SILVER HERITAGE GROUP

Silver Heritage Group Limited - ABN 74 604 188 445
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ASX ANNOUNCEMENT

SILVER HERITAGE GROUP LIMITED **28 February 2017**

APPENDIX 4E & OPERATIONS UPDATE

Silver Heritage Group Limited ("Silver Heritage" or the "Company") (ASX: SVH) provides an operations update to accompany the full year unaudited results to 31 December 2016 and the release of Appendix 4E, which is attached.

FY2016 Highlights

- IPO on the Australian Securities Exchange on 29 August 2016
- Gross Gaming Revenue ("GGR") of US$32.13 million, down 29% on 2015 (*)
- Total Revenue of US$16.91 million, down 2% on the previous year (*)
- Adjusted EBITDA of US$3.36 million, up 11% on the previous year (*)
- Cash on hand of US$16.93 million at 31 December 2016

(*) excluding discontinued operations.

Existing Operations Update - FY2016

A summary of the Revenue generated in FY2016 compared to the forecast in the IPO prospectus and during FY2015 (excluding discontinued operations) is as follows:

GGR[1] (US$'000)	**FY2016 (unaudited[1])**	**IPO prospectus (proforma forecast)**		**FY2015 (audited[1])**	
Phoenix (Vietnam)	16,963	21,030	-19.3%	18,062	-6.1%
TMCCK (Nepal)	5,556	6,745	-17.6%	5,281	+5.2%
EGM Lease (Cambodia, Laos & Tinian (FY2015))	9,606	12,418	-22.6%	22,007	-56.4%
Total GGR	**32,125**	**40,193**	**-20.1%**	**45,350**	**-29.2%**
Casino Share & Gaming Taxes	(17,073)	(21,413)	-20.3%	(28,257)	-39.6%
Machine Partner Share	(212)	(371)	-42.9%	(330)	-35.8%
Operating Revenue	**14,840**	**18,409**	**-19.4%**	**16,763**	**-11.5%**
Other Revenue	2,065	842	145%	444	365%
Total Revenue	**16,905**	**19,251**	**-12.2%**	**17,207**	**-1.8%**

[1] Gross Gaming Revenue or GGR means the amount of revenue realised after the payment of winnings but before local gaming taxes and any revenue sharing arrangements. GGR in countries other than Nepal for FY2016 and FY2015 is not earned by the Group but is the key metric used by management to measure the performance in the various segments of its business. GGR is not included in the Company's audited and preliminary financial statements.

Revenue by Business Unit for FY2016 and FY2015 is summarised below:

Revenue (US$'000)	**FY2016 (unaudited)**	**FY2015 (audited)**	
Phoenix (Vietnam)	7,788	8,368	-6.9%
TMCCK (Nepal)	5,594	5,293	+5.7%
EGM Lease (Cambodia, Laos & Tinian (FY2015))	3,104	3,478	-10.8%
Other Revenue	419	68	+516%
Total Revenue	**16,905**	**17,207**	**-1.8%**

In the Progress Report published on 31 October 2016, we advised that Total Revenue would be up to US$2.5 million below the prospectus forecast, or a minimum of US$16.75 million. Actual Revenue for FY2016 exceeded this guidance by 0.9%.

Phoenix, Vietnam

At the Phoenix International Club ("Phoenix") situated just outside of Hanoi in Bac Ninh, Vietnam, we continued to deliver strong returns on capital invested, despite not achieving the quantum of growth that we had expected and duly described in our IPO prospectus. We generated US$3.98 million of Gross Profit and US$3.00 million of Net Profit from our management agreement for FY2016, representing an annual cash return of 36% for the year to 31 December 2016 on the aggregate US$11.1 million invested to date.

GGR at Phoenix was US$16.96 million for FY2016, down 6.1% on the previous year, and 19.3% lower than our forecast included in the IPO prospectus. This was primarily due to additional gaming tables not being installed on the main gaming floor by the owners of Phoenix for management by the Company as anticipated, together with a lower hold rate of 19.9% compared to the 26.5% achieved in FY2015. Despite this, visitation numbers were up more than 40% year on year from 103,000 to 146,000, and total Table Drop increased by 19% from US$57.3 million to US$68.1 million. Electronic Gaming Machines ("EGMs") at the property performed well generating GGR of US$3.40 million, or 20.1% of the total GGR, up from US$2.84 million in FY2015, or 15.7% of the total GGR.

Gross Profit however, was 29.8% down on FY2015 at US$3.98 million, and 30.8% below the forecast included in the IPO prospectus. In addition to the shortfall in GGR, we experienced higher operating costs due to the on-going development of the Phoenix property, and our absorption of a greater share of those costs.

TMCCK, Nepal

At The Millionaire's Club & Casino Kathmandu ("TMCCK") situated in Kathmandu, Nepal, we experienced more modest returns on capital invested, generating US$537,000 of Gross Profit and US$101,000 of Net Losses from operations, representing an annual cash return of 17% for the year to 31 December 2016 on the aggregate US$3.2 million invested to date.

