

1. Company details

Name of entity:	Silver Heritage Group Limited
ABN:	74 604 188 445
Reporting period:	For the year ended 31 December 2019
Previous period:	For the year ended 31 December 2018

2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

			US\$'000
Revenues from ordinary activities	down	33.7% to	15,819
Loss from ordinary activities after tax attributable to the owners of Silver Heritage Group Limited	up	215.4% to	(35,108)
Loss for the year attributable to the owners of Silver Heritage Group Limited	up	215.4% to	(35,108)

Dividends

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

Comments

The Directors determined that the going concern basis of accounting is no longer appropriate and the financial statements are not prepared on a going concern basis, rather the annual financial statements are prepared on a realisation basis of accounting, reflecting an expectation of an orderly disposal of the Company's Nepal operations.

The loss for the Group after providing for income tax and non-controlling interest for the year ended 31 December 2019 amounted to US\$35,108,000 (2018: US\$11,132,000).

The loss includes a non-cash impairment expense of US\$22,174,000 relating to the revaluation of the Group's Nepal operations and US\$438,000 relating to the restatement of the Group's non-Nepal assets on a realisation basis.

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	<u>(0.17)</u>	<u>2.43</u>

Net tangible assets exclude right-of-use assets.

4. Control gained over entities

Not applicable.

5. Details of associates and joint venture entities

Interest in joint venture

Gaming Concepts Group Limited (Belize) - Ownership interest - 62.5% as at 31 December 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.

6. Audit qualification or review

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

The financial statements are currently unaudited.

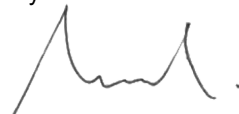
7. Attachments

Details of attachments (if any):

The Preliminary Financial Results of Silver Heritage Group Limited for the year ended 31 December 2019 is attached.

8. Signed

Authorised by the Board of Directors.

Signed  _____

Date: 30 March 2020

Mike Bolsover
Managing Director and Chief Executive Officer

Silver Heritage Group Limited

ABN 74 604 188 445

Preliminary Financial Results - 31 December 2019

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Silver Heritage Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Consolidated 2019 US\$'000	2018 US\$'000
Revenue from continuing operations	3	14,969	12,873
Share of profits/(losses) of joint ventures accounted for using the equity method		(89)	51
Interest income calculated using the effective interest method		9	21
Expenses			
Advertising and promotion expenses		(2,049)	(2,213)
Depreciation and amortisation expense		(3,694)	(3,931)
Employee benefits expense		(6,919)	(7,788)
Gaming royalties and license fees		(913)	(1,093)
Impairment of assets	4	(22,612)	(1,251)
Legal and professional fees		(1,168)	(1,238)
Occupancy expense		(1,342)	(2,037)
Provision expense under realisation basis of preparation		(220)	-
Expected credit losses		-	(654)
Resort expenses		(1,585)	(1,658)
Restructuring expenses		(15)	(536)
Travel and accommodation expenses		(719)	(791)
Reversal of deposits		-	3,130
Other expenses		(1,248)	(1,615)
Finance costs		(4,954)	(5,468)
Loss before income tax expense from continuing operations		(32,549)	(14,198)
Income tax expense		-	(64)
Loss after income tax expense from continuing operations		(32,549)	(14,262)
(Loss)/profit after income tax expense from discontinued operations	5	(2,617)	2,917
Loss after income tax expense for the year		(35,166)	(11,345)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(737)	(2,034)
Other comprehensive loss for the year, net of tax		(737)	(2,034)
Total comprehensive loss for the year		<u>(35,903)</u>	<u>(13,379)</u>
Loss for the year is attributable to:			
Non-controlling interest		(58)	(213)
Owners of Silver Heritage Group Limited		(35,108)	(11,132)
		<u>(35,166)</u>	<u>(11,345)</u>

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

Silver Heritage Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019



	Note	Consolidated	
		2019 US\$'000	2018 US\$'000
Total comprehensive loss for the year is attributable to:			
Continuing operations		(58)	(213)
Discontinued operations		-	-
Non-controlling interest		(58)	(213)
Continuing operations		(35,845)	(13,166)
Discontinued operations		-	-
Owners of Silver Heritage Group Limited		(35,845)	(13,166)
		(35,903)	(13,379)
		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	11	(2.581)	(1.855)
Diluted earnings per share	11	(2.581)	(1.855)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	11	(0.207)	0.379
Diluted earnings per share	11	(0.207)	0.379
Earnings per share for loss attributable to the owners of Silver Heritage Group Limited			
Basic earnings per share	11	(2.784)	(1.448)
Diluted earnings per share	11	(2.784)	(1.448)

