lease' classification required by IAS 17 'Leases'. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) components. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will adopt this standard from 1 January 2019 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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. Operating segments

Identification of reportable operating segments

The Group is organised into four geographical operating segments: Cambodia, Laos and Tinian, Nepal, Vietnam and Philippines (discontinued). 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.

Types of products and services

The Group's revenue is derived from the following sources:

Own venues	Nepal
Shared venues	Other countries

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 2015 approximately 49% (2014: 58%) of the Group's external revenue was derived from one customer, Phoenix. A further 31% (2014: nil) was derived from the Group's own venue, The Millionaire's Club and Casino, Kathmandu.

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Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2015	Cambodia, Laos and Tinian US\$'000	Nepal US\$'000	Vietnam US\$'000	Philippines (discontinued) US\$'000	Other US\$'000	Total US\$'000
Revenue						
Gaming revenue	3,706	5,281	7,776	1,077	-	17,840
Other revenue	368	12	2	46	62	490
Total revenue	<u>4,074</u>	<u>5,293</u>	<u>7,778</u>	<u>1,123</u>	<u>62</u>	<u>18,330</u>
Segment profit	<u>(1,259)</u>	<u>1,022</u>	<u>6,091</u>	<u>(84)</u>	<u>(297)</u>	<u>5,473</u>
Depreciation and amortisation						(2,842)
Impairment of assets						(660)
Interest revenue						14
Finance costs						(1,075)
Other expenses						(2,185)
Expenses for future projects						(2,243)
Termination expenses						(485)
Share of profit from joint venture						20
Loss before income tax expense						<u>(3,983)</u>
Income tax expense						<u>(257)</u>
Loss after income tax expense						<u>(4,240)</u>
Assets						
Segment assets	2,074	19,454	9,738	-	10,821	42,087
Total assets	<u>2,074</u>	<u>19,454</u>	<u>9,738</u>	<u>-</u>	<u>10,821</u>	<u>42,087</u>
Liabilities						
Segment liabilities	66	4,399	711	-	12,128	17,304
Total liabilities	<u>66</u>	<u>4,399</u>	<u>711</u>	<u>-</u>	<u>12,128</u>	<u>17,304</u>

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Note 4. Operating segments (continued)

Consolidated - 2014	Cambodia, Laos and Tinian US\$'000	Nepal US\$'000	Vietnam US\$'000	Philippines (discontinued) US\$'000	Other US\$'000	Total US\$'000
Revenue						
Gaming revenue	3,882	-	5,290	543	-	9,715
Other revenue	622	-	-	3	75	700
Total revenue	<u>4,504</u>	<u>-</u>	<u>5,290</u>	<u>546</u>	<u>75</u>	<u>10,415</u>
Segment profit	<u>2,163</u>	<u>-</u>	<u>3,907</u>	<u>(201)</u>	<u>(1,546)</u>	<u>4,323</u>
Depreciation and amortisation						(2,145)
Impairment of assets						(1,578)
Interest revenue						2
Finance costs						(393)
Other expenses						(1,290)
Expenses for future projects						(1,517)
Share-based compensation expenses						(1,147)
Bad debt expense						(72)
Loss before income tax expense						<u>(3,817)</u>
Income tax expense						(55)
Loss after income tax expense						<u>(3,872)</u>
Assets						
Segment assets	5,686	10,468	7,027	627	17,057	40,865
Total assets						<u>40,865</u>
Liabilities						
Segment liabilities	479	-	-	-	10,644	11,123
Total liabilities						<u>11,123</u>

Note 5. Revenue

	Consolidated	
	2015 US\$'000	2014 US\$'000
From continuing operations		
<i>Sales revenue</i>		
Casino and gaming equipment revenue from own venues	5,281	-
Share of casino and gaming equipment revenue from third party venues	11,482	9,172
	<u>16,763</u>	<u>9,172</u>
<i>Other revenue</i>		
Commission	-	22
Consulting fees	60	60
Interest	13	2
Other revenue	371	613
	<u>444</u>	<u>697</u>
Revenue from continuing operations	<u>17,207</u>	<u>9,869</u>

