SILVER HERITAGE GROUP

1. Company details

Name of entity:	Silver Heritage Group Limited
ABN:	74 604 188 445
Reporting period:	For the half-year ended 30 June 2019
Previous period:	For the half-year ended 30 June 2018

2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 30 June 2019 using the modified retrospective approach and as such the comparatives have not been restated.

				US$'000
Revenues from ordinary activities	down	25.3%	to	8,316
Loss from ordinary activities after tax attributable to the owners of Silver Heritage Group Limited	up	225.3%	to	(32,325)
Loss for the half-year attributable to the owners of Silver Heritage Group Limited	up	225.3%	to	(32,325)

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

Comments
On 31 July 2019, the Company announced that it had received a conditional, binding offer for the Company’s Nepal operations. As the Company’s Nepal operations represent the Company’s only remaining operating segments, its sale represents a material curtailment of the entity’s operations.

Although this offer did not proceed, the Directors determined that the going concern basis of accounting (as applied in previous years) is no longer appropriate and the financial statements will not be prepared on a going concern basis, rather the interim financial statements will be prepared on a realisation basis of accounting, reflecting an orderly disposal of the Company’s Nepal operations.

The loss for the Group after providing for income tax and non-controlling interest amounted to US$32,325,000 (30 June 2018: US$9,938,000). The loss includes a non-cash impairment expense of US$22,787,000 relating to the revaluation of the Group’s Nepal operations and US$668,000 relating to the restatement of the Group’s non-Nepal assets on a realisation basis. In addition, the Group has also recognised an additional finance expense of US$532,000 to restate the OCP bond liability on a realisation basis.

3. Net tangible assets

	Reporting period US Cents	Previous period US Cents
Net tangible assets per ordinary security	0.11	3.94

Net tangible assets exclude right-of-use assets.

4. Details of associates and joint venture entities

Interest in joint venture
Gaming Concepts Group Limited (Belize) - Ownership interest - 62.5% as at 30 June 2019 and 50% as at 31 December 2018. The Company has assessed whether this increased ownership triggered a change in control under AASB 10 'Consolidated Financial Statements'. It was determined that control has not transferred to Silver Heritage Group Limited therefore the Company continues to account for this investment as an associate.

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5. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review report includes a disclaimer of opinion due to the accounting irregularities which occurred during the year ended 31 December 2018 and because the auditors have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment of the carrying value of the Tiger Palace Resort assets. The review report also contains a paragraph addressing the directors' conclusion that the accounts are to be prepared on a realisation basis.

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6. Attachments

Details of attachments (if any):

The Interim Report of Silver Heritage Group Limited for the half-year ended 30 June 2019 is attached.

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7. Signed

Signed ___________________________ Date: 30 March 2020

Matthew Hunter
Non-Executive Director

Silver Heritage Group Limited

ABN 74 604 188 445

Interim Report - 30 June 2019

Contents

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Silver Heritage Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

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

Mike Bolsover
Matthew Hunter
Darryl Kaplan - appointed on 9 December 2019
Mike Bassett - resigned on 17 October 2019
James Spenceley - resigned on 17 October 2019

Principal activities

The Group operates and manages casinos in Nepal. The Group has built and opened South Asia's first integrated resort, Tiger Palace Resort Bhairahawa ('Tiger Palace'), in Nepal close to the border with India's most populous state, Uttar Pradesh. The Group previously also managed a casino in Vietnam and ceased management of that casino in March 2019.

Dividends

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

Review of operations

Total revenue from continuing operations of the Group (which excludes revenues from the now ceased Vietnam business) for the half-year ended 30 June 2019 was US$7,463,000 (2018: US$5,199,000).

The loss for the Group after providing for income tax and non-controlling interest amounted to US$32,325,000 (30 June 2018: US$9,938,000). The loss includes a non-cash impairment expense of US$22,787,000 relating to the revaluation of the Group's Nepal operations and US$668,000 relating to the restatement of the Group's non-Nepal assets on a realisation basis. In addition, the Group has also recognised an additional finance expense of US$532,000 to restate the OCP bond liability on a realisation basis.

The Group's performance reflects the ramp up of Tiger Palace, operating improvements at The Millionaire's Club and Casino, Kathmandu ('TMCCK') and the cessation of trading at Phoenix International Club, Bac Ninh ('Phoenix').

Basic earnings per share of the Group for the half-year ended 30 June 2019 was a loss of 2.56 cents per share (30 June 2018: loss of 1.70 cents per share).

Tiger Palace Resort, Bhairahawa, Nepal ('Tiger Palace')

Tiger Palace reported total revenue of US$4,373,000 (30 June 2018: US$2,799,000). This was comprised of US$3,237,000 in gaming revenue (30 June 2018: US$2,027,000) and US$1,136,000 in non-gaming revenue (30 June 2018: US$772,000).

Tiger Palace reported a segment loss of US$22,824,000 (30 June 2018: loss of US$2,795,000) primarily reflecting the impairment provision during the half-year.

- Gross Gaming Revenue ('GGR') was US$3,237,000 (30 June 2018: $2,027,000);
- Table GGR was US$2,961,000 and Electronic Gaming Machines ('EGM') GGR was US$276,000 (30 June 2018: US$1,968,000 and US$59,000, respectively);
- Table Drop was US$14,947,000 with a hold percentage of 19.9% (30 June 2018: US$7,948,000 and 24.9%, respectively);
- Visitation was 62,962 persons (30 June 2018: 45,106 persons); and
- Room Revenue was US$568,000 on 11,316 room nights at an average rate of US$50.19 and an occupancy rate of 67.7% (30 June 2018: US$401,000, 6,208 room nights, average rate of US$64.59, occupancy rate 40.2%).

The Millionaire's Club and Casino, Kathmandu, Nepal ('TMCCK')

TMCCK reported total revenue of US$3,083,000 (30 June 2018: US$2,376,000). This was comprised of US$3,082,000 in gaming revenue (30 June 2018: US$2,373,000) and US$1,000 in non-gaming revenue (30 June 2018: US$3,000).

TMCCK reported a segment profit of US$1,004,000 (30 June 2018: US$42,000). The stronger trading result came as a result of a series of operational changes which focused on increasing operational efficiency, improving drop and GGR per head and layout changes to cater for an increase in Chinese visitation to the property.