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

	Note	Consolidated 2019 US\$'000	2018 US\$'000
Assets			
Current assets			
Cash and cash equivalents		3,161	4,965
Trade and other receivables		3,583	4,502
Inventories		469	481
Other		752	1,099
Total current assets		<u>7,965</u>	<u>11,047</u>
Non-current assets			
Investments accounted for using the equity method		-	89
Property, plant and equipment	6	26,588	51,331
Intangibles	7	825	6,079
Other		175	459
Total non-current assets		<u>27,588</u>	<u>57,958</u>
Total assets		<u>35,553</u>	<u>69,005</u>
Liabilities			
Current liabilities			
Trade and other payables		4,267	6,485
Borrowings	8	28,682	2,871
Lease liabilities		2,213	-
Employee benefits		136	138
Total current liabilities		<u>35,298</u>	<u>9,494</u>
Non-current liabilities			
Payables		-	2,195
Borrowings	9	-	20,559
Total non-current liabilities		<u>-</u>	<u>22,754</u>
Total liabilities		<u>35,298</u>	<u>32,248</u>
Net assets		<u>255</u>	<u>36,757</u>
Equity			
Contributed capital	10	79,339	79,339
Reserves		1,793	2,499
Accumulated losses		(80,927)	(45,189)
Equity attributable to the owners of Silver Heritage Group Limited		205	36,649
Non-controlling interest		50	108
Total equity		<u>255</u>	<u>36,757</u>

Silver Heritage Group Limited
Statement of changes in equity
For the year ended 31 December 2019

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 year	-	-	(11,132)	(213)	(11,345)
Other comprehensive loss for the year, net of tax	-	(2,034)	-	-	(2,034)
Total comprehensive loss for the year	-	(2,034)	(11,132)	(213)	(13,379)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 10)	9,241	-	-	-	9,241
Fair value of share options granted	-	44	-	-	44
Balance at 31 December 2018	<u>79,339</u>	<u>2,499</u>	<u>(45,189)</u>	<u>108</u>	<u>36,757</u>
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 year	-	-	(35,108)	(58)	(35,166)
Other comprehensive loss for the year, net of tax	-	(737)	-	-	(737)
Total comprehensive loss for the year	-	(737)	(35,108)	(58)	(35,903)
<i>Transactions with owners in their capacity as owners:</i>					
Fair value of share options granted	-	31	-	-	31
Balance at 31 December 2019	<u>79,339</u>	<u>1,793</u>	<u>(80,927)</u>	<u>50</u>	<u>255</u>

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

	Note	Consolidated 2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Receipts from customers		16,090	23,962
Payments to suppliers and employees (inclusive of GST)		(18,377)	(25,449)
Bank guarantee deposit returned		111	-
Interest received		9	21
Interest and other finance costs paid		(2,981)	(3,935)
Income taxes paid		-	(64)
		<u> </u>	<u> </u>
Net cash used in operating activities		(5,148)	(5,465)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,559)	(4,091)
Proceeds from settlement on cessation of Vietnam operations, net of costs		3,655	-
Proceeds from disposal of property, plant and equipment		-	83
Dividends from joint venture		-	200
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		2,096	(3,808)
Cash flows from financing activities			
Proceeds from issue of shares	10	-	9,531
Proceeds from bank loans		2,105	1,021
Repayment of bonds		-	(6,400)
Repayment of bank loans		(349)	-
Transaction cost related to issues of shares or options		-	(924)
Repayment of lease liabilities	6	(430)	-
		<u> </u>	<u> </u>
Net cash from financing activities		1,326	3,228
Net decrease in cash and cash equivalents		(1,726)	(6,045)
Cash and cash equivalents at the beginning of the financial year		4,965	11,231
Effects of exchange rate changes on cash and cash equivalents		(78)	(221)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year		<u> </u> <u> </u>	<u> </u> <u> </u>

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

Note 1. 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.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 January 2019.