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Note 6. Expenses

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	1,639	1,452
<i>Amortisation</i>		
Services agreement	749	542
Total depreciation and amortisation	2,388	1,994
<i>Impairment</i>		
Plant and equipment	-	1,251
Prepayments and other deposits	-	327
Receivables	698	-
Total impairment	698	1,578
<i>Finance costs</i>		
Interest on borrowings	-	22
Interest on shareholder loans	1,075	350
Interest on finance leases	-	21
Finance costs expensed	1,075	393
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	45	39
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	625	304
<i>Superannuation expense</i>		
Defined contribution superannuation expense	45	44

Note 7. Income tax expense

	Consolidated	
	2015	2014
	US\$'000	US\$'000
<i>Income tax expense</i>		
Current tax	257	55
Aggregate income tax expense	<u>257</u>	<u>55</u>
Income tax expense is attributable to:		
Loss from continuing operations	235	43
Loss from discontinued operations	<u>22</u>	<u>12</u>
Aggregate income tax expense	<u>257</u>	<u>55</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(3,387)	(3,391)
Loss before income tax expense from discontinued operations	<u>(596)</u>	<u>(426)</u>
	<u>(3,983)</u>	<u>(3,817)</u>
Tax at the statutory tax rate of 0% (2014: 0%)	-	-
Difference in overseas tax rates	<u>257</u>	<u>55</u>
Income tax expense	<u>257</u>	<u>55</u>

Note 8. Discontinued operations

Description

On 25 November 2015, the Company disposed of its 100% interest in its Philippine business unit (Silver Heritage Phils. Inc. and its wholly owned subsidiary, SHL Amusement & Gaming Inc.) to a third party buyer, Bromhead Holdings, Inc. due to the regulatory environment in Philippines. There was no gain or loss on disposal.

The disposal has been treated as a discontinued operation as detailed below.

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Note 8. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Casino and gaming equipment revenue	1,077	543
Interest	1	-
Other revenue	45	3
Total revenue	<u>1,123</u>	<u>546</u>
Employee benefits expense	(506)	(317)
Depreciation and amortisation expense	(454)	(151)
Reversal of impairment of assets	38	-
Legal and professional fees	(101)	(78)
Advertising and promotion expenses	(75)	(44)
Occupancy expense	(484)	(251)
Travel and accommodation expenses	(40)	(57)
Other expenses	(97)	(74)
Total expenses	<u>(1,719)</u>	<u>(972)</u>
Loss before income tax expense	(596)	(426)
Income tax expense	<u>(22)</u>	<u>(12)</u>
Loss after income tax expense from discontinued operations	<u>(618)</u>	<u>(438)</u>

Cash flow information

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Net cash used in operating activities	(674)	(485)
Net cash used in investing activities	(250)	(1,401)
Net cash from financing activities	858	2,279
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>(66)</u>	<u>393</u>

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Cash on hand	1,564	68
Cash at bank	<u>4,470</u>	<u>17,992</u>
	<u>6,034</u>	<u>18,060</u>

Note 10. Current assets - trade and other receivables

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Trade receivables	479	1,061
Other receivables	1,120	597
Deposit and prepayment for Vietnam investment	-	500
	<u>1,599</u>	<u>2,158</u>

Note 11. Current assets - inventories

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Spare parts and gaming consumables - at cost	1,958	2,159
Consumable goods in transit - at cost	43	164
	<u>2,001</u>	<u>2,323</u>

Note 12. Current assets - other

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Accrued revenue	-	200
Prepayments	943	542
Other deposits	892	767
Impairment of prepayments and other deposits	-	(327)
	<u>1,835</u>	<u>1,182</u>

Refer to note 6 for further information on impairment.