GGR at TMCCK was US$5.56 million for FY2016, up 5.2% on the previous year, but 17.6% lower than our forecast included in the IPO prospectus. Although there was growth compared to the previous year, the growth rates did not meet with our expectations detailed in our forecasts and this was largely due to an increased level of competition in the Kathmandu market with six casinos now in operation in the city. Visitation numbers however, still increased by 26% year on year from 66,000 to 83,000, and total Table Drop increased 11% from US$21.4 million to US$23.7 million. Table Hold rate during FY2016 was 21.1%, slightly down on the 23.4% achieved during FY2015. EGMs at the property generated GGR of US$543,000, or 9.8% of the total GGR, up from US$273,000 in FY2015, or 5.2% of the total GGR.

Gross Profit for FY2016 was US$537,000 up 43.2% on the previous year. As we own this venue and there are no revenue based gaming taxes in Nepal, any increase in GGR will directly benefit the profitability of the venue. The annual increase in Revenue of US$301,000 was slightly offset by an overall 3% increase in Operating Costs.

EGM Lease Business Unit

In our Electronic Gaming Machine (“EGM”) leasing business, we moved from an active management model, where we receive a share of the revenues generated from those EGMs, to a passive model whereby we now receive a fixed lease amount per EGM per month, but are not responsible for the on-going costs of maintaining and promoting the machines. This change was in order to free up internal resources for the other areas of the Company’s business, particularly the upcoming Tiger Palace Resort Bhairahawa.

Primarily as a result of this change in business model, GGR from the EGM Lease business, at US$9.61 million, was down 56.4% on FY2015 and 22.6% down on the forecast included in the IPO prospectus. Sales Revenue, however, was only 10.8% down on last year at US$3.10 million, as the Company’s share of GGR was largely replaced by lease income and revenue generated by the sale and assignment of the Company’s revenue sharing contracts. This also led to an increase in profitability for this business unit, with Gross Profit amounting to US$1.47 million, up 541% on FY2015 and up 67% on the prospectus forecast.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, and adjusted to exclude amounts attributable to the IPO and the development of future projects, namely Tiger Palace Resort Bhairahawa and, in respect of FY2015, TMCCK.

Adjusted EBITDA for FY2016 amounted to US$3.36 million, 11.3% higher than FY2015, but 25.2% below the forecast included in the IPO prospectus. In the Progress Report published on 31 October 2016, we advised that Adjusted EBITDA would be up to US$1.4 million below the prospectus forecast, or a minimum of US$3.09 million. Actual Adjusted EBITDA for FY2016 exceeded this guidance by 8.6%.

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A summary of Adjusted EBITDA in FY2016 compared to the forecast in the IPO prospectus and during FY2015 (excluding discontinued operations) is as follows:

Adjusted EBITDA (US$'000)	FY2016 (unaudited)	IPO prospectus (proforma forecast)		FY2015 (audited)	
Phoenix (Vietnam)	3,975	5,742	-30.8%	5,664	-29.8%
TMCCK (Nepal)	537	1,805	-70.2%	375	+43.2%
EGM Lease (Cambodia, Laos & Tinian (FY2015))	1,467	879	+66.9%	229	+541%
Unallocated	366	104	+252%	(123)	
Gross Profit	**6,345**	**8,530**	**-25.6%**	**6,145**	**+3.3%**
Corporate expenses	(3,266)	(4,037)	-19.1%	(3,127)	+4.4%
Profit from joint venture	280	-	-	-	-
Adjusted EBITDA	**3,359**	**4,493**	**-25.2%**	**3,018**	**+11.3%**

A reconciliation between proforma EBITDA as disclosed in the IPO prospectus and Adjusted EBITDA is as follows:

(US$'000)	IPO prospectus (proforma forecast)	FY2015 (audited)
Proforma EBITDA per IPO prospectus	3,910	2,018
Add back: Public company expenses	583	1,000
Adjusted EBITDA	**4,493**	**3,018**

Loss after Income Tax Expense for the Year

The Loss after income tax expense for FY2016 amounted to US$4.58 million. This is 8% higher than the previous year's US$4.24 million, but 14.0% less than the forecast of US$5.32 million included in the IPO prospectus. The main reason for the improvement compared to the forecast in the prospectus was due to less expenses being incurred in setting up the operations of Tiger Palace Resort Bhairahawa in FY2016 than were anticipated at the time the prospectus was prepared, as some of the costs associated with setting up operations, including staff training costs and marketing, were deferred until early FY2017.

In the Progress Report published on 31 October 2016, we advised that we expected the Statutory Net Loss After Tax to remain within the forecast of US$5.3 million disclosed in the prospectus. The actual Net Loss After Tax for FY2016 was in accordance with this guidance, being 14.0% less than the prospectus forecast.

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A reconciliation of Loss after income tax expense for the year to Adjusted EBITDA for the year is as follows:

(US$'000)	FY2016 (unaudited)	IPO prospectus (proforma forecast)		FY2015 (audited)	
Loss after income tax expense for the year	(4,576)	(5,324)	+14.0%	(4,240)	-7.9%
Depreciation and amortisation expense	2,653	2,390	+11.0%	2,388	+11.1%
Impairment expense	-	-	-	698	-
Income tax expense	186	543	-65.7%	235	-20.9%
Expenses for future projects - IPO	2,693	2,312	+16.5%	1,855	+45.2%
Expenses for future projects – Tiger Palace	326	1,610	-79.8%	200	+63.0%
Expenses for future projects - TMCCK	-	-	-	189	-
Finance costs	1,624	2,225	-27.0%	1,075	51.1%
Effective interest on bonds and options	453	737	-38.5%	-	-
Discontinued operations	-	-	-	618	-
Adjusted EBITDA	**3,359**	**4,493**	**-25.2%**	**3,018**	**+11.3%**

Existing Operations - Trading Update 2017

We have started FY2017 with good momentum across our current operations, and look forward to delivering growth in our existing casinos in both Kathmandu, Nepal and Vietnam over the course of the year.