- Gross Gaming Revenue ('GGR') was US$3,082,000 (30 June 2018: US$2,373,000);
- Table GGR was US$2,720,000 (30 June 2018: US$2,063,000) and EGM GGR was US$362,000 (30 June 2018: US$310,000);
- Table Drop was US$16,098,000 (30 June 2018: US$13,920,000) with a hold percentage of 16.9% (30 June 2018: 14.8%); and
- Visitation was 46,973 persons (30 June 2018: 43,636 persons).

Cessation of trading at Phoenix International Club, Bac Ninh, Vietnam
On 27 February 2019, the Group received notice from the General Manager of Phoenix that table games are no longer included in its revised Investment Certificate and hence not permitted to be operated on the property, and that the casino will close for an indefinite period. As of 0600 Vietnam Time 1 March 2019 all casino operations on the property ceased.

On 19 March 2019, the Group announced that it had reached a settlement with the owner of Phoenix in relation to the cessation of operations due to the owner’s failure to maintain the gaming license at Phoenix. The Group will be paid the sum of US$5,250,000 in compensation in full and final settlement of all claims and rights either party may have in relation to the Entertainment Services Agreement ('ESA') between the Group and the owner of Phoenix. The settlement also provides for the termination of the ESA, effective from 1 March 2019, and the transfer of the gaming assets of the Group located at Phoenix to the owner of Phoenix.

The compensation was payable over two separate instalments being 12 March 2019 (which has been paid) and 11 April 2019. The compensation amount reflects circa 2 years of expected EBITDA contributions from Phoenix and brings these cash flows forward.

The Group was of the view that the terms of the settlement, including the termination of the ESA, are generally favourable having regard to all circumstances, including but not limited to the recent under performance of Phoenix, the breaches of the ESA by the owner of Phoenix, the uncertainty in relation to the ability for the Investment Certificate issued to Phoenix to be amended to re-allow by law the operation of table games on the premises and the recent closure by the owner of Phoenix of its casino on 1 March 2019. Following the termination of the ESA, the Group ceased operations in Vietnam.

On 30 April 2019, the Group announced that the owner of Phoenix has failed to make payment of the second instalment due to the Group as part of the termination and settlement of the ESA. The Company intends to use all avenues available to it to ensure these monies are paid.

As at 30 June 2019, US$1,750,000 remains owing from the owner of Phoenix, and as at the date of this report, the balance outstanding is US$1,470,000. The Group has impaired this receivable for reporting purposes but continues to pursue the owner of Phoenix for this remaining sum.

Impairment of assets
The Group carried out a review of the recoverable amount of its Nepal operations. The review led to the recognition of an impairment loss of US$22,787,000 against the Group’s Tiger Palace Resort, Bhairahawa reportable segment which has been recognised in profit or loss. The impairment loss was determined based on the value in use method. The Group also recognised a loss of US$668,000 relating to the restatement of the Group’s non-Nepal assets on a realisation basis, and an additional US$532,000 to restate the OCP Bond on a realisation basis.

Discovery of accounting irregularities
On 2 March 2019, the Group announced that it had discovered accounting irregularities (‘Irregularities’) concerning its operations in Nepal. The irregularities relate to certain transactions undertaken in Nepal to reclassify receivables written off at a Group level in the half-year accounts as operating expenses in the local subsidiary. The Group’s new CFO became aware of the irregularities immediately prior to the finalisation of the Company's annual accounts and immediately notified the Board and the Company's auditor, Grant Thornton. A review of the Nepal accounting operations commenced shortly after the discovery of the irregularities. The impact of the Irregularities on the financial statements of the year ending 31 December 2018 was an additional expense of US$54,000 and the financial statements have been adjusted for the impact of these Irregularities.

As disclosed above, the Group ceased trading at Phoenix International Club, Vietnam on 1 March 2019.

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

Significant changes in the state of affairs

As disclosed above, the Group ceased trading at Phoenix International Club, Vietnam on 1 March 2019.

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

Matters subsequent to the end of the financial half-year

On 11 July 2019, the Group announced that legal proceedings had been lodged against it in the Rupandehi District Court of Nepal by a local water consumer committee based in the region ('Committee') against two of the Group's Nepal subsidiaries. The Group further updated the market on 9 August 2019 that following the formal service of the court documents from the Committee, the Group sought independent advice from its Nepal legal counsel who has confirmed that the scope of the interim injunction granted ex parte is limited to the 5 plots of land identified as plot numbers 120, 148, 152, 190 and 73, which are not and were never legally registered in the name of the Group (or its subsidiaries) but rather as un-used Government land lying within the boundaries of Tiger Palace Resort Bhairahawa. The advice also confirms that the injunction does not restrict the sale or construction on any plots legally owned by the Group through its subsidiaries, and the current interim injunction and legal proceedings pose no immediate material commercial or legal impact or risk on the Group's operations in Nepal.

On 31 July 2019, the Group announced that it had received a conditional, binding offer ('Offer') from a Mr. Indra Bahadur Thapa ('Buyer') to acquire the Group's Nepal operations for US$20,000,000.

The offer followed the Company's engagement of Union Gaming as its exclusive adviser in relation to locating potential strategic partners or purchasers of the Company's Nepal operations.

As noted in the Group's announcement dated 11 September 2019, this offer did not proceed due to the Buyer being unable to comply with all the conditions of the Offer including the payment of a US$3,000,000 deposit into an escrow account.

On 20 January 2020, the Group announced that the Group's Bondholders had agreed to provide an additional loan of US$1,000,000, with interest at 15.0% per annum, and repayable on 31 December 2021.

As part of this agreement the maturity dates of the Bonds were deferred, with details stated in the Amended Bond Instrument, as follows:

- US$2,000,000 on or before 31 December 2020 (deferred from 31 March 2020);
- US$2,000,000 on or before 30 June 2021 (deferred from 30 September 2020); and
- the balance on or before 31 December 2021 (deferred from 2 April 2021).

As part of this agreement the financial covenants of the Bonds were amended, with details stated in the Amended Bond Instrument, as follows:

The Group shall ensure that:

(a) for the period of 9 months ended 30 September 2020, the Group Adjusted EBITDA shall be more than US$500,000;
(b) for the 12 month period ended 31 December 2020, the Group Adjusted EBITDA shall be more than US$1,200,000;
(c) for the 12 month period ended 31 March 2021, the Group Adjusted EBITDA shall be more than US$2,000,000;
(d) for the 12 month period ended 30 June 2021, the Group Adjusted EBITDA shall be more than US$2,500,000; and
(e) for the 12 month period ended 30 September 2021, the Group Adjusted EBITDA shall be more than US$3,000,000.