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
Operating lease commitments as at 1 January 2019 (AASB 117)	3,577
Operating lease commitments discount based on the weighted average incremental borrowing rate of 10% - 15% (AASB 16)	(1,431)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(9)
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	(140)
Right-of-use assets (AASB 16)	<u>1,997</u>
	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	<u>(630)</u>

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for leases which end within 12 months of the date of initial application as short term leases; and
- excluding initial direct costs from the measurement of the right-of-use asset.

Note 2. 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 ('TMCCCK'), Tiger Palace Resort, Bhairahawa, Nepal ('TPR1') and Phoenix International Club, Bac Ninh, Vietnam ('Phoenix').

Following the cessation of the Cambodia/Laos and Vietnam segments the CODM no longer reports on these segments separately in the year ended 31 December 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 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 2019, the Group generated revenue of US\$850,000 (2018: US\$10,977,000) from one customer, Phoenix International Travel Development Co., Ltd of Vietnam. Such revenue represented 5% (2018: 46%) of the Group's total revenue for the year and was generated from the share of casino and gaming equipment revenue from third party venues.

A further US\$14,961,000 (2018: US\$12,808,000) was generated from the Group's own venues in Nepal, Tiger Palace Resort and The Millionaire's Club and Casino Kathmandu, which was approximately 95% (2018: 53%) of the Group's total revenue.

The Group did not earn any revenue in Australia and did not have any non-financial assets located in Australia.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 2019	Nepal TMCKK US\$'000	Nepal TPR1 US\$'000	Total US\$'000
Revenue			
Gaming revenue	5,989	6,711	12,700
Other revenue	3	2,258	2,261
Total revenue	<u>5,992</u>	<u>8,969</u>	<u>14,961</u>
Total segment revenue	<u>5,992</u>	<u>8,969</u>	<u>14,961</u>
Interest income			9
Corporate revenue			8
Total revenue			<u>14,978</u>
Segment profit/(loss)	<u>2,452</u>	<u>(23,178)</u>	<u>(20,726)</u>
Corporate expenses (net)			(1,675)
Share of profit from joint venture			(89)
Restructuring expenses			(15)
Share-based payments			(31)
Impairment of corporate assets			(438)
Provision adjustments under realisation basis of preparation			(220)
Depreciation and amortisation			(3,694)
Finance costs			(4,954)
Legal and professional fees			(707)
Discontinued operations (refer to note 5)			(2,617)
Loss before income tax expense			<u>(35,166)</u>
Income tax expense			-
Loss after income tax expense			<u>(35,166)</u>
Assets			
Segment assets	<u>4,408</u>	<u>27,714</u>	<u>32,122</u>
<i>Unallocated assets:</i>			
Cash and cash equivalents			48
Gaming software licences			132
Tiger Two Land			3,168
Others			83
Total assets			<u>35,553</u>
Liabilities			
Segment liabilities	<u>2,546</u>	<u>16,883</u>	<u>19,429</u>
<i>Unallocated liabilities:</i>			
Bonds payable - amortised cost			14,968
Others			901
Total liabilities			<u>35,298</u>

Note 2. Operating segments (continued)

Consolidated - 2018	Nepal TMCKK US\$'000	Nepal TPR1 US\$'000	Total US\$'000
Revenue			
Gaming revenue	5,671	5,340	11,011
Other revenue	3	1,794	1,797
Total revenue	<u>5,674</u>	<u>7,134</u>	<u>12,808</u>
Total segment revenue	<u>5,674</u>	<u>7,134</u>	12,808
Interest income			21
Corporate revenue			65
Total revenue			<u>12,894</u>
Segment profit/(loss)	<u>1,046</u>	<u>(2,704)</u>	(1,658)
Corporate expenses (net)			(3,027)
Share of profit from joint venture			51
Restructuring expenses			(536)
Share-based payments			(44)
Impairment of assets			(1,251)
Impairment of receivables			(654)
Reversal of write off of land deposit			3,130
Depreciation and amortisation			(3,931)
Finance costs			(5,468)
Legal and professional fees			(810)
Discontinued operations (refer to note 5)			2,917
Loss before income tax expense			<u>(11,281)</u>
Income tax expense			(64)
Loss after income tax expense			<u>(11,345)</u>
Assets			
Segment assets	<u>2,200</u>	<u>56,603</u>	58,803
<i>Unallocated assets:</i>			
Cash and cash equivalents			1,019
Gaming software licences			186
Other			784
Discontinued operations			8,213
Total assets			<u>69,005</u>
Liabilities			
Segment liabilities	<u>484</u>	<u>15,242</u>	15,726
<i>Unallocated liabilities:</i>			
Bonds payable			11,063
Other			4,360
Discontinued operations			1,099
Total liabilities			<u>32,248</u>

All corporate assets and liabilities (including cash and cash equivalents) are not allocated to the operating segments as they are managed on an overall group basis.