Trading in year-to-date 2017 has been relatively strong at Phoenix in Vietnam, and compared to last year, GGR for the year to date is 20%[2] up after the first 58 days of the year. Following a period of capital investment in the wider resort by the owners, Phoenix International, new hotel accommodation and new non-gaming facilities are due to become operational before the end of the second quarter, which we believe will enhance the overall attractiveness of the casino resort and enable us to drive increased footfall. We plan to add 30 new EGMs to the Phoenix operation by the end of March 2017 to address the expected incremental footfall to Phoenix, and to offer a wider choice of games to existing customers.

[2] Updates on performance for year-to-date 2017 are for information purposes only. Due to the inherent volatility of results in casinos that incorporate a relatively small number of tables, these % change figures should not be relied on as an indication of performance for the remainder of the year.

At TMCCK in Kathmandu, Nepal GGR for year-to-date 2017 is currently 5%[2] short of the levels experienced in the same period in 2016. This is partially due to a lower hold rate of 19%[2] compared to 23% achieved in the first 2 months of last year, but also because GGR remains adversely impacted by the decision by the Reserve Bank of India on 8 November 2016 to withdraw all large notes from circulation (500 INR and 1,000 INR), and to replace them with new notes, including a 2,000 INR note. Until the Central Bank of Nepal (Nepal Rastra Bank) approves Nepali banks exchanging these new notes for Nepal Rupees, we are temporarily unable to accept any new notes under the terms of our foreign exchange licence. Despite this impediment, the fundamentals of the proposition in Kathmandu remain solid and we are pleased to report that both visitation numbers and Table Drop numbers for year-to-date 2017 are more than 10% up on the same period in 2016.

Update on casino under development - Tiger Palace Resort, Bhairahawa, Nepal

As set out in our ASX announcements of 1 February 2017 and 27 February 2017, Silver Heritage is encountering unexpected delays in the final completion of Tiger Palace Resort Bhairahawa. The Board has been conducting a review of the impact of these delays and the initial results of these investigations have suggested that the delays may have a material effect on the completion date and final project cost of Tiger Palace Resort Bhairahawa. Silver Heritage shares are currently in suspension so that the Board may complete its investigations to determine the extent of the anticipated delay and increase in project cost in order to properly inform the market.

About Silver Heritage

Silver Heritage is an experienced regional gaming operator that operates and manages casinos in Nepal and Vietnam. Operating across Asia for more than a decade, Silver Heritage brings best-in-class gaming operations to emerging gaming markets that are witnessing significant growth in gaming due to rising income levels and liberalisation of gaming regulations and rapid growth of outbound Chinese and Indian tourism. www.silverheritage.com.au

Further information:

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Forward Looking Statements

This announcement and the accompanying Appendix 4E contain forward-looking statements. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to our management. The Company's management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or the ASX Listing Rules. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections.

END

1. Company details

Name of entity:	Silver Heritage Group Limited
ABN:	74 604 188 445
Reporting period:	For the year ended 31 December 2016
Previous period:	For the year ended 31 December 2015

2. Results for announcement to the market

During the reporting period, as part of a group reorganisation, Silver Heritage Group Limited became the legal parent of Silver Heritage Limited. The combination has been accounted for using the pooling of interests method.

				US$'000
Revenues from ordinary activities	down	7.8%	to	16,905
Loss from ordinary activities after tax attributable to the owners of Silver Heritage Group Limited	up	8.0%	to	(4,580)
Loss for the year attributable to the owners of Silver Heritage Group Limited	up	8.0%	to	(4,580)

The comparison with the previous year includes the results from discontinued operations.

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax and non-controlling interest amounted to US$4,580,000 (31 December 2015: US$4,240,000).

Refer to ASX market announcement accompanying this Appendix 4E for further commentary.

3. Net tangible assets

	Reporting period US Cents	Previous period US Cents
Net tangible assets per ordinary security	14.74	10.44

The net tangible assets per ordinary security is calculated based on 190,285,153 ordinary shares on issue as at 31 December 2016 and 127,785,152 ordinary shares that would have been in existence had the group reorganisation occurred as at 31 December 2015.

4. Control gained over entities

On 25 August 2016, Silver Heritage Group Limited became the legal parent of Silver Heritage Limited. The combination has been accounted for using the pooling of interests method, as noted in section 2 above.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are currently in the process of being audited and the opinion issued will be dependent on the resolution of the matters disclosed in the ASX announcement on 27 February 2017 Request for Voluntary Suspension.

6. Attachments

Details of attachments (if any):

The Preliminary Financial Results of Silver Heritage Group Limited for the year ended 31 December 2016 is attached.

