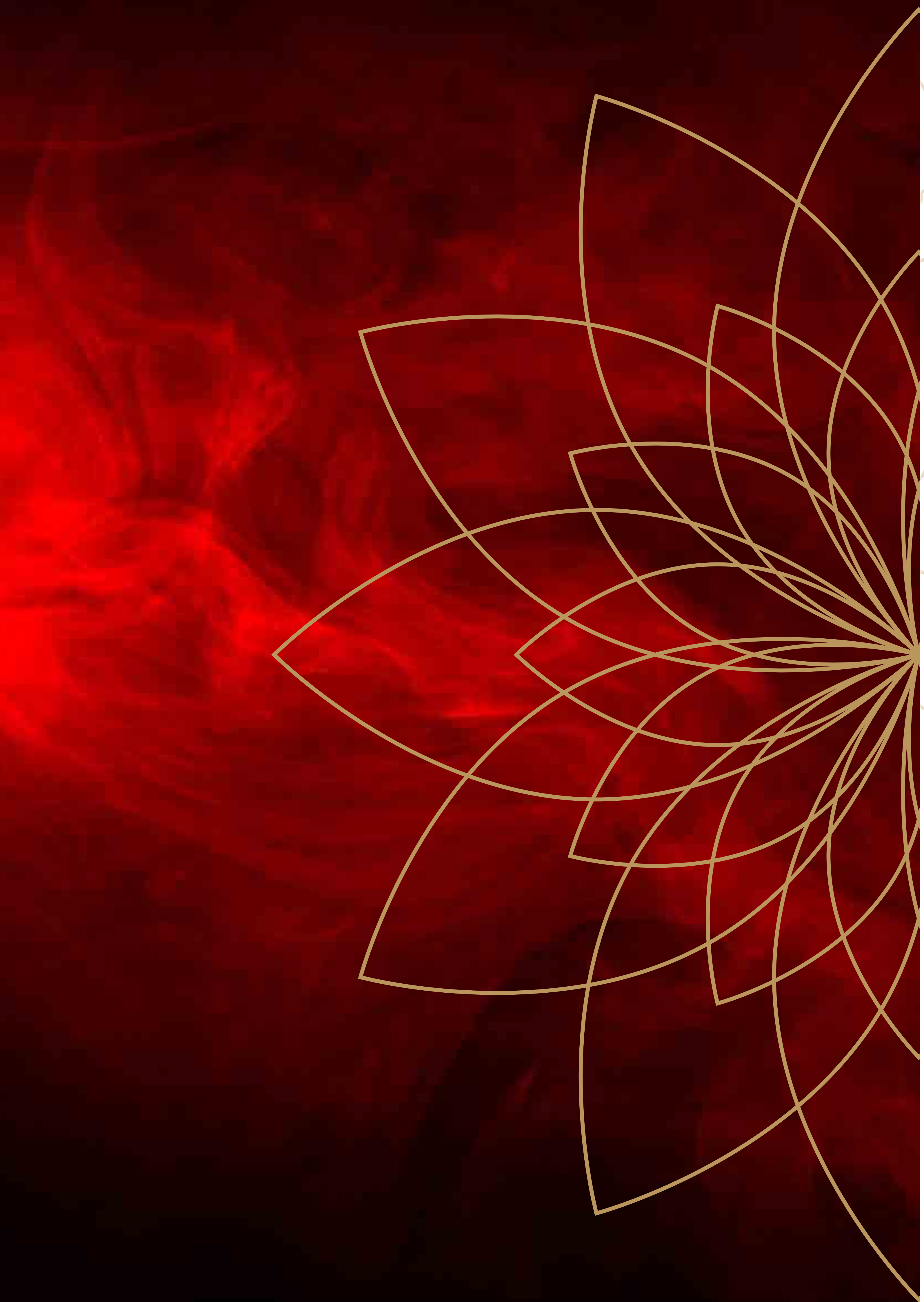
Annual Report 2019

donaco
INTERNATIONAL



‹ DONACO INTERNATIONAL LIMITED ANNUAL REPORT

Full Year Statutory Accounts – 30 June 2019

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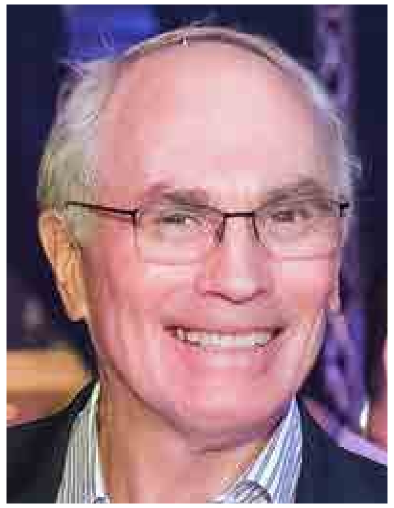
NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Donaco International Limited will be held at Automic, Level 5, 126 Phillip Street, Sydney NSW 2001 on 29 November 2019 at 2.30pm (Sydney time).

FROM THE CHAIRMAN ›

...we are encouraged that despite the disruption, both our venues continued to operate profitably, and produced positive cash flows.



Dear fellow shareholders

We have had an extremely challenging year with significant management disruption, and the 2019 financial year results reflect that lack of hands-on management at the casino venues. As we enter the 2020 financial year, we have completed our renewal of the Board, and have in place a highly experienced executive for the role of Chief Executive Officer. Encouragingly, we are seeing the early signs of improved operational and financial performance over the first quarter of the 2020 financial year.

We have strengthened the composition of the Board, with the appointment of directors with experience in gaming, regulation and management. David Green, who is very experienced in gaming in Cambodia and Vietnam, and advised the Macau SAR Government on gaming liberalisation and regulation, joined as an independent director. Yugo Kinoshita, the Global Chief Executive Officer of Aruze Gaming America, a global slot machine gaming and device business, also joined the Board as an independent director. Additionally, we recently welcomed Leo Chan and Kurkye Wong of Argyle Street Management as non-executive directors, and they bring a wealth of experience in Asian investments and consulting advice.

We were also very pleased to be able to secure the services of Paul Arbuckle as the Group Chief Executive Officer. He has 30 years of gaming experience across Australia and Asia, including holding the Chief Operating Officer role at The Star Entertainment Group, and senior roles at Resorts World Sentosa, among a number of other major gaming businesses where he held senior positions. Although he only commenced on 12 June we are already seeing the benefits of changes he is implementing across the group, and his vision for the future of our venues.