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.

Note 2. Operating segments (continued)

Geographical information

	Geographical non-current assets	
	2019 US\$'000	2018 US\$'000
Nepal	27,471	51,559
Vietnam	-	6,148
	<u>27,471</u>	<u>57,707</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

AASB 16 was adopted using the modified retrospective approach. As such, the comparatives have not been restated and therefore are not directly comparable.

The segment disclosure for the year ended 31 December 2019 has been restated as a result of the Group's Phoenix operations being discontinued. Refer to note 5 for further information.

Note 3. Revenue

	Consolidated	
	2019 US\$'000	2018 US\$'000
From continuing operations		
<i>Sales revenue</i>		
Casino and gaming equipment revenue from own venues	12,700	11,011
Resort revenue	1,891	1,627
	<u>14,591</u>	<u>12,638</u>
<i>Other revenue</i>		
Consulting fees	7	42
Other revenue	371	193
	<u>378</u>	<u>235</u>
Revenue from continuing operations	<u>14,969</u>	<u>12,873</u>
Consolidated		
2019		
US\$'000		
2018		
US\$'000		
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	<u>14,969</u>	<u>12,873</u>

Note 4. Impairment of assets

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Impairment of assets:		
Building	17,131	-
Plant and equipment	5,207	18
Software licences	135	1,179
Accounting irregularities	-	54
	22,473	1,251
Impairment of corporate assets under the realisation basis of preparation:		
Plant and equipment	23	-
Software licences	132	-
Prepayments	254	-
Deposits	29	-
	438	-
Impairment write back:		
Indefinite life intangible assets	(299)	-
	22,612	1,251
	22,612	1,251

Note 5. Discontinued operations

Description

During the year ended 31 December 2019, the Group ceased operations in Vietnam which represented 5% of the Group's revenue during the year ended 31 December 2019 (31 December 2018: 46%) and 15% of the Group's total segment loss (31 December 2018: 232%) 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. Since then, only part of the second instalment was recovered during the year.

As at 31 December 2019, and as at the date of this report, US\$1,470,000 remains owing from the owner of Phoenix. The Group has impaired this receivable for reporting purposes but continues to pursue the owner of Phoenix for this remaining sum.

Note 5. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Casino and gaming equipment revenue (Phoenix)	775	10,822
Other revenue	75	155
Total revenue	<u>850</u>	<u>10,977</u>
Rental revenue - gaming machines (Cambodia and Laos)	-	195
Advertising and promotion expenses	(91)	(816)
Casino costs reimbursement	(445)	(4,620)
Depreciation and amortisation	(188)	(1,273)
Employee benefits expense	(162)	(950)
Allowance for expected credit losses	(1,470)	-
Impairment of assets	(129)	-
Legal and professional fee	(23)	(33)
Loss on disposal	(511)	-
Occupancy expense	(11)	(14)
Restructuring expenses	(300)	-
Travel and accommodation expenses	(10)	(80)
Other expenses	(127)	(469)
Total expenses	<u>(3,467)</u>	<u>(8,255)</u>
(Loss)/profit before income tax expense	(2,617)	2,917
Income tax expense	-	-
(Loss)/profit after income tax expense from discontinued operations	<u>(2,617)</u>	<u>2,917</u>

Cash flow information

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Net cash (used in)/from operating activities	(734)	4,216
Net cash from/(used in) investing activities	<u>3,655</u>	<u>(8)</u>
Net increase in cash and cash equivalents from discontinued operations	<u>2,921</u>	<u>4,208</u>