7. Signed

Signed ____________________________ Date: 28 February 2017

David Green
Chairman

Silver Heritage Group Limited

ABN 74 604 188 445

Preliminary Financial Results - 31 December 2016

Silver Heritage Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Note	Consolidated 2016 (unaudited) US$'000	2015 (audited) US$'000
Revenue from continuing operations	5	16,905	17,207
Share of profits of joint ventures accounted for using the equity method		280	-
Expenses			
Employee benefits expense		(6,047)	(6,694)
Depreciation and amortisation expense		(2,653)	(2,388)
Impairment of assets		-	(698)
Legal and professional fees		(565)	(688)
Nepal gaming royalties and license fees		(369)	(663)
Advertising and promotion expenses		(1,968)	(1,718)
Occupancy expense		(1,287)	(1,195)
Termination expenses		-	(485)
Travel and accommodation expenses		(621)	(679)
Expenses for future projects		(3,019)	(2,243)
Other expenses		(1,713)	(1,149)
Finance costs		(1,624)	(1,075)
Vietnam casino costs reimbursement		(1,709)	(919)
Loss before income tax expense from continuing operations		(4,390)	(3,387)
Income tax expense		(186)	(235)
Loss after income tax expense from continuing operations		(4,576)	(3,622)
Loss after income tax expense from discontinued operations	6	-	(618)
Loss after income tax expense for the year		(4,576)	(4,240)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(846)	(719)
Other comprehensive income for the year, net of tax		(846)	(719)
Total comprehensive income for the year		(5,422)	(4,959)
Loss for the year is attributable to:			
Non-controlling interest		4	-
Owners of Silver Heritage Group Limited		(4,580)	(4,240)
		(4,576)	(4,240)

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

	Note	Consolidated 2016 (unaudited) US$'000	2015 (audited) US$'000
Total comprehensive income for the year is attributable to:			
Continuing operations		4	-
Discontinued operations		-	-
Non-controlling interest		4	-
Continuing operations		(5,426)	(4,341)
Discontinued operations		-	(618)
Owners of Silver Heritage Group Limited		(5,426)	(4,959)
		(5,422)	(4,959)

	Note	US Cents	US Cents
Earnings per share for loss from continuing operations attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	25	(3.056)	(2.834)
Diluted earnings per share	25	(3.056)	(2.834)
Earnings per share for loss from discontinued operations attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	25	-	(0.484)
Diluted earnings per share	25	-	(0.484)
Earnings per share for loss attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	25	(3.056)	(3.318)
Diluted earnings per share	25	(3.056)	(3.318)

Refer to note 2 for details on comparative information.

Silver Heritage Group Limited
Statement of financial position
As at 31 December 2016

SILVER HERITAGE GROUP

	Note	Consolidated 2016 (unaudited) US$'000	2015 (audited) US$'000
Assets			
Current assets			
Cash and cash equivalents	7	16,931	6,034
Trade and other receivables	8	1,344	1,599
Inventories	9	1,727	2,001
Other	10	1,660	1,835
Total current assets		21,662	11,469
Non-current assets			
Receivables	11	1,113	807
Investments accounted for using the equity method	12	180	150
Property, plant and equipment	13	28,256	16,144
Intangibles	14	11,380	11,437
Other	15	3,966	2,080
Total non-current assets		44,895	30,618
Total assets		66,557	42,087
Liabilities			
Current liabilities			
Trade and other payables	16	2,573	4,219
Borrowings	17	178	-
Employee benefits		56	60
Total current liabilities		2,807	4,279
Non-current liabilities			
Borrowings	18	24,327	13,025
Total non-current liabilities		24,327	13,025
Total liabilities		27,134	17,304
Net assets		39,423	24,783
Equity			
Contributed capital	19	55,985	38,893
Reserves	20	2,735	877
Accumulated losses		(19,611)	(14,987)
Equity attributable to the owners of Silver Heritage Group Limited		39,109	24,783
Non-controlling interest		314	-
Total equity		39,423	24,783

Refer to note 2 for details on comparative information.

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

Consolidated	Contributed 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	38,893	877	(14,987)	-	24,783

Refer to note 2 for details on comparative information.

Consolidated	Contributed capital US$'000	Reserves US$'000	Accumulated losses US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2016	38,893	877	(14,987)	-	24,783
Profit/(loss) after income tax expense for the year	-	-	(4,580)	4	(4,576)
Other comprehensive income for the year, net of tax	-	(846)	-	-	(846)
Total comprehensive income for the year	-	(846)	(4,580)	4	(5,422)
Non-controlling interest	-	-	(44)	310	266
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	17,159	-	-	-	17,159
Fair value of share options granted	-	2,704	-	-	2,704
Share redemption	(67)	-	-	-	(67)
Balance at 31 December 2016	55,985	2,735	(19,611)	314	39,423

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

Silver Heritage Group Limited
Statement of cash flows
For the year ended 31 December 2016

	Note	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Cash flows from operating activities			
Receipts from customers		17,049	18,372
Payments to suppliers and employees		(13,507)	(16,473)
		3,542	1,899
Joint venture partnership distributions received		150	-
Interest received		53	14
Interest and other finance costs paid		(709)	(853)
Income taxes paid		(151)	(136)
Net cash from operating activities	24	2,885	924
Cash flows from investing activities			
Payments for investments		(3,277)	(2,013)
Payments for property, plant and equipment	13	(13,945)	(8,802)
Payments for intangibles	14	(759)	(5,123)
Repayment of loans advanced to related parties		130	-
Payments for offer costs and future project expenses		(3,478)	-
Net cash used in investing activities		(21,329)	(15,938)
Cash flows from financing activities			
Proceeds from issue of shares	19	19,031	-
Proceeds from borrowings		13,337	3,553
Share issue transaction costs	19	(1,872)	-
Net cash from financing activities		30,496	3,553
Net increase/(decrease) in cash and cash equivalents		12,052	(11,461)
Cash and cash equivalents at the beginning of the financial year		6,034	18,060
Effects of exchange rate changes on cash and cash equivalents		(1,155)	(565)
Cash and cash equivalents at the end of the financial year	7	16,931	6,034

Refer to note 2 for details on comparative information.