While the progress of our litigation against the vendor of Star Vegas has been slow, we have been pursuing all avenues to expedite these proceedings. In August 2019, we were frustrated with the Cambodian lease arbitration decision; however, I wish to assure investors that we have taken swift action in appealing that decision with the Phnom Penh Appeals Court, and we still fully expect that our position will be vindicated in due course. We are also progressing with the Singapore arbitration claim for USD240 million, which is scheduled to continue in late November 2019.

The 2019 financial year produced a disappointing result, with Donaco International Limited (Donaco) reporting a statutory net loss after tax of AUD194 million for the 12 months ending 30 June 2019. This loss can be attributed to AUD203.2 million of non-recurring items. This primarily comprised a non-cash impairment on the carrying value of the Star Vegas casino license of AUD186.6 million, partly due to an increased risk premium applied in the valuation, and partly due to a more conservative approach applied by the new Board. In addition, the Board took the opportunity to clear the decks with a write-down of AUD3.7 million with respect to the interactive casino gaming platform, a write-off of AUD9.8 million for trade and other receivables associated with junket programs that are being realigned, and an additional AUD2.5 million of legal costs associated with the ongoing litigation. There was also a net foreign exchange loss of AUD0.6 million.

We are disappointed to present another significant loss at the statutory level as we seek to resolve the litigation issues with the vendor of Star Vegas, but we are encouraged that despite the disruption, both our venues continued to operate profitably and produced positive cash flows. Our financial position continues to remain solid with further debt reduction, and improved terms and covenants secured for our debt from Mega International Commercial Bank (Mega Bank), which has fallen to USD22.8 million, following the most recent repayment in June 2019.

The group recorded an earnings before interest, tax, depreciation and amortisation (EBITDA) of AUD29.6 million for the 2019 financial year, down from AUD42.4 million previously, and generated an underlying net profit after tax (NPAT) of AUD9.2 million. Group revenues of AUD86.3 million were recorded, compared to AUD92.6 million previously, and the group recorded a positive operating cash flow of AUD26.5 million, albeit lower than the AUD34.6 million recorded last year. This performance is below last year's levels, but it has been delivered during a period where there was significant management disruption, and we lacked senior management leadership and direction for the majority of the 2019 financial year.

The Board continues to recognise that our aim is to create value for our shareholders, and that capital allocation is one of the most important areas of value creation for shareholders. We have not lost sight of implementing a range of capital management initiatives, such as buy-backs and dividends, as financial performance is restored. With the appointment of Paul Arbuckle as the Group Chief Executive Officer, I am confident we now have the leadership and experience required to deliver significantly improved operational and financial performance at both our properties.

Despite the attention of the Board to the challenges presented during the 2019 financial year including litigation, and changes to the Board and senior management, we continue to value our commitment to make a positive contribution to the communities in which we operate in Cambodia and Vietnam.

We have strengthened the composition of the Board, with the appointment of directors with experience in gaming, regulation and management.

I am confident we now have the leadership and experience required to deliver significantly improved operational and financial performance at both our properties.

During the 2019 financial year the Aristo International Hotel (Aristo) sponsored local sports organisations and primary schools in Bao Thang district so they could buy items for pupils to study and stay at school. At DNA Star Vegas, more than 16 community events were supported during the year, including Cambodian government flood relief projects, and other donations of cash and in kind items for the relief of poverty and the renovation of local temples.

Looking ahead to the 2020 financial year, the Board's main priority will be to resolve and pursue the outstanding litigation issues, and we are now confident that our new Chief Executive Officer, Paul Arbuckle, will be able to focus on his role of improving the operational performance at our venues.

I thank our shareholders for their continuing support and I look forward to delivering significantly improved performance from both Star Vegas and the Aristo over the 2020 financial year, under Paul Arbuckle's leadership. I am informed that our legal position remains strong in the legal actions in progress involving the Star Vegas vendor, despite the initial finding in the Cambodian lease arbitration. I assure you that we will continue to pursue our legal rights and demands for compensation aggressively and will continue to keep you informed of our progress.

Stuart McGregor
Chairman

‹ FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders

I am pleased to have this opportunity to communicate with you as the newly appointed Chief Executive Officer of Donaco International Limited.

I have taken the role because I am excited by the quality of our gaming businesses and the opportunity they present to deliver substantial improvements in operating performance. Pleasingly, we have been able to make some initial operational improvements, which are starting to deliver improved financial performance in the first quarter of the 2020 financial year. More significant improvements will be implemented over the next two years.

I have taken the role because I am excited by the quality of our gaming businesses...

In terms of my background, I have 30 years of experience in gaming and casinos, across Australia and Asian markets in major gaming businesses. Having made my initial assessment of the casino businesses, I can see opportunities to introduce established casino practices to improve performance and management at both properties.

Despite the statutory loss recorded for the 2019 financial year, our financial position overall is sound, with low levels of debt. Although underperforming, both our businesses in Cambodia and Vietnam remain profitable. The businesses produced an EBITDA of AUD29.6 million and positive operating cash flow of AUD26.5 million in the 2019 financial year, which highlights how robust these businesses are, given the challenges faced during the year.

I believe Star Vegas is an exceptional business, and even with the recently increased level of competition it remains a premier venue in the Poipet strip. Despite difficulties during the 2019 financial year, the business still had a profitable baseline performance and I am optimistic about the improvements that can be made in the coming years.

We have straightforward opportunities to rework our gaming machine arrangements, make use of our ample space to introduce retail outlets, and to restructure our arrangements with junket operators for improved outcomes.

We have started work on these issues, with some simple early adjustments to some of our agreements with service providers in both the gaming and non-gaming operations. Early improvements include doubling the monthly rental from night club operators, more accurately allocating utilities expenses which had previously been borne by Star Vegas, and closely monitoring labour and procurement expenses. These changes are already delivering positive results in the first quarter of the 2020 financial year.

We are further strengthening senior management. At Star Vegas we were pleased to appoint Mr P.H. Chow as Executive General Manager of Electronic Gaming operations in September 2019. Mr Chow has extensive experience in the Indo-Chinese market, having previously held the position of Regional General Manager for Silver Heritage. He possesses very strong gaming machine product knowledge and analytical capabilities, and I look forward to a significant increase in gaming machine revenues and profitability under his leadership.