On 23 March 2020, the Group announced that, in light of the Coronavirus (COVID-19) pandemic, and specifically an official circular from the Home Ministry of the Government of Nepal which, among other things, temporarily prohibits gatherings of 25 or more people, with immediate effect, both of the Group's casinos located at Tiger Palace Resort, Bhairahawa and The Millionaire's Club & Casino, Kathmandu will be closed until further notice. The hotel at Tiger Palace Resort will also be closed until further notice following the ban on international travel to and from Nepal as announced by the Prime Minister of Nepal in a special address.

No other matter or circumstance has arisen since 30 June 2019 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.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Matthew Hunter
Non-Executive Director

Mike Bolsover
Managing Director and Chief Executive Officer

30 March 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Silver Heritage Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Silver Heritage Group Limited for the half year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 30 March 2020

Silver Heritage Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2019

	Note	Consolidated 30 Jun 2019 US$'000	Consolidated 30 Jun 2018 US$'000
Revenue from continuing operations	4	7,463	5,199
Share of profits/(losses) of joint ventures accounted for using the equity method		(72)	90
Interest revenue calculated using the effective interest method		3	9
Expenses			
Advertising and promotion expenses		(1,032)	(1,221)
Depreciation and amortisation		(1,898)	(2,453)
Employee benefits expense		(3,565)	(4,168)
Gaming royalties and license fees		(445)	(630)
Provision expense under realisation basis of preparation		(266)	-
Impairment of assets	5	(23,455)	(1,179)
Legal and professional fees		(545)	(611)
Occupancy expense		(600)	(1,026)
Provision for doubtful receivables		-	(443)
Resort expenses		(689)	(899)
Restructuring expenses		(15)	(449)
Travel and accommodation expenses		(371)	(446)
Other expenses		(723)	(973)
Finance costs	5	(3,241)	(2,633)
Loss before income tax expense from continuing operations		(29,451)	(11,833)
Income tax expense		-	(91)
Loss after income tax expense from continuing operations		(29,451)	(11,924)
Profit/(loss) after income tax expense from discontinued operations	6	(2,896)	1,865
Loss after income tax expense for the half-year		(32,347)	(10,059)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(49)	(1,171)
Other comprehensive income for the half-year, net of tax		(49)	(1,171)
Total comprehensive income for the half-year		(32,396)	(11,230)
Loss for the half-year is attributable to:			
Non-controlling interest		(22)	(121)
Owners of Silver Heritage Group Limited		(32,325)	(9,938)
		(32,347)	(10,059)

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

	Note	Consolidated 30 Jun 2019 US$'000	Consolidated 30 Jun 2018 US$'000
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(22)	(121)
Discontinued operations		-	-
Non-controlling interest		(22)	(121)
Continuing operations		(29,478)	(12,974)
Discontinued operations		(2,896)	1,865
Owners of Silver Heritage Group Limited		(32,374)	(11,109)
		(32,396)	(11,230)
		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	22	(2.34)	(2.03)
Diluted earnings per share	22	(2.34)	(2.03)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	22	(0.23)	0.32
Diluted earnings per share	22	(0.23)	0.29
Earnings per share for loss attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	22	(2.56)	(1.70)
Diluted earnings per share	22	(2.56)	(1.70)

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

SILVER HERITAGE GROUP

	Note	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Assets			
Current assets			
Cash and cash equivalents	7	4,258	4,965
Trade and other receivables	8	5,461	4,502
Inventories		382	481
Other		706	1,099
Total current assets		10,807	11,047
Non-current assets			
Investments accounted for using the equity method	10	-	89
Property, plant and equipment	11	27,903	51,331
Intangibles	12	526	6,079
Other	13	180	459
Total non-current assets		28,609	57,958
Total assets		39,416	69,005
Liabilities			
Current liabilities			
Trade and other payables	14	4,361	6,485
Borrowings	15	28,758	2,871
Lease liabilities	21	2,426	-
Employee benefits		125	138
Total current liabilities		35,670	9,494
Non-current liabilities			
Payables	16	-	2,195
Borrowings	17	-	20,559
Total non-current liabilities		-	22,754
Total liabilities		35,670	32,248
Net assets		3,746	36,757
Equity			
Contributed capital	18	79,339	79,339
Reserves	19	2,465	2,499
Accumulated losses		(78,144)	(45,189)
Equity attributable to the owners of Silver Heritage Group Limited		3,660	36,649
Non-controlling interest		86	108
Total equity		3,746	36,757

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 2018	70,098	4,489	(34,057)	321	40,851
Loss after income tax expense for the half-year	-	-	(9,938)	(121)	(10,059)
Other comprehensive income for the half-year, net of tax	-	(1,171)	-	-	(1,171)
Total comprehensive income for the half-year	-	(1,171)	(9,938)	(121)	(11,230)
Transactions with owners in their capacity as owners:					
Share-based payments	-	22	-	-	22
Balance at 30 June 2018	70,098	3,340	(43,995)	200	29,643

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 2019	79,339	2,499	(45,189)	108	36,757
Adjustment for change in accounting policy	-	-	(630)	-	(630)
Balance at 1 January 2019 - restated	79,339	2,499	(45,819)	108	36,127
Loss after income tax expense for the half-year	-	-	(32,325)	(22)	(32,347)
Other comprehensive income for the half-year, net of tax	-	(49)	-	-	(49)
Total comprehensive income for the half-year	-	(49)	(32,325)	(22)	(32,396)
Transactions with owners in their capacity as owners:					
Share-based payments	-	15	-	-	15
Balance at 30 June 2019	79,339	2,465	(78,144)	86	3,746

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

	Consolidated	
	30 Jun 2019 US$'000	**30 Jun 2018 US$'000**
Cash flows from operating activities		
Receipts from customers	8,356	11,242
Payments to suppliers and employees (inclusive of GST)	(10,217)	(12,750)
Interest received	3	11
Interest and other finance costs paid	(1,790)	(1,081)
Income taxes paid	-	(78)
Net cash used in operating activities	(3,648)	(2,656)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,183)	(2,638)
Proceeds from settlement on cessation of Vietnam operations, net of costs	2,779	-
Dividends from joint venture	-	200
Net cash from/(used in) investing activities	1,596	(2,438)
Cash flows from financing activities		
Repayment of bank loans	(150)	(53)
Proceeds from bank loans	1,702	545
Repayment of lease liabilities	(215)	-
Net cash from financing activities	1,337	492
Net decrease in cash and cash equivalents	(715)	(4,602)
Cash and cash equivalents at the beginning of the financial half-year	4,965	11,231
Effects of exchange rate changes on cash and cash equivalents	8	(62)
Cash and cash equivalents at the end of the financial half-year	4,258	6,567

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

Note 1. General information

The financial statements cover Silver Heritage 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 half-year, together referred to in these financial statements as the 'Group'. The financial statements are presented in United States dollars, which is Silver Heritage Group Limited's functional and presentation currency.