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

SILVER HERITAGE GROUP

Note 1. General information

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

The Group operates and manages casinos in Nepal and Vietnam, and leases electronic gaming equipment to casino operators in Laos. The Group is also building a five-star casino resort in Nepal.

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 or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') 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 or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

Accounting for the group reorganisation and comparative information
On 25 August 2016, as part of a group reorganisation, Silver Heritage Group Limited became the legal parent of Silver Heritage Limited (Silver Heritage Group Limited was previously the legal subsidiary of Silver Heritage Limited prior to the reorganisation). This transaction did not meet the definition of a business combination in AASB 3 ‘Business Combinations’. The transaction has therefore been accounted for in the consolidated financial statements using the pooling of interests method and represents a continuation of the financial statements of Silver Heritage Limited. The following principles have been applied:

- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of Silver Heritage Limited;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of Silver Heritage Group Limited, including the equity instruments issued to affect the acquisition;
- the results for the financial year ended 31 December 2016 comprise the consolidated results for the year of Silver Heritage Limited together with the results of Silver Heritage Group Limited;
- the comparative are restated as if the combination had taken place at the earliest comparative period presented;
- the assets and liabilities of Silver Heritage Limited are recorded at book value;
- no goodwill is recorded. The difference, if any, between the cost of the investment and the acquirers equity is presented separately within equity;
- the cost of the combination has been expensed to profit or loss.

Comparatives information have been reclassified where necessary, to align with current period presentation.

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 Group Limited as at 31 December 2016 and the results of all subsidiaries for the year then ended.

Note 2. Significant accounting policies (continued)

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

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

The combination of Silver Heritage Limited by Silver Heritage Group Limited has been accounted using the pooling of interests method. The consolidated financial statements represent a continuation of the financial statements of Silver Heritage Limited. The comparative information are related to Silver Heritage Limited operations and not those of Silver Heritage Group Limited.

The acquisition of other 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.

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into United States 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.

Non-US functional currency operations

The assets and liabilities of non-US functional currency operations are translated into United States dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into United States 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.

Note 2. Significant accounting policies (continued)

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.

Consulting fees
Consulting fee revenue is recognised when the service is rendered.

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

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

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.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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.

Consumable goods in transit are 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.

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.

Note 2. Significant accounting policies (continued)

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 and capital works 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.

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.

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

Services agreement
Costs in relation to services agreement 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 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.

Note 2. Significant accounting policies (continued)

The component of the bonds 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 bonds 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 bonds 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 wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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 at 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.

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.

Contributed 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 Group 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.

Note 2. Significant accounting policies (continued)

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')/Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated VAT/GST, unless the VAT/GST 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/GST receivable or payable. The net amount of VAT/GST 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/GST 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/GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

Accounting for the group reorganisation prior to Initial Public Offering ('IPO')
During the financial year, a group reorganisation took place in preparation of the listing of the Group on the Australian Securities Exchange. This resulted in Silver Heritage Group Limited becoming the legal parent of the Group.

The restructure was accounted for as a capital reconstruction and group reorganisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values most appropriately reflects the substance of the internal restructure. As such, the financial statements of the Group have been presented as a continuation of the pre-existing accounting values of assets and liabilities of the financial statements of Silver Heritage Limited.

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 debtor's 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.

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

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.

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 three (2015: four) geographical operating segments: Cambodia and Laos; Nepal; and Vietnam (2015: 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	Vietnam
Electronic gaming machines	Cambodia and Laos

The CODM review segment results which is Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for impairment of assets, expenses incurred for future projects and share-based compensation expense). 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 2016 approximately 46% (2015: 49%) of the Group's external revenue was derived from one customer, Phoenix. A further 33% (2015: 31%) 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 - 2016 (unaudited)	Cambodia and Laos US$'000	Nepal US$'000	Vietnam US$'000	Philippines (discontinued) US$'000	Total US$'000
Revenue					
Gaming revenue	1,695	5,556	7,589	-	14,840
Other revenue	1,409	38	199	-	1,646
Total revenue	3,104	5,594	7,788	-	16,486
Total segment revenue	3,104	5,594	7,788	-	16,486
Intersegment eliminations/unallocated					419
Total revenue					16,905
Segment profit/(loss)	1,467	511	3,971	-	5,949
Intersegment eliminations/unallocated					343
Interest revenue					53
Share of profit from joint venture					280
Other expenses					(3,266)
Depreciation and amortisation					(2,653)
Finance costs					(1,624)
Effective interest on bonds and options					(453)
Expenses for future projects					(3,019)
Loss before income tax expense					(4,390)
Income tax expense					(186)
Loss after income tax expense					(4,576)
Assets					
Segment assets	1,394	29,150	8,895	-	39,439
Intersegment eliminations/unallocated					27,118
Total assets					66,557
Liabilities					
Segment liabilities	35	7,293	421	-	7,749
Intersegment eliminations/unallocated					19,385
Total liabilities					27,134