I believe Star Vegas is an exceptional business, and even with the recently increased level of competition it remains a premier venue in the Poipet strip.

The operational and financial performance at Star Vegas for the 2019 financial year reflects the lack of senior casino management oversight for much of the 2019 financial year.

The 9.9% decline in net gaming revenue to THB1,368.5 million was compounded by a low win rate of 2.69%, compared to a relatively high 3% in the 2018 financial year. Slot machine revenue declined by 24.5% following the changeover to newer slot machines, and this is unacceptable. Going forward we will revisit our lease arrangements on these machines and may look at revising profit-share arrangements or purchasing these machines outright. Non-gaming revenue was down by 19% to THB124.2 million, and some further changes will be introduced to boost the attractiveness of the non-gaming businesses.

The EBITDA decline of 37.2% to THB610.2 million was due to a combination of the lower win rate, higher employee count required to operate the online gaming business and higher marketing costs for our events program, which drove the strong increase in visitation. We intend to look closely at the appropriateness of each these aspects of the business.

In Vietnam, the Aristo is operating at a reasonable baseline level, with strong momentum in the past two months. I can see a significant revenue and profit opportunity with the managed introduction of a revamped mix of table games and slot machines, and potentially increasing the overall slot machine numbers. The venue offers an attractive casino and entertainment destination in the north of Vietnam.

The first half of the 2019 financial year was challenging for the Aristo, as it was impacted by a Chinese crime syndicate in July and August 2018, which threatened VIP junkets and customers on the Chinese side of the border and significantly impacted results in those months. However, the second half of the 2019 financial year the business returned to more normal operating conditions.

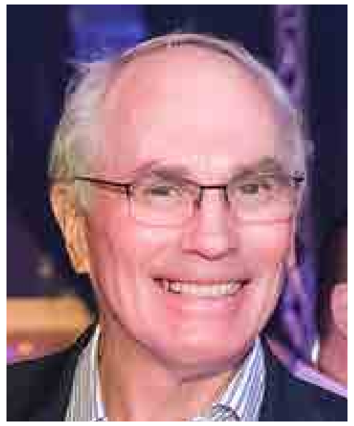
While net gaming revenue fell 15% over the 2019 financial year to RMB60.5 million, the second half of the year produced RMB41.5 million, in line with the RMB41.5 produced in the 2018 financial year. Non-gaming revenues were down 25% for the year to RMB45.3 million, but only 8.4% down in the second half of the year compared to the 2018 financial year. The second half EBITDA of RMB38.7 million was in line with the 2018 financial year. The full year results reflect the disruptions that occurred in July and August 2018, but the operating performance has now fully recovered. This provides a good baseline for us to look to improve performance, and our license allows additional machines to be introduced. We have commenced assessing how we can take advantage of this opportunity over the next few years.

As the new Group Chief Executive Officer, I have confidence in the calibre and composition of the new Board and I know they will be working tirelessly to resolve the litigation issues against the vendor of the Star Vegas business. My role and focus is entirely on improving the operational performance of the venues, without distraction. I believe there is significant growth potential achievable at both businesses and look forward to delivering improved performance from both properties.

My role and focus is entirely on improving the operational performance of the venues, without distraction.

I am excited by the opportunity presented in both of our businesses and look forward to introducing initiatives at both venues to extract higher returns. I expect to see significantly improved performance from both Star Vegas and the Aristo in the 2020 financial year from the changes that are currently being introduced, and look forward to presenting these results to you during the 2020 financial year.

Paul Arbuckle
Group Chief Executive Officer



STUART JAMES McGREGOR

Independent Non-executive Chairman
(appointed 19 November 2004)

BCom, LLB, MBA

Experience and expertise

Over the last 30 years, Mr McGregor has had a wide-ranging business career with active involvement across the Australasian and Asian Region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Limited in Tasmania and Managing Director of San Miguel Brewery Hong Kong Limited, a publicly listed Hong Kong-based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Australian Government, and as Chief Executive of the Tasmanian Government's economic development agency.

Other current directorships

EBOS Group Limited (ASX:EBO) (appointed in July 2013)

Former directorships (last three years)

None

Special responsibilities

Member of the Audit and Risk Management Committee, and the Nominations, Remuneration and Corporate Governance Committee

Interests in shares

496,735 ordinary shares

Interests in options

None

BENEDICT PAUL REICHEL

Executive Director, Group General Counsel, Company Secretary
(appointed 20 July 2007)

BA, LLB(Hons), LLM(Hons)

Experience and expertise

Mr Reichel is an executive and company director in the gaming, media, and technology sectors, with more than 20 years of experience in major Australian listed public companies and law firms. Mr Reichel was Chief Executive Officer and Managing Director of the company (then called Two Way Limited) from July 2007 to January 2012, and has remained on the Board since then. Previously, Mr Reichel was General Counsel of Tab Limited, an AUD2 billion ASX-listed company with operations in wagering, gaming and media. Prior to that, he was General Counsel of racing broadcaster Sky Channel Pty Limited, and held a number of executive positions at Publishing and Broadcasting Limited.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

1,106,924 ordinary shares

Interests in options

None

DAVID JOHN GREEN

Non-executive Director
(appointed 9 April 2019)

BCom, LLB(Hons), LLM, MBA(Hons)

Experience and expertise

Mr Green has extensive experience in the gaming industry, particularly in Asia, with specific experience in Cambodia and Vietnam. His experience spans both regulations and operations, as well as board positions, and he specialises in governance matters. Mr Green is both a qualified lawyer and qualified accountant and is a former partner and director of the Gaming Practice of PricewaterhouseCoopers (Macau) Limitada. He has worked with the Macau SAR Government on the liberalisation and regulation of the casino industry, and also consulted the Royal Government of Cambodia on the drafting of the proposed Law on the Management of Integrated Resorts and Commercial Gaming.