Silver Heritage Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 12, 225 George Street Sydney, NSW 2000 Australia	6/F The Phoenix, 23 Luard Road Wan Chai Hong Kong

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 March 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Basis of preparation

Under Australian Accounting Standards, financial statements are normally prepared on a going concern basis where (or when) there is neither the intention nor the need to materially curtail the scale of the entity’s operation. If such intention or need exists, the financial statements cannot be prepared on a going concern basis.

The Directors have determined that the going concern basis of accounting (as applied in previous years) would no longer be appropriate. The financial statements will not be prepared on a going concern basis, rather the interim financial statements will be prepared on a realisation basis of accounting, reflecting an orderly disposal of the Company’s Nepal operations.

Realisation basis of accounting

Under the realisation basis of accounting, assets are written down to their estimated net realisable value (where relevant), and liabilities are stated at their estimated settlement amounts, and the relevant estimates are periodically reviewed and adjusted as appropriate.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Note 2. Significant accounting policies (continued)

AASB 16 Leases
The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 January 2019 was as follows:

	1 January 2019 $'000
Right-of-use assets (AASB 16)	1,997
Lease liabilities - current (AASB 16)	(252)
Lease liabilities - non-current (AASB 16)	(2,375)
Increase in opening accumulated losses as at 1 January 2019	(630)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Significant accounting policies (continued)

Going concern
The financial report has been prepared on a realisation basis, which contemplates the orderly realisation of assets and settlement of liabilities, rather than on a going concern basis. During the half-year ended 30 June 2019, the Group incurred a consolidated net loss of US$32,347,000 (30 June 2018: US$10,059,000) and consolidated net cash outflows of US$715,000 (30 June 2018: US$4,602,000).

As at 30 June 2019, the Group had cash and cash equivalents of US$4,258,000 (31 December 2018: US$4,965,000) and net assets of US$3,746,000 (31 December 2018: US$36,757,000). The Group also had an excess of current liabilities over current assets of US$24,863,000. The current liabilities include bonds payable of US$14,848,000 and bank loans of US$13,910,000.

During the half-year ended 30 June 2019, the Group ceased operations in Vietnam which represented 46% of the Group's revenue during the year ended 31 December 2018 (31 December 2017: 69%) and 12% of the Group's total segment loss (31 December 2018: 210%) was impacted by losses during the ramp up of operations at Tiger Palace Resort, Bhairahawa.

As part of the cessation of operations, the Group announced that it had reached a settlement with the owner of Phoenix in relation to the cessation of operations due to the owner's failure to maintain the gaming license at Phoenix. The Group was to be paid the sum of US$5,250,000 in compensation in full and final settlement of all claims and rights either party may have in relation to the Entertainment Services Agreement ('ESA') between the Group and the owner of Phoenix. The settlement also provides for the termination of the ESA, effective from 1 March 2019, and the transfer of the gaming assets of the Group located at Phoenix to the owner of Phoenix.

The compensation was payable over two separate instalments being 12 March 2019 (which has been paid) and 11 April 2019. On 30 April 2019, the Group announced that the owner of Phoenix, has failed to make payment of the second instalment due to the Group as part of the termination and settlement of the ESA.

As at 30 June 2019, US$1,750,000 remains owing from the owner of Phoenix, and the balance outstanding at the date of this report is US$1,470,000. The Group has impaired this receivable for reporting purposes but continues to pursue the owner of Phoenix for this remaining sum.

On 31 July 2019, the Group announced that it had received a conditional, binding offer ('Offer') from a Mr. Indra Bahadur Thapa ('Buyer') to acquire the Group's Nepal operations for US$20,000,000.

The offer followed the Company's engagement of Union Gaming as its exclusive adviser in relation to locating potential strategic partners or purchasers of the Company's Nepal operations.

As noted in the Group's announcement dated 11 September 2019, this offer did not proceed due to the Buyer being unable to comply with all the conditions of the Offer including the payment of a US$3,000,000 deposit into an escrow account. As a result of receiving this offer, the Directors determined that the going concern basis of accounting (as applied in previous years) would no longer be appropriate. The financial statements will not be prepared on a going concern basis, rather the interim financial statements will be prepared on a realisation basis of accounting, reflecting an orderly disposal of the Company's Nepal operations.

Note 3. Operating segments

Identification of reportable operating segments
The Board of Directors together with the Executive team (who are identified as the Chief Operating Decision Makers ('CODM')) considers the business from both a geographic and business unit perspective. These operating segments are based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. Geographically, the business operated in the primary geographic areas of Vietnam, Nepal and Cambodia/Laos. The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires localised knowledge, different skill sets and marketing strategies.

Accordingly, the Group had four reportable business unit segments being Cambodia/Laos (Electronic Gaming Machines), The Millionaire's Club and Casino, Kathmandu, Nepal ('TMCCK'), Tiger Palace Resort, Bhairahawa, Nepal ('TPR1') and Phoenix International Club, Bac Ninh, Vietnam ('Phoenix').

Note 3. Operating segments (continued)

Following the cessation of the Cambodia/Laos and Vietnam segments the CODM no longer reports on these segments separately in the half-year ended 30 June 2019 and their operational results have been included under 'discontinued operations'. The comparatives have been restated accordingly.

The CODM reviews segment results in the form of Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for impairment of assets, expenses incurred for future projects, one-off exceptional items 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.