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Note 4. Operating segments (continued)

Consolidated - 2015 (audited)	Cambodia, Laos and Tinian US$'000	Nepal US$'000	Vietnam US$'000	Philippines (discontinued) US$'000	Total US$'000
Revenue					
Gaming revenue	3,118	5,281	8,365	1,077	17,841
Other revenue	360	12	3	46	421
Total revenue	3,478	5,293	8,368	1,123	18,262
Total segment revenue	3,478	5,293	8,368	1,123	18,262
Intersegment eliminations/unallocated					68
Total revenue					18,330
Segment profit/(loss)	229	373	5,654	(84)	6,172
Intersegment eliminations/unallocated					55
Interest revenue					14
Other expenses					(3,404)
Impairment of assets					(660)
Depreciation and amortisation					(2,842)
Finance costs					(1,075)
Expenses for future projects					(2,243)
Loss before income tax expense					(3,983)
Income tax expense					(257)
Loss after income tax expense					(4,240)
Assets					
Segment assets	2,074	19,454	9,738	-	31,266
Intersegment eliminations/unallocated					10,821
Total assets					42,087
Liabilities					
Segment liabilities	66	4,399	711	-	5,176
Intersegment eliminations/unallocated					12,128
Total liabilities					17,304

Note 5. Revenue

	Consolidated 2016 (unaudited) US$'000	**Consolidated 2015 (audited) US$'000**
From continuing operations		
Sales revenue		
Casino and gaming equipment revenue from own venues	5,556	5,281
Share of casino and gaming equipment revenue from third party venues	9,284	11,482
	14,840	16,763
Other revenue		
Consulting fees	49	60
Interest	53	13
Other revenue	1,963	371
	2,065	444
Revenue from continuing operations	16,905	17,207

Note 6. 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 the Philippines. The disposal was treated as a discontinued operation as detailed below.

Financial performance information

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Casino and gaming equipment revenue	-	1,077
Interest	-	1
Other revenue	-	45
Total revenue	-	1,123
Employee benefits expense	-	(506)
Depreciation and amortisation expense	-	(454)
Reversal of impairment of assets	-	38
Legal and professional fees	-	(101)
Advertising and promotion expenses	-	(75)
Occupancy expense	-	(484)
Travel and accommodation expenses	-	(40)
Other expenses	-	(97)
Total expenses	-	(1,719)
Loss before income tax expense	-	(596)
Income tax expense	-	(22)
Loss after income tax expense from discontinued operations	-	(618)

Cash flow information

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Net cash used in operating activities	-	(674)
Net cash used in investing activities	-	(250)
Net cash from financing activities	-	858
Net decrease in cash and cash equivalents from discontinued operations	-	(66)

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Cash on hand	1,253	1,564
Cash at bank	8,261	4,470
Cash on deposit	7,417	-
	16,931	6,034

Note 8. Current assets - trade and other receivables

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Trade receivables	24	479
Other receivables	1,320	1,120
	1,344	1,599

Note 9. Current assets - inventories

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Spare parts and gaming consumables - at cost	1,727	1,958
Consumable goods in transit - at cost	-	43
	1,727	2,001

Note 10. Current assets - other

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Prepayments	497	943
Other deposits	1,163	892
	1,660	1,835

Note 11. Non-current assets - receivables

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Trade receivables	-	202
Other receivables	1,113	605
	1,113	807

Note 12. Non-current assets - investments accounted for using the equity method

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Investment in joint venture	180	180
Provision against investment	-	(30)
	180	150

Refer to note 23 for further information on interest in joint venture.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Land - at cost	2,014	2,034
Plant and equipment - at cost	9,569	9,641
Less: Accumulated depreciation	(6,001)	(5,499)
	3,568	4,142
Construction in progress - at cost	21,886	9,968
Capital works in progress - at cost	788	-
	28,256	16,144

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$'000	Capital works in progress US$'000	Total US$'000
Balance at 1 January 2015	2,188	4,164	3,467	-	9,819
Additions	-	2,301	6,501	-	8,802
Disposals	-	(70)	-	-	(70)
Exchange differences	(154)	-	-	-	(154)
Transfers in/(out)	-	(160)	-	-	(160)
Depreciation expense	-	(2,093)	-	-	(2,093)
Balance at 31 December 2015	2,034	4,142	9,968	-	16,144
Additions	26	1,018	12,113	788	13,945
Disposals	-	(256)	-	-	(256)
Exchange differences	(46)	(14)	(195)	-	(255)
Transfers in/(out)	-	515	-	-	515
Depreciation expense	-	(1,837)	-	-	(1,837)
Balance at 31 December 2016	2,014	3,568	21,886	788	28,256

Note 14. Non-current assets - intangibles

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Software - at cost	4,034	3,275
Services agreement - at cost	9,000	9,000
Less: Accumulated amortisation	(2,265)	(1,449)
	6,735	7,551
Indefinite life intangible asset* - at cost	611	611
	11,380	11,437

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 2015	2,652	3,800	611	7,063
Additions	623	4,500	-	5,123
Amortisation expense	-	(749)	-	(749)
Balance at 31 December 2015	3,275	7,551	611	11,437
Additions	759	-	-	759
Amortisation expense	-	(816)	-	(816)
Balance at 31 December 2016	4,034	6,735	611	11,380

* The indefinite life intangible asset represents the Group's acquisition of Happy World Pvt. Limited to obtain a casino licence in Nepal.