Other current directorships

None

Former directorships (last three years)

Silver Heritage Group Limited (ASX:SVH)

Special responsibilities

Chair of the Audit and Risk Management Committee, and the Nominations, Remuneration and Corporate Governance Committee

Interests in shares

71,000 ordinary shares

Interests in options

None

YAN HO LEO CHAN

Non-executive Director
(appointed 12 August 2019)

BEconFin

Experience and expertise

Mr Chan is a representative from Argyle Street Management Limited (ASM), an institutional investor. ASM was founded in Hong Kong SAR in 2002 and currently manages approximately USD1.7 billion. Mr Chan is an Executive Director of ASM, and has more than 13 years of experience in making and managing investments throughout Asia. He holds a Bachelor of Economics and Finance from the University of Hong Kong.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

None

Interests in options

None

KURKYE WONG

Non-executive Director
(appointed 12 August 2019)

BBus, JD, MFE

Experience and expertise

Mr Wong is a representative from ASM, an institutional investor. ASM was founded in Hong Kong SAR in 2002 and currently manages approximately USD1.7 billion. Mr Wong is Vice President of ASM, and has previously worked at KPMG and FTI Consulting in Hong Kong. He holds a Bachelor of Business from the Queensland University of Technology, a Juris Doctor from the Chinese University of Hong Kong, and a Master's Degree in Financial Engineering from Stanford University.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

None

Interests in options

None

YUGO KINOSHITA

Non-executive Director
(appointed 14 August 2019)

BHumSci, MBA

Experience and expertise

Mr Kinoshita is the Global Chief Executive Officer of Aruze Gaming America, Inc, a global entertainment company that designs, develops, manufactures, distributes and services slot machines and other gaming devices for the world-wide casino market. Mr Kinoshita's professional experience includes senior marketing and advertising roles at Nike Japan and Dentsu Inc. in Tokyo. He holds a Masters of Business Administration from Babson College in Massachusetts, USA, and a Bachelor of Human Science from Waseda University in Tokyo, Japan.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

Member of the Audit and Risk Management Committee, and the Nominations, Remunerations and Corporate Governance Committee

Interests in shares

None

Interests in options

None

ROBERT ANDREW HINES

Independent Non-executive Director (resigned 31 December 2018)

Experience and expertise

Mr Hines is one of Australia's leading gaming and wagering executives. As Chief Executive Officer of Racing Victoria Limited from 2008 to 2012, he led and managed the Victorian racing industry through a period of substantial change. Mr Hines also held Chief Executive Officer roles at Jupiters Limited (2000 to 2004), which was acquired by Tabcorp; and at AWA Limited (1997 to 2000), which was acquired by Jupiters. From 2005 to 2008, he was Chief Executive Officer UK and Europe for Vecommerce Limited, a natural language speech recognition company providing services to wagering operators. Mr Hines currently holds the positions of Chairman Sportsbet Australia Pty Ltd advisory group, and Non-executive Director of the Sporting Chance Cancer Foundation.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

Chair of the Audit and Risk Management Committee, and the Nominations, Remuneration and Corporate Governance Committee (resigned 31 December 2018)

Interests in shares

195,321 ordinary shares

Interests in options

None

JOEY LIM KEONG YEW

Managing Director and Chief Executive Officer (removed 18 July 2019)

BCompSci

Experience and expertise

Mr J Lim is the Managing Director and Chief Executive Officer of Donaco International Limited. He is also a director of Malahon Securities Limited, a stock brokerage company founded in 1984, and is a member and participant of the Hong Kong Exchange. He is also the principal of the Slingshot Group of Companies, which are investment companies based in Hong Kong. His experience includes: working as an executive director to M3 Technologies (Asia) Bhd where he was responsible for strategic investments and corporate affairs; working at VXL Capital, China, a company whose business was focused on investing in and restructuring companies in Malaysia, Beijing, Shanghai and Hong Kong; and working as project manager for Glaxo Wellcome, London, UK.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

None

Interests in shares

2,343,955 ordinary shares

Interests in options

None

BENJAMIN LIM KEONG HOE

Non-executive Director (removed 18 July 2019)

BBus (InternatBus)

Experience and expertise

Mr B Lim is a director of Donaco Singapore Pte Ltd, and a major shareholder of Genting Development Sdn Bhd, a substantial property development business in Malaysia. He has a bachelors degree in international business with design management from Regent Business School in the United Kingdom.

Other current directorships

None

Former directorships (last three years)

None

Special responsibilities

Member of the Audit and Risk Management Committee, and the Nominations, Remuneration and Corporate Governance Committee

Interests in shares

20,000 ordinary shares

Interests in options

None

'Other current directorships' and 'Former directorships (last three years)' quoted above are directorships for listed entities only, and exclude directorships of all other types of entities, unless otherwise stated.

We are committed to contributing to our local communities through engagement, purposeful charitable activities and supporting targeted development and wellbeing initiatives to enhance the welfare and quality of life for people in our region. Making a positive contribution helps build resilience and provides our employees with a sense of pride.

SUMMARY OF CHARITABLE ACTIVITIES – JULY 2018 TO JUNE 2019

DATE	CAUSE	DONATION
August 2018	Hungry Ghost Festival	Food to local children
August 2018	Cambodian Government charity projects	Instant dry noodles, water and soft drinks
September 2018	Phong Nien Secondary School of Bao Thang district	School items for pupils to study and stay at the school
September 2018	Moon Cake Festival – five schools of Coc Ly village, Bac Ha district, Lao Cai province	200 pieces of moon cakes (50 boxes)
September 2018	Renovation of temple	Monetary
October 2018	Temple Blessing donation	Monetary and items (rice, oil, sugar and water)
October 2018	Community event arranged by Cambodian Army for flood relief	Monetary
November 2018	Community event arranged by Head of Cambodian Senate	Monetary
November 2018	Community event arranged by Provincial Governor	Monetary
22nd November 2018	Temple blessing donation	Monetary and items (rice, oil, sugar and water)
13th December 2018	Temple blessing donation	Monetary and items (rice, oil, sugar and water)
24th February 2019	Temple blessing donation	Monetary and items (rice, oil, sugar and water)
21st March 2019	Temple blessing donation	Monetary and items (rice, oil, sugar and water)
24th March 2019	Lao Cai province sports program	Monetary prizes
1st April 2019	Khmer New Year party arranged by Poipet Governor	Monetary and items (beer and soft drinks)
19th April 2019	Temple blessing donation (Thailand)	Monetary
1st June 2019	Cambodian Red Cross	Monetary
23rd June 2019	Renovation of temple	Monetary

Community is important to us.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Donaco International Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year ended 30 June 2019.