Note 13. Non-current assets - receivables

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Trade receivables	202	-
Other receivables	1,583	84
	<u>1,785</u>	<u>84</u>

Note 14. Non-current assets - other financial assets

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Investment in joint venture	150	150

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

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

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Land - at cost	2,034	2,188
Plant and equipment - at cost	9,641	11,757
Less: Accumulated depreciation	(5,499)	(6,342)
Less: Impairment	-	(1,251)
	<u>4,142</u>	<u>4,164</u>
Construction in progress - at cost	9,968	3,467
	<u>16,144</u>	<u>9,819</u>

Reconciliations

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

Consolidated	Land US\$'000	Plant and equipment US\$'000	Construction in progress US\$'000	Total US\$'000
Balance at 1 January 2014	-	4,449	-	4,449
Additions	2,188	3,241	3,467	8,896
Disposals	-	(18)	-	(18)
Impairment of assets	-	(1,251)	-	(1,251)
Transfers in/(out)	-	(654)	-	(654)
Depreciation expense	-	(1,603)	-	(1,603)
Balance at 31 December 2014	2,188	4,164	3,467	9,819
Additions	-	2,301	6,501	8,802
Disposals	-	(70)	-	(70)
Revaluation decrements	(154)	-	-	(154)
Transfers in/(out)	-	(160)	-	(160)
Depreciation expense	-	(2,093)	-	(2,093)
Balance at 31 December 2015	<u>2,034</u>	<u>4,142</u>	<u>9,968</u>	<u>16,144</u>

Note 16. Non-current assets - intangibles

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Software licences - at cost	3,275	2,695
Less: Accumulated amortisation	-	(43)
	<u>3,275</u>	<u>2,652</u>
Services agreement - at cost	9,000	4,500
Less: Accumulated amortisation	(1,449)	(700)
	<u>7,551</u>	<u>3,800</u>
Indefinite life intangible asset - at cost	611	611
	<u>11,437</u>	<u>7,063</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:

Consolidated	Software licences US\$'000	Services agreement US\$'000	Indefinite life intangible asset US\$'000	Total US\$'000
Balance at 1 January 2014	2,073	4,342	536	6,951
Additions	579	-	75	654
Amortisation expense	-	(542)	-	(542)
Balance at 31 December 2014	2,652	3,800	611	7,063
Additions	623	4,500	-	5,123
Amortisation expense	-	(749)	-	(749)
Balance at 31 December 2015	<u>3,275</u>	<u>7,551</u>	<u>611</u>	<u>11,437</u>

Note 17. Current liabilities - trade and other payables

	Consolidated 2015 US\$'000	2014 US\$'000
Trade payables	733	679
Accrued expenses	1,422	792
Other payables	2,064	180
	<u>4,219</u>	<u>1,651</u>

Refer to note 22 for further information on financial instruments.

Note 18. Non-current liabilities - borrowings

	Consolidated 2015 US\$'000	2014 US\$'000
Bank loans	3,553	-
Convertible notes payable	9,472	9,472
	<u>13,025</u>	<u>9,472</u>

Refer to note 22 for further information on financial instruments.

Bank loans

On 30 April 2014, the Group entered into a loan agreement with a consortium of Nepalese Banks for a lending facility of Nepalese Rupees NPR 750,000,000 for use towards construction of the new Hotel at Bhairahawa, Nepal. The terms of the loan is 12 years, repayable in 38 quarterly instalments after the construction period of 2 years and 6 months. Interest is paid at a variable rate, which is reviewed regularly, and which throughout 2015 was set at 10.5% per annum.

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.

Silver Heritage Limited
Notes to the financial statements
31 December 2015

Note 18. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Bank loans	3,553	-

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the Group's land and buildings.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Total facilities		
Bank loans	7,028	-
Used at the reporting date		
Bank loans	3,553	-
Unused at the reporting date		
Bank loans	3,475	-

Note 19. Equity - issued capital

	2015	Consolidated		2014
	Shares	2014	2015	US\$'000
		Shares	US\$'000	US\$'000
Ordinary shares of 1 cent each - issued and fully paid	32,001,288	32,001,288	38,893	38,893

Authorised share capital

40,000,000 (2014: 40,000,000) ordinary shares of 1 cent par value each amounting to par value of US\$400,000 (2014: US\$400,000).

Movements in ordinary share capital

Details	Date	Shares	US\$'000	
Balance	1 January 2014	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	32,001,288		38,893
Balance	31 December 2015	32,001,288		38,893

Note 19. Equity - issued capital (continued)

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 20. Equity - reserves

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Foreign currency reserve	(1,039)	(320)
Share-based payments reserve	1,916	1,916
	<u>877</u>	<u>1,596</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.