Note 15. Non-current assets - other

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Advanced project costs	1,040	1,076
Deposit for land	2,899	978
Other non-current assets	27	26
	3,966	2,080

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Trade payables	135	733
Accrued expenses	1,779	1,422
Other payables	659	2,064
	2,573	4,219

Note 17. Current liabilities - borrowings

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Bank loans	178	-

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Note 18. Non-current liabilities - borrowings

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Bank loans	6,580	3,553
Bonds payable	17,747	-
Convertible bonds	-	9,472
	24,327	13,025

Bank loans
The Group has a lending facility with a consortium of Nepalese Banks of Nepalese Rupees NPR 750,000,000 which is used for the construction of the casino resort at Bhairahawa, Nepal. The terms of the loan are 12 years (from 30 April 2014), repayable in 38 quarterly instalments after the construction period of 2 years and 6 months. The construction is expected to be completed during 2017. Interest is paid on a quarterly basis at a variable rate, which for the period averaged 9.8% (2015: 10.5%).

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

Bonds payable
Bonds payable represents bonds issued on 26 August 2016 for US$20,000,000. As at 31 December 2016, the total fair value of the debt was US$17,747,000 (2015: US$nil). The bonds have an interest rate of 8% payable semi-annually in arrears and are redeemable at a price that will entitle the bondholders to an internal rate of return equal to 15% p.a. on the original principal amount of the bonds (calculated on a semi-annual basis) for the period from and including the date of their issue to the latter to occur of the date following 12 months after their issue and the date of their redemption. The bonds are repayable on 25 August 2019.

In addition the bondholders were granted 29,904,306 options over the ordinary shares in the company, with an exercise price of A$0.44, as follows:
11,961,722 Tranche A options, granted on 26 August 2016, exercise period 26 August 2017 to 26 August 2019
17,942,584 Tranche C options, granted on 7 October 2016, exercise period 26 August 2017 to 26 August 2019

Tranche C options replaced 17,942,584 Tranche B options originally issued on 26 August 2016.

The options will expire on the third anniversary of the options allotment date, being 26 August 2019. Unexercised options will automatically lapse on this date.

The exercise price of the option will be adjusted in the following circumstances:
- pro rata issue – if the Company makes a pro rata issue of shares, to existing shareholders (except a bonus issue), and the subscription price of a share under the pro rata issue is less than 92.5% of the average of the volume weighted average price ('VWAP') per share for each of the 5 trading days ending on the day before the announcement of the pro rata issue, the exercise price of the options will be reduced proportionally (in accordance with the ASX Listing Rules); or
- bonus issue – if the Company makes a bonus issue of shares or equity securities (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment), the number of shares which must be issued on exercise of an option will be increased proportionally and no change will be made to the exercise price.

Restrictions on issues of shares and other securities – until such time as all of the options have been exercised or otherwise expired, the Company must not do the following without the prior consent of bond holder(s) representing 75% or more of the aggregate number of options for the time being outstanding:
- issue new shares (other than under a pro rata issue or a bonus issue as defined in the ASX Listing Rules) at a price which is discounted by more than 10% of the VWAP per share for the 5 trading days ending on the day before announcement of the issuance; or
- grant or issue any option, warrant, security, right or other instrument convertible into or exchangeable for more than 10% of the fully diluted capital of the Company in any 12 month period.

The options are accounted for in the option reserve in equity.

Convertible bonds
The convertible bonds had a face value of US$10,000,000 and a coupon rate of 8.0% payable semi-annually in arrears, but had a redemption rate of 15.0% if there was no qualifying Initial Public Offering ('IPO'). The convertible bonds were fully repaid on 25 August 2016 under the qualifying IPO on the same date.

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

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Bank loans	6,758	3,553

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

Assets pledged as security
The bank 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	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Total facilities		
Bank loans	6,758	7,028
Used at the reporting date		
Bank loans	6,758	3,553
Unused at the reporting date		
Bank loans	-	3,475

The bank loan facility is denominated in NPR and the current facility limit is NPR 750,000,000 (2015: NPR 750,000,000).

Note 19. Equity - contributed capital

The number of shares and dollar value represents the continuation of Silver Heritage Limited. Consequent to the group reorganisation, with effect from 25 August 2016, the shares were converted into issued capital of Silver Heritage Group Limited.

	Consolidated			
	2016 (unaudited) Shares	2015 (audited) Shares	2016 (unaudited) US$'000	2015 (audited) US$'000
Ordinary shares - fully paid	190,285,153	32,001,288	55,985	38,893

Movements in ordinary share capital

Details	Date	Shares	Issue price	US$'000
Balance	1 January 2015	32,001,288		38,893
Balance	31 December 2015	32,001,288		38,893
Conversion of shares in Silver Heritage Limited to shares in Silver Heritage Group Limited	25 August 2016	95,838,864	US$0.0000	-
Original subscriber share issued in Silver Heritage Group Limited	25 August 2016	1	US$0.0000	-
Shares issued in Silver Heritage Group Limited	25 August 2016	62,500,000	US$0.3045	19,031
Share redemption	9 September 2016	(55,000)	US$1.2168	(67)
Less: share issue transaction costs		-	US$0.0000	(1,872)
Balance	31 December 2016	190,285,153		55,985

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.