DIRECTORS

The following persons were directors of Donaco International Limited during the whole of the 2019 financial year and up to the date of this report, unless otherwise stated:

Stuart James McGregor – Chairman

Joey Lim Keong Yew (removed 18 July 2019)

Benedict Paul Reichel

Benjamin Lim Keong Hoe (removed 18 July 2019)

Robert Andrew Hines (resigned 31 December 2018)

David John Green (appointed 9 April 2019)

Yan Ho Leo Chan (appointed 12 August 2019)

Kurkye Wong (appointed 12 August 2019)

Yugo Kinoshita (appointed 14 August 2019)

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of the operation of leisure and hospitality businesses across the Asia Pacific region, specifically:

- the operation of a hotel and casino in northern Vietnam
- the operation of a hotel and casino in Cambodia

DIVIDENDS

No dividends were paid for the year ended 30 June 2019.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

RESULT HIGHLIGHTS

Underlying NPAT of AUD9.2 million, down from AUD18.3 million in the 2018 financial year (FY2018). Revenue at Star Vegas continued to be significantly affected by the breaches of contract by the vendor, as well as disruptions due to ownership, management and control issues.

	2019	2018
	$ MILLION	$ MILLION
Statutory NPAT	(194.0)	(124.2)
Contribution of non-recurring items in NPAT result	(203.2)	(142.8)
Underlying NPAT	9.2	18.3
Group revenue	86.3	92.6
– Star Vegas revenue	64.7	66.6
– Aristo revenue	21.6	26.0
Group EBITDA	29.6	42.4
Underlying Group EBITDA	29.6	42.4
Strong balance sheet with:		
– Cash	27.4	47.1
– Borrowings	35.9	70.4
– Net debt	8.5	23.3
– Net debt to equity ratio	4.4%	6.3%

Reported loss after tax was AUD194 million, which included non-recurring items totalling negative AUD203.2 million. In contrast, the reported loss after tax in FY18 was AUD124.2 million which included non-recurring items totalling negative AUD142.8 million.

The non-recurring items in the 2019 financial year (FY19) were largely due to the Star Vegas licence impairment charge of AUD186.6 million. Impairment was also recognised for interactive casino gaming platform of AUD3.7M and trade and other receivables of AUD9.8M. In addition, there were AUD2.5M of non-recurring legal fees in regard to ongoing litigation matters and a net foreign exchange loss of AUD0.6 million (compared to gain of AUD0.3 million in FY18).

Excluding the non-recurring items, underlying NPAT for the Group was AUD9.2 million, down from AUD18.3 million in FY18.

…new management has had an immediate positive impact on results…

VENUE PERFORMANCES

Star Vegas – FY19 compared to FY18

- Net gaming revenue down 9.9% to THB1,368.5 million
- Non-gaming revenue down 19.% to THB124.2 million
- EBITDA down 37.2% to THB610.2 million
- Property level NPAT down 85.6% to THB113.3 million
- VIP gross win rate 2.69%

Gaming revenue at Star Vegas was affected by competition from the nearby Winsor, Paramax and the new Galaxy casinos in Poipet. VIP turnover increased by 76% due to the full year impact of junkets brought in to replace those poached by the Thai vendor in FY18; however, this was offset by an increase in junket commissions and profit sharing. These junket arrangements are currently being renegotiated by new management to improve outcomes. Property level NPAT was down, reflecting higher profit-sharing commissions and lower VIP win rate (however this improved by 21% in the June half of FY19 from the December half). Operating expenses were up 26% due to replacement of employees that were poached by the Thai vendor and hiring of new employees for the online gaming platform. The VIP gross win rate fell to 2.69% from 3% in FY18. Overall, for the full 12 month period, the EBITDA at Star Vegas declined by 37.2% in local currency terms to THB610.2 million.

Aristo International Hotel – FY19 compared to FY18

- Net gaming revenue down 15% to RMB60.5 million
- Non-gaming revenue down 25% to RMB45.3 million
- EBITDA down 27% to RMB52.2 million
- Property level NPAT down 46% to RMB20.6 million
- VIP gross win rate 2.09%

Decline in gaming and non-gaming revenue reflects the weak start to the December 2018 half, with significant improvement to the June 2019 half. Decrease in property level EBITDA and NPAT was primarily due to lower VIP turnover and win rate. However, new management has had an immediate positive impact on results, with the Aristo recording EBITDA of USD1.6 million in June 2019, and USD1.5 million in July 2019.

CAPITAL MANAGEMENT

No FY19 dividend is payable due to the impairment charge and the resulting statutory loss, as dividends are restricted to 100% of statutory NPAT under the Mega Bank loan facility.

Refinancing of the Mega Bank loan was completed in June 2019, with improved repayment terms and covenants relaxed.

Further capital management strategies, including dividends and buybacks, will require approval from Mega Bank while the facility remains.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during FY19.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

DIVIDEND

There will be no dividend declared for FY19.

SALE OF SHARES

On 5 July 2019, the Australian Securities and Investment Commission (ASIC) appointed Morgan Stanley Wealth Management Australia to sell 80,000,000 ordinary shares in the company, pursuant to a decision by the Takeovers Panel (the Panel) to vest shares in the Commonwealth for sale by ASIC. These shares, representing approximately 9.71% of the company's issued capital, were initially acquired by OL Master (Singapore Fund 1) Pte Limited (OCP) between 7 and 31 December 2018, at the same time that OCP was seeking to liaise with Total Alpha Investments Limited (Alpha), a related party of Mr Joey Lim, the former Managing Director and Chief Executive Officer of the Company, in respect of a potential restructure of the terms of the bonds between OCP and Alpha (OCP and companies controlled by Mr Lim, including Alpha, had entered into a secured lending arrangement in 2017). On 27 February 2019, OCP enforced its security interest after defaults by the companies controlled by Mr Lim, and acquired shares representing 27.25% of the company. This resulted in OCP having a total of 37% voting interest in the company.

An application was submitted on 8 April 2019 by several shareholders of the company (some, if not all of whom were parties to the secured lending arrangement) to the Panel for a declaration of unacceptable circumstances. On 7 May 2019, the Panel made a declaration of unacceptable circumstances in relation to the share acquisition by OCP and ordered that the 80,000,000 shares be vested in ASIC for sale and that the sales process was to follow the requirements specified by the Panel.

In Cambodia, there was an award made by an arbitrator on 21 August 2019 ruling that the vendor is entitled to terminate the Star Vegas lease. However this decision is not enforceable unless it is affirmed by a court and has already been appealed.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company operates leisure and entertainment businesses across the Asia Pacific region.

Our largest business is DNA Star Vegas, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, approximately 1,000 slot machines and 385 hotel rooms.