Operating segment information

Consolidated - 30 Jun 2019	Nepal TMCCK US$'000	Nepal TPR1 US$'000	Total US$'000
Revenue			
Gaming revenue	3,082	3,237	6,319
Other revenue	1	1,136	1,137
Total revenue	3,083	4,373	7,456
Total segment revenue	3,083	4,373	7,456
Interest income			3
Corporate revenue			7
Total revenue			7,466
Segment profit/(loss)	1,004	(22,824)	(21,820)
Corporate expenses			(609)
Share of profit from joint venture			(72)
Restructuring expenses			(15)
Share-based payments			(15)
Impairment of corporate assets			(668)
Provision adjustments under realisation basis of preparation			(889)
Depreciation and amortisation			(1,898)
Finance costs			(3,109)
Legal and professional fees			(356)
Discontinued operations (refer to note 6)			(2,896)
Loss before income tax expense			(32,347)
Income tax expense			-
Loss after income tax expense			(32,347)

Note 3. Operating segments (continued)

Consolidated - 30 Jun 2018	Nepal TMCCK US$'000	Nepal TPR1 US$'000	Total US$'000
Revenue			
Gaming revenue	2,373	2,027	4,400
Other revenue	3	772	775
Total revenue	2,376	2,799	5,175
Total segment revenue	2,376	2,799	5,175
Interest revenue			11
Corporate revenue			22
Total revenue			5,208
Segment profit/(loss)	42	(2,795)	(2,753)
Corporate expenses			(1,627)
Share of profit from joint venture			90
Restructuring expenses			(449)
Share-based payments			(22)
Provision for doubtful receivables			(443)
Impairment of assets			(1,179)
Depreciation and amortisation			(2,453)
Finance costs			(2,633)
Legal and professional fees			(364)
Discontinued operations (refer to note 6)			1,865
Loss before income tax expense			(9,968)
Income tax expense			(91)
Loss after income tax expense			(10,059)

The CODM reviews segment results in the form of adjusted EBITDA as such depreciation and amortisation have not been allocated to the individual operating segments.

The segment disclosure for the period ended 30 June 2018 has been restated as a result of the Group's Cambodia & Laos and Phoenix operations being discontinued. Refer to note 6 for further information.

Note 4. Revenue

	Consolidated	
	30 Jun 2019 US$'000	**30 Jun 2018 US$'000**
From continuing operations		
Sales revenue		
Casino and gaming equipment revenue from own venues	6,319	4,400
Resort revenue	921	768
	7,240	5,168
Other revenue		
Consulting fees	7	21
Other revenue	216	10
	223	31
Revenue from continuing operations	7,463	5,199

Note 4. Revenue (continued)

	Consolidated	
	30 Jun 2019 US$'000	30 Jun 2018 US$'000
Timing of revenue recognition		
Goods and services transferred at a point in time	7,463	5,199

Note 5. Expenses

	Consolidated	
	30 Jun 2019 US$'000	30 Jun 2018 US$'000
Loss before income tax from continuing operations includes the following specific expenses:		
Impairment of assets		
Buildings	17,132	-
Plant and equipment	5,521	-
Software licences	134	1,179
	22,787	1,179
Impairment of corporate assets under the realisation basis of preparation		
Building	169	-
Plant and equipment	33	-
Software licences	159	-
Investments held under the equity method	17	-
Prepayments	188	-
Deposits	102	-
	668	-
Total	23,455	1,179
Finance costs		
Interest and finance charges paid/payable on borrowings	2,577	2,633
Interest and finance charges paid/payable on lease liabilities	132	-
Restatement of bond liability under realisation basis of preparation	532	-
Finance costs expensed	3,241	2,633
Leases		
Minimum lease payments	-	327
Short-term lease payments	6	-
Low-value assets lease payments	6	-
	12	327
Superannuation expense		
Defined contribution superannuation expense	16	17

Note 6. Discontinued operations

Description

During the half-year ended 30 June 2019, the Group ceased operations in Vietnam which represented 10% of the Group's revenue during the half-year ended 30 June 2019 (30 June 2018: 54%) and 12% of the Group's total segment loss (30 June 2018: 210%) was impacted by losses during the ramp up of operations at Tiger Palace Resort, Bhairahawa.

Note 6. Discontinued operations (continued)

As part of the cessation of operations, the Group announced that it had reached a settlement with the owner of Phoenix in relation to the cessation of operations due to the owner's failure to maintain the gaming license at Phoenix. The Group was to be paid the sum of US$5,250,000 in compensation in full and final settlement of all claims and rights either party may have in relation to the Entertainment Services Agreement ('ESA') between the Group and the owner of Phoenix. The settlement also provides for the termination of the ESA, effective from 1 March 2019, and the transfer of the gaming assets of the Group located at Phoenix to the owner of Phoenix.

The compensation was payable over two separate instalments being 12 March 2019 (which has been paid) and 11 April 2019. On 30 April 2019, the Group announced that the owner of Phoenix, has failed to make payment of the second instalment due to the Group as part of the termination and settlement of the ESA.

As at 30 June 2019, US$1,750,000 remains owing from the owner of Phoenix, and the balance outstanding at the date of this report is US$1,470,000. The Group has impaired this receivable for reporting purposes but continues to pursue the owner of Phoenix for this remaining sum.

Financial performance information

	Consolidated	
	30 Jun 2019 US$'000	30 Jun 2018 US$'000
Casino and gaming equipment revenue (Phoenix)	775	5,806
Interest	-	2
Other revenue	75	120
Total revenue	850	5,928
Rental revenue - gaming machines (Cambodia and Laos)	-	152
Advertising and promotion expenses	(91)	(477)
Casino costs reimbursement	(445)	(2,310)
Depreciation and amortisation	(191)	(687)
Employee benefits expense	(162)	(463)
Allowance for expected credit losses	(1,750)	-
Impairment of assets	(129)	-
Legal and professional fees	(23)	(15)
Loss on disposal	(511)	-
Occupancy expense	(7)	(17)
Restructuring expenses	(300)	-
Travel and accommodation expenses	(10)	(42)
Other expenses	(127)	(204)
Total expenses	(3,746)	(4,215)
Profit/(loss) before income tax expense	(2,896)	1,865
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	(2,896)	1,865

Cash flow information

	Consolidated	
	30 Jun 2019 US$'000	30 Jun 2018 US$'000
Net cash from/(used in) operating activities	(748)	2,593
Net cash from/(used in) investing activities	2,779	(4)
Net increase in cash and cash equivalents from discontinued operations	2,031	2,589

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Cash on hand	1,411	3,215
Cash at bank	2,847	1,286
Cash on deposit	-	464
	4,258	4,965

The cash on deposit of US$nil (31 December 2018: US$464,000) is held in a bank account that is jointly controlled by the Group and the Group's bondholder. These funds can only be withdrawn with the approval of the bondholder, and can only be used for the development of the Group's Tiger Palace Resort in Bhairahawa, Nepal or other purposes at the discretion of the bondholder.