Note 19. Equity - contributed capital (continued)

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 20. Equity - reserves

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Foreign currency reserve	(1,885)	(1,039)
Share-based payments and options reserve	4,620	1,916
	2,735	877

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to United States dollars.

Share-based payments and options reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other options granted to parties as part of their compensation for services.

Note 20. Equity - reserves (continued)

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

Consolidated	Foreign currency US$'000	Share-based payments and options US$'000	Total US$'000
Balance at 1 January 2015	(320)	1,916	1,596
Foreign currency translation	(719)	-	(719)
Balance at 31 December 2015	(1,039)	1,916	877
Foreign currency translation	(846)	-	(846)
Fair value of share options granted	-	2,704	2,704
Balance at 31 December 2016	(1,885)	4,620	2,735

Note 21. Equity - dividends

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

Note 22. 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 2016 (unaudited) %	Ownership interest 2015 (audited) %
Silver Heritage Limited	British Virgin Islands	100.00%	100.00%
SHL Leisure Management (HK) Limited	Hong Kong	100.00%	100.00%
Gold & Silver Heritage Co. Limited	Thailand	100.00%	100.00%
Silver Heritage (Cambodia) Limited	Cambodia	100.00%	100.00%
Silver Heritage (Lao) Sole Co. Ltd	Lao People’s Democratic Republic	100.00%	100.00%
Dollarplus Pacific Limited	British Virgin Islands	-	100.00%
Prime Link Services Limited	British Virgin Islands	100.00%	100.00%
Ridgeway International Limited	Hong Kong	100.00%	100.00%
Silver Heritage Technical Services Inc.	The Philippines	100.00%	100.00%
Silver Heritage Vietnam Company Limited	Vietnam	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	90.00%	100.00%
Tiger One Pvt. Limited	Nepal	100.00%	100.00%
Tiger Two Pvt. Limited	Nepal	100.00%	-

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

The comparative ownership interest represents the percentage ownership that would have been in existence had the group reorganisation occurred as at 31 December 2015.

Note 23. Interest in joint venture

Interest in joint venture is accounted for using the equity method of accounting. Information relating to the joint venture that is material to the Group is set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 (unaudited) %	Ownership interest 2015 (audited) %
Gaming Concepts Group Limited	Belize	50.00%	50.00%

Summarised financial information

	2016 (unaudited) US$'000	2015 (audited) US$'000
Summarised statement of financial position		
Cash and cash equivalents	291	47
Other current assets	227	121
Non-current assets	92	120
Total assets	610	288
Current liabilities	249	119
Non-current liabilities	-	130
Total liabilities	249	249
Net assets	361	39
Summarised statement of profit or loss and other comprehensive income		
Revenue	4,276	2,236
Other expenses	(3,645)	(2,177)
Profit before income tax	631	59
Other comprehensive income	-	-
Total comprehensive income	631	59
Reconciliation of the Group's carrying amount		
Opening carrying amount	150	130
Share of dividends paid	(150)	-
Return of capital injected	(130)	-
Share of profit from joint venture	280	-
Write-back of provision against investment	30	20
Closing carrying amount	180	150

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

Note 24. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Loss after income tax expense for the year	(4,576)	(4,240)
Adjustments for:		
Depreciation and amortisation	2,653	2,388
Share-based payments	313	-
Foreign exchange differences	22	24
Expenses for future projects	3,019	2,243
Fair value loss on bond	137	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	258	559
Decrease in inventories	274	322
Decrease/(increase) in other current assets	175	(1,065)
Increase in trade and other payables	614	633
Increase/(decrease) in employee benefits	(4)	60
Net cash from operating activities	2,885	924

Note 25. Earnings per share

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Earnings per share for loss from continuing operations		
Loss after income tax	(4,576)	(3,622)
Non-controlling interest	(4)	-
Loss after income tax attributable to the owners of Silver Heritage Group Limited	(4,580)	(3,622)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,874,193	127,785,152
Weighted average number of ordinary shares used in calculating diluted earnings per share	149,874,193	127,785,152

	US Cents	US Cents
Basic earnings per share	(3.056)	(2.834)
Diluted earnings per share	(3.056)	(2.834)

	Consolidated 2016 (unaudited) US$'000	Consolidated 2015 (audited) US$'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Silver Heritage Group Limited	-	(618)

Note 25. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,874,193	127,785,152
Weighted average number of ordinary shares used in calculating diluted earnings per share	149,874,193	127,785,152

	US Cents	US Cents
Basic earnings per share	-	(0.484)
Diluted earnings per share	-	(0.484)

	Consolidated	
	2016 (unaudited) US$'000	2015 (audited) US$'000
Earnings per share for loss		
Loss after income tax	(4,576)	(4,240)
Non-controlling interest	(4)	-
Loss after income tax attributable to the owners of Silver Heritage Group Limited	(4,580)	(4,240)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,874,193	127,785,152
Weighted average number of ordinary shares used in calculating diluted earnings per share	149,874,193	127,785,152

	US Cents	US Cents
Basic earnings per share	(3.056)	(3.318)
Diluted earnings per share	(3.056)	(3.318)

The weighted average number of ordinary shares for the comparative period has been adjusted to give effect to reorganisation which occurred during the financial year.

29,904,306 (2015: Nil) options are not included in the calculation of diluted earnings per share because they are anti-dilutive for the financial year ended 31 December 2016. These options could potentially dilute basic earnings per share in the future.