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Land - at cost	5,120	5,275
Building - at cost	36,660	37,197
Less: Accumulated depreciation	(2,244)	(948)
Less: Impairment	(17,131)	-
	<u>17,285</u>	<u>36,249</u>
Plant and equipment - at cost	15,897	17,486
Less: Accumulated depreciation	(6,195)	(7,367)
Less: Impairment	(5,519)	(312)
	<u>4,183</u>	<u>9,807</u>
	<u><u>26,588</u></u>	<u><u>51,331</u></u>

Reconciliations

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

Consolidated	Land US\$'000	Building US\$'000	Plant and equipment US\$'000	Total US\$'000
Balance at 1 January 2018	2,173	36,686	15,805	54,664
Additions	3,268	47	3,443	6,758
Disposals	-	-	(907)	(907)
Reversal of accrued capital works in progress	-	(2,472)	-	(2,472)
Exchange differences	(166)	(1,725)	(470)	(2,361)
Impairment	-	-	(18)	(18)
Transfers in/(out)	-	4,661	(4,661)	-
Depreciation expense	-	(948)	(3,385)	(4,333)
	<u>5,275</u>	<u>36,249</u>	<u>9,807</u>	<u>51,331</u>
Balance at 31 December 2018	5,275	36,249	9,807	51,331
Additions	4	700	382	1,086
Disposals	-	-	(865)	(865)
Adjustment on transition to AASB 16	-	1,997	-	1,997
Exchange differences	(159)	(630)	(120)	(909)
Impairment	-	(17,131)	(5,230)	(22,361)
Transfers in/(out)	-	(2,686)	2,686	-
Depreciation expense	-	(1,214)	(2,477)	(3,691)
	<u>5,120</u>	<u>17,285</u>	<u>4,183</u>	<u>26,588</u>
Balance at 31 December 2019	<u><u>5,120</u></u>	<u><u>17,285</u></u>	<u><u>4,183</u></u>	<u><u>26,588</u></u>

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

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Buildings - right-of-use	1,997	-
Less: Accumulated depreciation	(430)	-
	<u>1,567</u>	<u>-</u>

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

Note 6. Non-current assets - property, plant and equipment (continued)

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\$22,473,000 (including impairment of software licences US\$135,000) 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 value in use method.

There was also impairment charges relating to the Group's corporate plant and equipment assets of US\$23,000, respectively, as part of adjustments to reflect the realisation basis of preparation.

Note 7. Non-current assets - intangibles

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Software licences - at cost	2,975	4,034
Less: Accumulated amortisation	(55)	(111)
Less: Impairment	(2,706)	(3,258)
	214	665
Services agreement - at cost	9,000	9,000
Less: Accumulated amortisation	(4,034)	(3,898)
Less: Disposal on termination	(4,966)	-
	-	5,102
Indefinite life intangible asset* - at cost	611	611
Less: Impairment write back	299	-
Less: Impairment	(299)	(299)
	611	312
	825	6,079

Note 7. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Software licences US\$'000	Services agreement US\$'000	Indefinite life intangible asset* US\$'000	Total US\$'000
Balance at 1 January 2018	1,899	5,918	312	8,129
Impairment	(1,179)	-	-	(1,179)
Amortisation expense	(55)	(816)	-	(871)
Balance at 31 December 2018	665	5,102	312	6,079
Disposal	-	(4,966)	-	(4,966)
Impairment on termination	(129)	-	-	(129)
Impairment	(267)	-	-	(267)
Impairment write back	-	-	299	299
Amortisation expense	(55)	(136)	-	(191)
Balance at 31 December 2019	<u>214</u>	<u>-</u>	<u>611</u>	<u>825</u>

* The indefinite life intangible asset represents the Group's acquisition of SHL Management Services (KTM) Private Limited (formerly, Happy World Pvt. Ltd.) to obtain casino licences in Nepal. This indefinite life intangible asset was previously impaired, but given the profitability and on-going prospects of this Business Unit, the Directors consider that impairment is no longer required.

There was an impairment charge relating to the Group's corporate software assets of US\$132,000, 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 8. Current liabilities - borrowings

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Bank loans	13,714	2,871
Bonds payable - amortised cost	14,968	-
	<u>28,682</u>	<u>2,871</u>

Bank loans

Bank loan I: The Group has a lending facility with a consortium of Nepalese Banks of NPR 1,054,000,000; US\$9,206,000 (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.).