Note 8. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Trade receivables	103	106
Other receivables	7,108	4,436
Less: Allowance for expected credit losses	(1,750)	(40)
	5,358	4,396
	5,461	4,502

Allowance for expected credit losses
The Group has recognised an allowance for expected credit losses of US$1,750,000 in profit or loss for the half-year ended 30 June 2019 (30 June 2018: provision for doubtful receivables US$443,000).

US$1,750,000 relates to the receivable due from the owner of Phoenix, in relation to the termination and settlement of the Entertainment Services Agreement. The balance outstanding at the date of this report is US$1,470,000.

All receivables are short term. The net carrying value of trade and other receivables is considered to be a reasonable approximation of fair value.

Note 9. Non-current assets - receivables

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Other receivables	-	654
Less: Allowance for expected credit losses	-	(654)
	-	-

An impairment loss of US$654,000 was recognised as an expense in the profit and loss during the financial year ended 31 December 2018 relating to receivables due from the Company's former partner in Nepal.

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Note 10. Non-current assets - investments accounted for using the equity method

	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Investment in joint venture	-	89

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Opening carrying amount	89	238
Share of (loss)/profit from joint venture	(72)	51
Impairment of assets	(17)	-
Share of dividends paid	-	(200)
Closing carrying amount	-	89

Note 11. Non-current assets - property, plant and equipment

	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Land - at cost	5,270	5,275
Building - at cost	36,672	37,197
Less: Accumulated depreciation	(1,417)	(948)
Less: Impairment	(17,301)	-
	17,954	36,249
Plant and equipment - at cost	19,367	17,486
Less: Accumulated depreciation	(8,822)	(7,367)
Less: Impairment	(5,866)	(312)
	4,679	9,807
	27,903	51,331

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

Consolidated	Land US$'000	Building US$'000	Plant and equipment US$'000	Total US$'000
Balance at 1 January 2019	5,275	36,249	9,807	51,331
Additions	1	220	181	402
Disposals	-	-	(864)	(864)
Adjustment on transition to IFRS 16	-	1,997	-	1,997
Reversal of accrued capital work in progress	-	(217)	-	(217)
Exchange differences	(6)	40	(1)	33
Impairment - refer note 5	-	(17,301)	(5,554)	(22,855)
Transfers (out)/in	-	(2,565)	2,565	-
Depreciation expense	-	(469)	(1,455)	(1,924)
Balance at 30 June 2019	5,270	17,954	4,679	27,903

Note 11. Non-current assets - property, plant and equipment (continued)

Included in the net carrying amount of buildings are right-of-use assets as follows:

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Buildings - right-of-use	1,997	-
Less: Accumulated depreciation	(215)	-
	1,782	-

The Group leases land and buildings for its under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group carried out a review of the recoverable amount of its Nepal operations. The review led to the recognition of an impairment loss of US$22,787,000 (including impairment of software licences US$134,000) against the Group's Tiger Palace Resort, Bhairahawa reportable segment which has been recognised in profit or loss and apportioned against the assets included in that reportable segment. The impairment loss was determined based on the fair value less costs of disposal, which is based on the recent conditional, binding offer which the Group announced on 31 July 2019.

There was also impairment charges relating to the Group's corporate building and plant and equipment assets of US$169,000 and US$33,000, respectively, as part of adjustments to reflect the realisation basis of preparation.

Note 12. Non-current assets - intangibles

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Software licences - at cost	3,689	4,034
Less: Accumulated amortisation	(137)	(111)
Less: Impairment	(3,338)	(3,258)
	214	665
Services agreement - at cost	9,000	9,000
Less: Accumulated amortisation	(4,034)	(3,898)
Less: Impairment on termination	(4,966)	-
	-	5,102
Indefinite life intangible asset* - at cost	611	611
Less: Impairment	(299)	(299)
	312	312
	526	6,079

Note 12. Non-current assets - intangibles (continued)

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

Consolidated	Software licences US$'000	Service agreement US$'000	Indefinite life intangible asset* US$'000	Total US$'000
Balance at 1 January 2019	665	5,102	312	6,079
Impairment on termination	(129)	(4,966)	-	(5,095)
Impairment - refer note 5	(293)	-	-	(293)
Amortisation expense	(29)	(136)	-	(165)
Balance at 30 June 2019	214	-	312	526

* The indefinite life intangible asset represents the Group's acquisition of SHL Management Services (KTM) Private Limited (formerly, Happy World Pvt. Ltd.) to obtain a casino licence in Nepal.

There was an impairment charge relating to the Group's corporate software assets of US$159,000, as part of adjustments to reflect the realisation basis of preparation.

The impairment of the services agreement arose on the cessation of operations at Phoenix International Club, Vietnam, as a result of breaches by the owner of Phoenix of the Entertainment Services Agreement between it and the Group.

Note 13. Non-current assets - other

	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Deposits - other	180	459

Note 14. Current liabilities - trade and other payables

	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Trade payables	1,972	3,195
Accrued expenses	1,559	2,509
Provisions under realisation basis of preparation	266	-
Other payables	564	781
	4,361	6,485

Note 15. Current liabilities - borrowings

	Consolidated 30 Jun 2019 US$'000	Consolidated 31 Dec 2018 US$'000
Bank loans	13,910	2,871
Bonds payable - amortised cost	14,848	-
	28,758	2,871

Note 15. Current liabilities - borrowings (continued)

Bank loans
The Group has a lending facility with a consortium of Nepalese Banks of NPR 1,076,700,000; US$9,683,000 (31 December 2018: NPR 1,093,000,000 (US$9,842,000)) which has been used for the construction of the integrated resort at Bhairahawa, Nepal. The loan is repayable in 38 quarterly instalments with the first instalment paid on 22 April 2018. Interest is paid on a quarterly basis at a variable rate, which for the period averaged 12% p.a. (31 December 2018: 12% p.a.).