Our flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam, on the border with Yunnan Province, China. Established in 2002, the property is now a five star resort complex with 400 hotel rooms. Donaco is a pioneer casino operator in Vietnam and owns a 95% interest in the business, in a joint venture with the Government of Vietnam.

The operation and marketing of both of these properties will underpin our growth during the next 12 months. Our strategy is to take advantage of the demand for leisure and entertainment in the Asia Pacific region, and to leverage the experience of the Board and management in the gaming sector. This will complement the growth at the expanded casinos in both Cambodia and Vietnam, and provide for diversification.

The company continues to rebuild and improve the business at Star Vegas, with multiple initiatives in progress. Marketing strategies for Aristo continue to be focused on increasing the number of mass market players visiting the property, while selectively allowing junket play where appropriate. The company is also focused on growing non-gaming revenues at both Star Vegas and Aristo to diversify earnings streams.

The Company is also focused on growing non-gaming revenues at both Star Vegas and Aristo to diversify earnings streams.

Material risks to the company's strategy include those affecting listed entities generally, and companies operating in Thailand, Cambodia and Vietnam generally. These risks include the possibility of adverse macroeconomic developments, such as exchange rate declines, cross-border disputes or terrorist attacks affecting the company's key target markets. Other material risks include the possibility of adverse regulatory change affecting casino operators, such as changes in tax rates, and the possibility of breach of licences or legislation. These risks are carefully monitored by the Board and management team.

Multiple legal actions are in progress involving the Star Vegas vendor. The company is of the opinion that its claim against the vendor, currently the subject of arbitral proceedings in Singapore, is strong. In Cambodia, there was an award made by an arbitrator on 21 August 2019 ruling that the vendor is entitled to terminate the Star Vegas lease; however, this decision is not enforceable unless it is affirmed by a court and has already been appealed. The arbitration in Singapore for the company's USD240 million (equivalent to AUD342 million) damages claim, increased from USD190 million (equivalent to AUD271 million) after considering expert legal and financial advice, has a further hearing scheduled for one week commencing on 25 November 2019.

These key risks should not be taken as the only risks that may affect the company's operations, and many risks are outside the control of the Board and management team.

Except as noted above, information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or state law.

COMPANY SECRETARY

Benedict Paul Reichel is an Executive Director and the Company Secretary. His qualifications and experience are set out on page 8.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors (the Board) and of each Board committee held during the financial year ended 30 June 2019, and the number of meetings attended by each director are shown below:

	FULL BOARD		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATIONS, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE		STRATEGY COMMITTEE[2]	
	Attended	Held[1]	Attended	Held	Attended	Held	Attended	Held
Stuart James McGregor	15	15	3	3	5	5	2	2
Joey Lim Keong Yew	5	15	–	–	–	–	–	–
Benedict Paul Reichel	15	15	–	–	–	–	2	2
Benjamin Lim Keong Hoe	13	15	3	3	3	5	–	–
Robert Andrew Hines	5	5	2	2	3	3	–	–
David John Green	4	4	–	–	2	2	2	2

[1]Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

[2]During the year, a special committee was established on a temporary basis to manage conflicts of interest relating to strategic options for the Company.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act* 2001 (Cth) and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following headings:

- Executive Summary
- Principles used to Determine the Nature and Amount of Remuneration
- Details of Remuneration
- Share-based Compensation
- Additional Disclosures Relating to Key Management Personnel

‹ DIRECTORS' REPORT

EXECUTIVE SUMMARY

Donaco uses a simple framework for executive remuneration, consisting of three elements:

1. Fixed remuneration: consisting of base salary, superannuation and non-monetary benefits (if any).
2. Short-term incentives (STI): which are paid in cash, but only if executives satisfy applicable key performance indicators (KPIs).
3. Long-term incentives (LTI): under which executives may receive annual grants of restricted shares purchased on market, but only if applicable KPIs are satisfied. The shares vest over a three-year period.

For STI in FY19, the following KPIs applied:

1. Achievement of the budgeted EBITDA target for the group (30%).
2. Achievement of the budgeted revenue target for the Star Vegas property, in Thai Baht terms (25%).
3. Achievement of the budgeted revenue target for the Aristo property, in Chinese Renminbi terms (25%).
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%).

The first three KPIs were not satisfied. Two executives did satisfy or partially satisfy their personal KPI, and thus are entitled to be paid up to 20% of their potential incentive. Accordingly, two executives forfeited 80% to 90%, and the others forfeited 100%, of their potential incentive.

For LTI in FY19, the following KPI was required to be satisfied:

1. Achievement of the budgeted EBITDA target for the group.

This KPI was not satisfied, and accordingly no LTI were awarded.

Shareholders should note that share price movements per se are not an applicable KPI. Share prices are affected by many factors beyond the control of management. However all of the applicable KPIs should, if achieved, have a positive impact on Donaco's performance, which would normally be reflected in the share price, subject to any external factors. Accordingly, the remuneration framework focuses executives on matters that they can control, which are expected to provide benefits to shareholders through a higher share price.

In addition, the award of restricted shares under the LTI plan aligns the interests of executives with shareholders. Executives benefit directly if the share price increases, and also suffer directly if the share prices decreases.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Introduction

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain high quality personnel, and motivate them to achieve high performance.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

Board oversight

The Board has an established Nominations, Remuneration and Corporate Governance Committee (Remuneration Committee), which now consists only of independent non-executive directors. It is primarily responsible for setting the overall remuneration policy and guidelines for the company, and its functions include:

- reviewing and recommending to the Board for approval, the company's general approach towards remuneration, and to oversee the development and implementation of remuneration programs;
- reviewing and recommending to the Board for approval, corporate goals and objectives relevant to the remuneration of the Managing Director/Chief Executive Officer, and evaluating the performance of the Managing Director/Chief Executive Officer in light of those goals and objectives
- reviewing and recommending to the Board for approval, remuneration programs applicable to the company executives, and ensuring that these programs differ from the structure of remuneration for non-executive directors
- reviewing the remuneration of non-executive directors, and ensuring that the structure of non-executive directors' remuneration is clearly distinguished from that of executives by ensuring that non-executive directors are remunerated by way of fees, do not participate in schemes designed for the remuneration of executives, do not receive options or bonus payments, and are not provided with retirement benefits other than statutory superannuation

Remuneration framework

In consultation with external remuneration consultants when necessary (see Use of Remuneration Consultants on page 26), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. The framework is designed to satisfy the following key criteria for good reward governance practices:

- aligned to shareholders' interests
- competitiveness and reasonableness
- performance linkage/alignment of executive compensation
- transparency

The remuneration framework is aligned to shareholders' interests, it:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholders' wealth, consisting of growth in share price, as well as focusing the executive on key non-financial drivers of values
- attracts and retains high calibre executives

The remuneration framework is also aligned to program participants' interests, in that it:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholders' wealth
- provides a clear structure for earning rewards

All remuneration paid to directors and executives is valued at cost to the company and expensed.