Bank loan II: The Group has a lending facility with a consortium of Nepalese Banks of NPR 1,110,000,000; US\$9,695,000 (31 December 2018: nil) of which NPR 236,000,000; US\$2,062,000 (31 December 2018: nil) was drawn.

The loan is repayable in 48 quarterly instalments commencing in April 2020. Interest is paid on a quarterly basis at a variable rate, which for the period averaged 13% p.a. (31 December 2018: NA).

Bank loan III: The Group has a one-year demand loan facility with two Nepalese Banks of NPR 280,000,000; US\$2,446,000 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.).

Note 8. Current liabilities - borrowings (continued)

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 31 December 2019, the total fair value of bonds issued was US\$11,600,000 (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.

In accordance with the Board's decision to present the financial statements under the realisation basis of preparation, the bonds have been classified as current liabilities. The actual maturity dates are detailed below.

(i) Maturity dates

The maturity dates of the bonds were amended as part of the new loan issue in January 2020 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).

(ii) Covenants

The covenants were amended as part of the new loan issue in January 2020 with details stated in the Amended Bond Instrument as below.

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.

(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.

Financing arrangements

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

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Total facilities		
Bank loans	21,347	12,367
Used at the reporting date		
Bank loans	13,714	12,367
Unused at the reporting date		
Bank loans	7,633	-

Note 8. Current liabilities - borrowings (continued)

Of the available credit facility, NPR 629 million (US\$5,494,000) has been granted for the construction of 60 new hotel rooms at Tiger Palace, and for no other purpose.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Bank loans	-	9,496
Bonds payable - amortised cost	-	11,063
	<u>-</u>	<u>20,559</u>

Total secured liabilities

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

	Consolidated	
	2019	2018
	US\$'000	US\$'000
Bank loans	13,714	12,367
Bonds payable - amortised cost	14,968	11,063
	<u>28,682</u>	<u>23,430</u>

Refer to note 8 in respect of further information on bank loans and bonds payable.

Note 10. Equity - contributed capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	US\$'000	US\$'000
Ordinary shares - fully paid	<u>1,261,219,760</u>	<u>1,261,219,760</u>	<u>79,339</u>	<u>79,339</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	US\$'000
Balance	1 January 2018	585,241,630		70,098
Issue of shares	3 January 2018	746,600	US\$0.00000	-
Issue of shares	23 April 2018	746,600	US\$0.00000	-
Issue of shares	20 September 2018	394,684,612	US\$0.01460	5,748
Issue of shares	20 September 2018	20,000,000	US\$0.01460	291
Issue of shares	1 October 2018	259,800,318	US\$0.01460	3,784
Less: share issue transaction costs		-	US\$0.00000	(582)
Balance	31 December 2018	<u>1,261,219,760</u>		<u>79,339</u>
Balance	31 December 2019	<u>1,261,219,760</u>		<u>79,339</u>

Ordinary shares

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

Note 10. 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 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 is subject to certain covenants in financing arrangements 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.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 11. Earnings per share

	Consolidated	
	2019	2018
	US\$'000	US\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Silver Heritage Group Limited	<u>(32,549)</u>	<u>(14,262)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
	US Cents	US Cents
Basic earnings per share	(2.581)	(1.855)
Diluted earnings per share	(2.581)	(1.855)
 <i>Earnings per share for profit/(loss) from discontinued operations</i>		
(Loss)/profit after income tax attributable to the owners of Silver Heritage Group Limited	<u>(2,617)</u>	<u>2,917</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
	US Cents	US Cents
Basic earnings per share	(0.207)	0.379
Diluted earnings per share	(0.207)	0.379

Note 11. Earnings per share (continued)

	Consolidated	
	2019	2018
	US\$'000	US\$'000
<i>Earnings per share for loss</i>		
Loss after income tax	(35,166)	(11,345)
Non-controlling interest	<u>58</u>	<u>213</u>
Loss after income tax attributable to the owners of Silver Heritage Group Limited	<u>(35,108)</u>	<u>(11,132)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,261,219,760</u>	<u>769,006,150</u>
	US Cents	US Cents
Basic earnings per share	(2.784)	(1.448)
Diluted earnings per share	(2.784)	(1.448)

24,179,480 (2018: 59,808,612) options are not included in the calculation of diluted earnings per share because they are anti-dilutive for the financial year ended 31 December 2019. These options could potentially dilute basic earnings per share in the future.