The Group also has a one-year demand loan facility with two Nepalese Banks of NPR 280,000,000 (US$2,518,000) which has been fully drawn (31 December 2018: NPR 280,000,000; US$2,525,000 was drawn). Interest is paid on a quarterly basis at a variable rate, which for the period averaged 12% p.a. (31 December 2018: 12% p.a.).

The lenders under the bank loans have taken security over all assets that Tiger One Pvt Ltd presently owns, or will own in the future, as well as its receivables.

In addition, the subsidiaries of the Group have provided a corporate guarantee in favour of the lenders for repayment of the facility.

Bonds payable
As at 30 June 2019, the total fair value of bonds issued was US$14,848,000 (31 December 2018: US$11,063,000). The bonds have an interest rate of 8% p.a. payable semi-annually in arrears and are redeemable by the bondholders at any time prior to the date of maturity at a redemption 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 the date of issue to the date of redemption.

Under the realisation basis of preparation, the fair value of the bonds have been restated to their expected payment amount under the proposed sale scenario. An expense of US$532,000 has been included in finance costs for the half-year ended 30 June 2019.

(i) Maturity dates
The maturity dates of the bonds were as follows:
- US$2,000,000 on or before 31 March 2020;
- US$2,000,000 on or before 30 September 2020; and
- the balance on or before 2 April 2021.

The maturity dates of the bonds were amended as part of the new loan issue on 20 January 2020 (refer to note 23 for amended maturity dates).

(ii) Covenants
The financial covenants testing was suspended temporarily until 30 June 2019; thereafter resuming testing of all covenants on the next quarter ending 30 September 2019.

The financial covenants were amended as part of the new loan issue on 20 January 2020 (refer to note 23 for further details).

(iii) Cash sweep
“Cash Sweep Amount” means an amount equal to fifty per cent. (50%) of the aggregate positive free cash balances of the Group as derived from the Group’s quarterly accounts (including, without limitation, from the operations of Tiger Palace Resort Bhairahawa, The Millionaire’s Club & Casino, Kathmandu and all other operations in Nepal), in any currency, on a Quarter Date, after allowing for US$1,300,000 retention in Nepal and US$500,000 retention outside of Nepal, subject to receipt of all necessary regulatory, bank, or other approvals.

Cash Sweep Redemption
Following each Quarter Date commencing on 30 June 2020, the Company shall redeem Bonds in an amount equal to the Cash Sweep Amount within two (2) Business Days of the release by the Company of its quarterly report in accordance with Appendix 4C of the ASX Listing.

In accordance with the Director’s decision to present the financial statements on a realisation basis, the Group’s bonds have been reclassified as current liabilities, notwithstanding the maturity dates noted above.

Note 15. Current liabilities - borrowings (continued)

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

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Bank loans	13,910	12,367
Bonds payable - amortised cost	14,848	11,063
	28,758	23,430

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

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Total facilities		
Bank loans	13,910	12,367
Used at the reporting date		
Bank loans	13,910	12,367
Unused at the reporting date		
Bank loans	-	-

Bank loan arrangements as at 30 June 2019:
- Bank loan facility denominated in NPR, current facility limit NPR 1,076,700,000 (US$9,683,000) (31 December 2018: NPR 1,093,000,000 (US$9,842,000))
- One-year demand loan facility of up to NPR 280,000,000 (US$2,518,000) (31 December 2018: NPR 280,000,000 (US$2,525,000))
- Bridge gap loan denominated in NPR 190,000,000 (US$1,709,000) (31 December 2018: nil)

Note 16. Non-current liabilities - payables

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Other payables	-	2,195

Note 17. Non-current liabilities - borrowings

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Bank loans	-	9,496
Bonds payable - amortised cost	-	11,063
	-	20,559

Refer to note 15 in respect of further information on bank loans and bonds payable.

Note 18. Equity - contributed capital

	Consolidated			
	30 Jun 2019 Shares	31 Dec 2018 Shares	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Ordinary shares - fully paid	1,261,219,760	1,261,219,760	79,339	79,339

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 19. Equity - reserves

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Foreign currency reserve	(2,731)	(2,682)
Share-based payments and options reserve	5,196	5,181
	2,465	2,499

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

Consolidated	Foreign currency US$'000	Share-based payments and options US$'000	Total US$'000
Balance at 1 January 2019	(2,682)	5,181	2,499
Foreign currency translation	(49)	-	(49)
Share-based payments	-	15	15
Balance at 30 June 2019	(2,731)	5,196	2,465

Note 20. Equity - dividends

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

Note 21. Current liabilities - lease liabilities

	Consolidated	
	30 Jun 2019 US$'000	31 Dec 2018 US$'000
Lease liability	2,426	-

Note 22. Earnings per share

	Consolidated 30 Jun 2019 US$'000	Consolidated 30 Jun 2018 US$'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Silver Heritage Group Limited	(29,451)	(11,924)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,261,219,760	586,264,596
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,261,219,760	586,264,596

	US Cents	US Cents
Basic earnings per share	(2.34)	(2.03)
Diluted earnings per share	(2.34)	(2.03)

	Consolidated 30 Jun 2019 US$'000	Consolidated 30 Jun 2018 US$'000
Earnings per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Silver Heritage Group Limited	(2,896)	1,865

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,261,219,760	586,264,596
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	59,808,612
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,261,219,760	646,073,208

	US Cents	US Cents
Basic earnings per share	(0.23)	0.32
Diluted earnings per share	(0.23)	0.29

	Consolidated 30 Jun 2019 US$'000	Consolidated 30 Jun 2018 US$'000
Earnings per share for loss		
Loss after income tax	(32,347)	(10,059)
Non-controlling interest	22	121
Loss after income tax attributable to the owners of Silver Heritage Group Limited	(32,325)	(9,938)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,261,219,760	586,264,596
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,261,219,760	586,264,596

SILVER HERITAGE GROUP

Note 22. Earnings per share (continued)

	US Cents	US Cents
Basic earnings per share	(2.56)	(1.70)
Diluted earnings per share	(2.56)	(1.70)

83,988,092 (2018: 59,808,612) options are not included in the calculation of diluted earnings per share because they are anti-dilutive for the financial half-year ended 30 June 2019. These options could potentially dilute basic earnings per share in the future.