In accordance with best practice corporate governance, the structures of remuneration for non-executive directors and for executives are separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

There are no bonuses payable to non-executive directors, and there are no termination payments for non-executive directors on retirement from office, other than statutory superannuation entitlements. Non-executive directors are not granted options or shares.

ASX Listing Rules require that the aggregate of non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2013 Annual General Meeting, where the shareholders approved a maximum aggregate remuneration of AUD750,000, including statutory superannuation contributions.

Executive remuneration

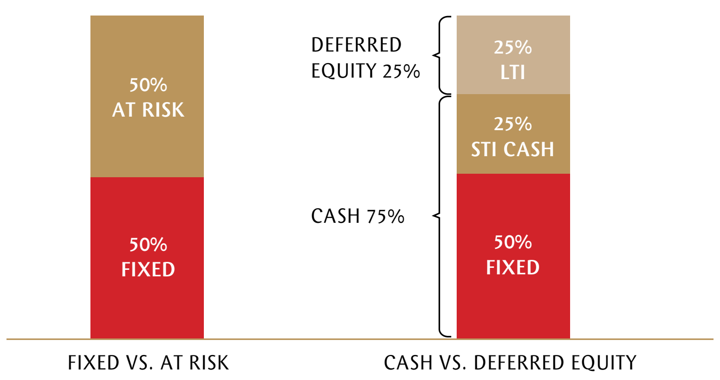
The consolidated entity's remuneration policy is to ensure that executive remuneration packages properly reflect an executive's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating executives of the highest calibre. As a result, remuneration packages for the Managing Director/Chief Executive Officer and senior executives include both fixed and performance-based remuneration.

The executive remuneration and reward framework has three components:

- fixed remuneration: consisting of base salary and non-monetary benefits, together with other statutory forms of remuneration such as superannuation and long service leave
- STI: paid in cash
- LTI: currently consisting of restricted shares purchased on market

The combination of these components comprises the executive's total remuneration.

SENIOR EXECUTIVES' REMUNERATION MIX



Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any), is determined by considering the scope of the executive's responsibility, importance to the business, competitiveness in the market, and assessed potential. The total remuneration package for executives includes superannuation and other non-cash benefits, to reflect the total employment cost to the company inclusive of any fringe benefits tax.

Fixed remuneration is reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity, and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The objective of the fixed remuneration component is to attract and retain high quality executives, and to recognise market relativities and statutory requirements.

Short-term incentives

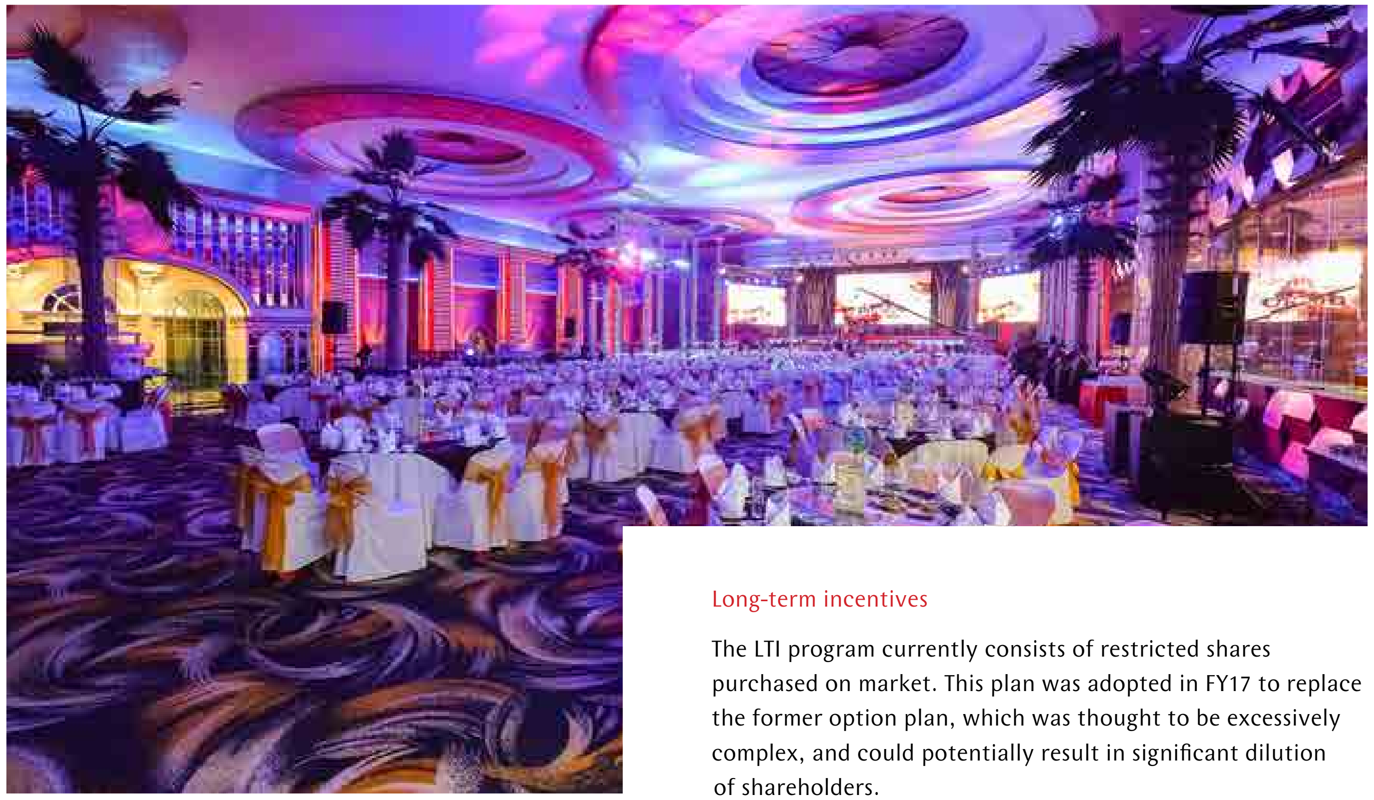
The STI framework provides senior executives with the opportunity to earn an annual cash bonus, up to a maximum amount of 50% of base salary. Clear KPIs have been established by the Remuneration Committee. Achievement of these KPIs gives the executive an opportunity to earn a fixed percentage of their maximum STI, subject to final review and approval by the Board.