Movements in reserves

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

Consolidated	Foreign currency US\$'000	Share-based payments US\$'000	Total US\$'000
Balance at 1 January 2014	66	769	835
Foreign currency translation	(386)	-	(386)
Non-recourse loans	-	1,147	1,147
Balance at 31 December 2014	(320)	1,916	1,596
Foreign currency translation	(719)	-	(719)
Balance at 31 December 2015	<u>(1,039)</u>	<u>1,916</u>	<u>877</u>

Note 21. Equity - accumulated losses

	Consolidated	
	2015	2014
	US\$'000	US\$'000
Accumulated losses at the beginning of the financial year	(10,747)	(6,875)
Loss after income tax expense for the year	(4,240)	(3,872)
Accumulated losses at the end of the financial year	<u>(14,987)</u>	<u>(10,747)</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 2015, 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:

Consolidated - 2015	% change	USD strengthened		% change	USD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Thailand Baht	5%	(11,248)	(11,248)	5%	11,248	11,248
Philippine Peso	5%	(73,535)	(73,535)	5%	73,535	73,535
Nepalese Rupee	5%	(12,629)	(12,629)	5%	12,629	12,629
		<u>(97,412)</u>	<u>(97,412)</u>		<u>97,412</u>	<u>97,412</u>

Consolidated - 2014	% change	USD strengthened		% change	USD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on 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>

Price risk

The Group is not exposed to any significant price risk.

Note 22. Financial instruments (continued)

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	2015		2014	
	Weighted average interest rate %	Balance US\$'000	Weighted average interest rate %	Balance US\$'000
Cash at bank	0.03%	4,470	0.01%	17,992
Net exposure to cash flow interest rate risk		<u>4,470</u>		<u>17,992</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.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2015 US\$'000	2014 US\$'000
Bank loans	<u>3,475</u>	<u>-</u>

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.

Consolidated - 2015	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	733	-	-	-	733
Other payables	-	2,064	-	-	-	2,064
<i>Interest-bearing - variable</i>						
Bank loans	10.50%	373	373	1,986	3,292	6,024
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	8.00%	800	800	11,600	-	13,200
Total non-derivatives		3,970	1,173	13,586	3,292	22,021

Consolidated - 2014	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	679	-	-	-	679
Other payables	-	180	-	-	-	180
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	8.00%	800	800	12,400	-	14,000
Total non-derivatives		1,659	800	12,400	-	14,859

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:

	Consolidated	
	2015 US\$	2014 US\$
Short-term employee benefits	892	833
Long-term benefits	45	36
	937	869
	937	869

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

	Consolidated	
	2015 US\$'000	2014 US\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	551	158
One to five years	2,153	68
More than five years	1,087	-
	3,791	226
	3,791	226

The Group 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\$485,000 (2014: US\$1,226,000).

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.

Note 27. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	US\$	US\$
Other income:		
Management fee received from Gaming Concepts Group	60,000	60,000

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 in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
SHL Leisure Management (HK) Limited	Hong Kong	100.00%	100.00%
Gold & Silver Heritage Company Limited	Thailand	100.00%	100.00%
Silver Heritage (Cambodia) Limited	Cambodia	100.00%	100.00%
Silver Heritage Group Co., Limited	Lao People's Democratic Republic	100.00%	100.00%
Silver Heritage Phils. Inc.	The Philippines	-	100.00%
Dollarplus Pacific Limited	British Virgin Islands	100.00%	100.00%
Prime Link Service Limited	British Virgin Islands	100.00%	100.00%
Ridgeway International Limited	Hong Kong	100.00%	100.00%
Silver Heritage Technical Services Limited	The Philippines	100.00%	100.00%
SHL Amusement & Gaming Inc.	The Philippines	-	100.00%
Tiger One Pvt. Limited	Nepal	100.00%	100.00%
SHL Vietnam Limited	Vietnam	100.00%	100.00%
Gaming Concepts Group Limited	British Virgin Islands	100.00%	100.00%
SHL (Macau) Limited	Macau SAR, China	100.00%	100.00%
Silver Heritage Investment Pvt. Limited	Nepal	100.00%	100.00%
Happy World Pvt. Limited	Nepal	100.00%	100.00%