Note 23. Events after the reporting period

On 11 July 2019, the Group announced that legal proceedings had been lodged against it in the Rupandehi District Court of Nepal by a local water consumer committee based in the region ('Committee') against two of the Group's Nepal subsidiaries. The Group further updated the market on 9 August 2019 that following the formal service of the court documents from the Committee, the Group sought independent advice from its Nepal legal counsel who has confirmed that the scope of the interim injunction granted ex parte is limited to the 5 plots of land identified as plot numbers 120, 148, 152, 190 and 73, which are not and were never legally registered in the name of the Group (or its subsidiaries) but rather as un-used Government land lying within the boundaries of Tiger Palace Resort Bhairahawa. The advice also confirms that the injunction does not restrict the sale or construction on any plots legally owned by the Group through its subsidiaries, and the current interim injunction and legal proceedings pose no immediate material commercial or legal impact or risk on the Group's operations in Nepal.

On 31 July 2019, the Group announced that it had received a conditional, binding offer ('Offer') from a Mr. Indra Bahadur Thapa ('Buyer') to acquire the Group's Nepal operations for US$20,000,000.

The offer followed the Company's engagement of Union Gaming as its exclusive adviser in relation to locating potential strategic partners or purchasers of the Company's Nepal operations.

As noted in the Group's announcement dated 11 September 2019, this offer did not proceed due to the Buyer being unable to comply with all the conditions of the Offer including the payment of a US$3,000,000 deposit into an escrow account.

On 20 January 2020, the Group announced that the Group's Bondholders had agreed to provide an additional loan of US$1,000,000, with interest at 15.0% per annum, and repayable on 31 December 2021.

As part of this agreement the maturity dates of the Bonds were deferred, with details stated in the Amended Bond Instrument, as follows:
- US$2,000,000 on or before 31 December 2020 (deferred from 31 March 2020);
- US$2,000,000 on or before 30 June 2021 (deferred from 30 September 2020); and
- the balance on or before 31 December 2021 (deferred from 2 April 2021).

As part of this agreement the financial covenants of the Bonds were amended, with details stated in the Amended Bond Instrument, as follows:

The Group shall ensure that:
(a) for the period of 9 months ended 30 September 2020, the Group Adjusted EBITDA shall be more than US$500,000;
(b) for the 12 month period ended 31 December 2020, the Group Adjusted EBITDA shall be more than US$1,200,000;
(c) for the 12 month period ended 31 March 2021, the Group Adjusted EBITDA shall be more than US$2,000,000;
(d) for the 12 month period ended 30 June 2021, the Group Adjusted EBITDA shall be more than US$2,500,000; and
(e) for the 12 month period ended 30 September 2021, the Group Adjusted EBITDA shall be more than US$3,000,000.

On 23 March 2020, the Group announced that, in light of the Coronavirus (COVID-19) pandemic, and specifically an official circular from the Home Ministry of the Government of Nepal which, among other things, temporarily prohibits gatherings of 25 or more people, with immediate effect, both of the Group's casinos located at Tiger Palace Resort, Bhairahawa and The Millionaire's Club & Casino, Kathmandu will be closed until further notice. The hotel at Tiger Palace Resort will also be closed until further notice following the ban on international travel to and from Nepal as announced by the Prime Minister of Nepal in a special address.

Note 23. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SILVER HERITAGE GROUP

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements as they apply on a non-going concern or realisation basis;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date; and

- the ongoing solvency of the Group is dependent on:
  a) the continued support of the Bondholder; and
  b) the finalisation of the proposed sale of the Group's Nepal operations or the raising of additional capital.

Without qualifying the above declaration, the Directors draw attention to the basis of preparation of the financial statements and notes set out in note 2.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Matthew Hunter
Non-Executive Director

Mike Bolsover
Managing Director and Chief Executive Officer

30 March 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Silver Heritage Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Silver Heritage Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a conclusion on this financial report.

Basis for Disclaimer of Conclusion

On 26 February 2019, the financial records of the Group's operations in Nepal, comprising the Tiger Palace Resort, Bhairahawa and The Millionaire's Club and Casino, Kathmandu, were found to include a number of accounting irregularities which were discovered and reported to us by the Group. These irregularities comprised primarily of transactions in the local subsidiary accounts that were represented as expenses and capital purchases but were in substance found to be artificial. These transactions were investigated by the Group, however we were unable, during our audit of the financial statements for the year ended 31 December 2018, to obtain sufficient appropriate audit evidence to determine whether the full extent of the irregular transactions had been identified, or whether further adjustments were necessary in respect of the Group's assets, liabilities, income and expenses for the year, and the elements making up the consolidated statement of changes in equity and the consolidated cash flow statement. Our audit opinion on the financial report for the year ended 31 December 2018 was disclaimed accordingly. However as the accounting irregularity was not identified until the current period, we are unable to determine whether any further adjustments were required to those expenses during the period from 1 January 2019 to 26 February 2019.

In the current period, the Group has revalued the affected assets to fair value resulting in an impairment loss of US$22,787,000 being recognised in the consolidated statement of profit or loss and other comprehensive income. We have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment that the carrying value of the Tiger Palace Resort assets is at least equal to their recoverable amount in accordance with AASB 136 – Impairment of Assets. In the event that the carrying value of the assets exceed their recoverable amount, it would be necessary for the carrying value of the assets to be written to their recoverable amount.

The Company's financing arrangements require significant cash repayments due within twelve months from the date of this report, and the Group does not currently have the financial resources to make these repayments. Whilst management's forecast and budget predicts that the Group will be able to meet these obligations, there are multiple uncertainties which are significant to the forecast and for which sufficient appropriate audit evidence does not exist. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the Company may be able to obtain meet such obligations, and hence remove material uncertainty of its ability to continue as a going concern within twelve months of the date of this auditor's report.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. However, because of the matters described in the Basis for Disclaimer of Conclusion, section of this report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for a conclusion on the financial report.

As the auditor of Silver Heritage Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 30 March 2020

Directors	Mike Bolsover Matthew Hunter Darryl Kaplan
Company secretary	Kim Clark
Registered office	Level 12, 225 George Street Sydney, NSW 2000 Australia Telephone: +852 2110 1684 Fax: +852 8169 8066
Principal place of business	6/F The Phoenix 23 Luard Road Wan Chai Hong Kong
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW 2000 Australia Telephone: +61 2 9290 9600
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney, NSW 1230 Australia
Stock exchange listing	Silver Heritage Group Limited (the 'Company') shares are listed on the Australian Securities Exchange (ASX code: SVH)
Website	www.silverheritage.com.au