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 / Country of incorporation	Ownership interest	
		2015 %	2014 %
Gaming Concepts Group Limited	Belize	50.00%	50.00%
<i>Summarised financial information</i>			
		Gaming Concepts Group Limited	
		2015 US\$'000	2014 US\$'000
<i>Summarised statement of financial position</i>			
Cash and cash equivalents		47	47
Other current assets		121	178
Non-current assets		120	112
Total assets		288	337
Current liabilities		119	207
Non-current liabilities		130	150
Total liabilities		249	357
Net assets/(liabilities)		39	(20)
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Revenue		2,236	2,117
Other expenses		(2,177)	(2,110)
Finance costs		-	(1)
Profit before income tax		59	6
Other comprehensive income		-	-
Total comprehensive income		59	6
<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

Nepal legal proceedings

The Company is currently engaged in legal proceedings in Nepal under which a Nepali Parliamentary Committee decided that the Company's wholly owned subsidiary Happy World Pvt. Limited ('Happy World') should "reinstate" a number of former employees of the previous operator of the casino at the Shangri-La in Kathmandu where the Group currently operates TMC and pay compensation to such former employees for unpaid wages and loss of employment arising when the previous operator ceased to operate the casino. Happy World strongly rejects the claims for reinstatement and compensation on a number of grounds including that it had never been the employer of these former employees or had any contract with them. Accordingly, Happy World successfully petitioned the Nepali Appellate Courts for a stay of this decision pending a final decision in the legal proceedings and is seeking an order for the decision to be quashed rendering it of no legal force or effect.

Whilst, based on independent legal advice, the Group is confident that it has strong prospects of success in having the decision of the Parliamentary committee overturned, should the decision be upheld, the Group would incur increased costs of approximately US\$150,000 as a result of the additional salary costs of the additional employees and any compensation required to be paid to such former employees.

Tanelang contract

On 31 March 2016 the Board approved the termination of an existing revenue sharing contract at Tanelang, Laos and the subsequent lease back of the electronic gaming machines located in Tanelang to another machine operator. A net termination settlement of US\$498,155 was agreed to be paid to the Group.

No other matter or circumstance has arisen since 31 December 2015 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.

Note 31. Earnings per share

	Consolidated	
	2015	2014
	US\$'000	US\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Silver Heritage Limited	(3,622)	(3,434)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	32,001,288	24,421,357
Weighted average number of ordinary shares used in calculating diluted earnings per share	32,001,288	24,421,357
	Cents	Cents
Basic earnings per share	(11.32)	(14.06)
Diluted earnings per share	(11.32)	(14.06)

	Consolidated	
	2015	2014
	US\$'000	US\$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Silver Heritage Limited	(618)	(438)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	32,001,288	24,421,357
Weighted average number of ordinary shares used in calculating diluted earnings per share	32,001,288	24,421,357

Note 31. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(1.93)	(1.79)
Diluted earnings per share	(1.93)	(1.79)
	Consolidated	
	2015	2014
	US\$'000	US\$'000
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Silver Heritage Limited	<u>(4,240)</u>	<u>(3,872)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>32,001,288</u>	<u>24,421,357</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>32,001,288</u>	<u>24,421,357</u>
	Cents	Cents
Basic earnings per share	(13.25)	(15.85)
Diluted earnings per share	(13.25)	(15.85)

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:

2015

There were no options granted, exercised or expired/forfeited/other during the financial year ended 31 December 2015.

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

The weighted average share price during the financial year was \$1.50 (2014: \$1.50).

Silver Heritage Limited
Directors' declaration
31 December 2015

In the directors' opinion:

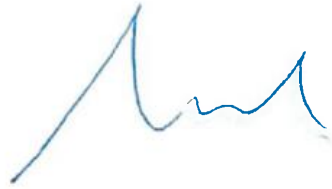
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2015 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



Martin Wright
Director



Mike Bolsover
Chief Executive Officer

14 April 2016
Hong Kong

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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 2015, 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 Standards Board (IASB) and other authoritative pronouncements 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 2015, 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, 14 April 2016

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