For FY19, the KPIs applied and the applicable percentage of STI were:

1. Achievement of the budgeted EBITDA target for the group. The applicable EBITDA target was AUD64.3million. (This KPI is worth 30% of the potential incentive.)
2. Achievement of the budgeted revenue target for Star Vegas, in Thai baht terms. The applicable revenue target was THB1.65 billion (25%).
3. Achievement of the budgeted revenue target for the Aristo, in Chinese renminbi terms. The applicable revenue target was RMB136.9 million (25%).
4. Achievement of a personal KPI relating to the executive's individual areas of responsibility (20%).

The objective of these KPIs is clearly designed to focus on financial criteria, including top-line revenue growth, while maintaining a focus on disciplined cost control, as expressed through the EBITDA target for the group. In addition, executives also maintained a focus on key non-financial criteria, relating to the personal KPI applicable to the individual executive's area of responsibility.

During FY19, the first three KPIs were not satisfied. Two executives did satisfy or partially satisfy their personal KPI, and thus are entitled to be paid up to 20% of their potential incentive. Accordingly, two executives forfeited 80% to 90%, and the others forfeited 100%, of their potential incentive.



The objective of the LTI component is to focus on sustainable shareholder value creation, as expressed through share price growth.

Long-term incentives

The LTI program currently consists of restricted shares purchased on market. This plan was adopted in FY17 to replace the former option plan, which was thought to be excessively complex, and could potentially result in significant dilution of shareholders.

The objective of the LTI component is to focus on sustainable shareholder value creation, as expressed through share price growth.

Under the LTI plan, the Board has actively sought to align senior executive remuneration with shareholder interests. Shares are purchased on market and held in an employee share trust (the Trust). The shares will vest to the employees over the vesting period of three years. The aim of the scheme is to ensure that executives are motivated to think like shareholders, with a focus on taking actions that will lead to sustainable increases in the share price. The structure of the scheme also ensures that there is no dilution of shareholders.

The total annual dollar value of shares to be purchased is a maximum of AUD1,000,000. The number of shares to be purchased each year will depend on the share price at the time that a purchase takes place.

The scheme is executed in a similar manner to an on-market buy-back, allowing the Trust to stand in the market and purchase shares at appropriate times. However, the shares will not be cancelled, but will be held in the Trust, to be distributed to employees over the vesting period of three years.

LTI awards are made on an annual basis, subject to achievement of applicable KPIs. This ensures that at any given time, the executives have at risk a number of LTI awards, with different vesting periods and amounts. This helps to smooth out both the risk and the cash flow for the company and for executives.

The LTI scheme allows for an award of a maximum of 50% of base salary in the form of restricted shares, subject to achievement of applicable KPIs which are set annually. For FY18, the applicable KPI related to the achievement of the budgeted EBITDA target for the group.

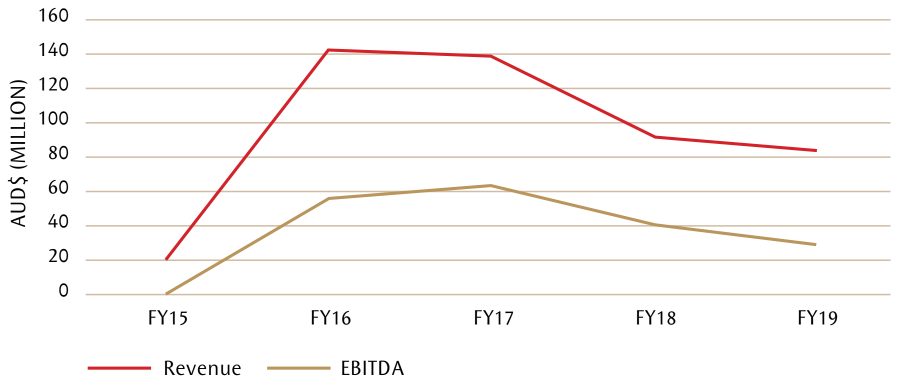
During FY19 the Trust did not purchase any shares on market. The applicable KPI was not satisfied, and accordingly no awards of shares were made.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

As detailed above, Donaco's remuneration policy is directly linked to company performance, particularly in relation to top-line revenue growth and cost control, to ultimately create long-term shareholder value. STI and LTI awards are dependent on defined KPIs being met, which are primarily financial in nature, and are at the discretion of the Remuneration Committee.

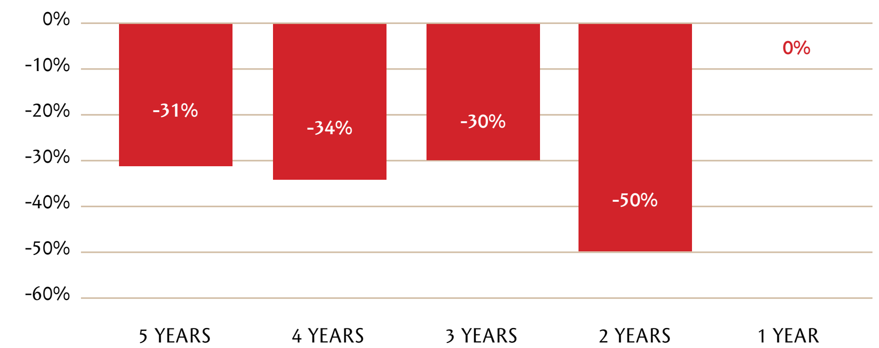
Over the five year period since FY15, revenue and EBITDA have increased at an average annual growth rate of 45.80% and 170.82% respectively, driven by Star Vegas becoming part of the group at the beginning of FY16.

DONACO REVENUE AND EBITDA



Donaco's share price was flat during FY19, but has declined in recent years, reflecting lower earnings brought on by the Star Vegas vendor's breaches of the non-compete agreement and market concerns over the resulting legal disputes.

DNA SHARE PRICE CHANGE PER ANNUM



The Nominations, Remuneration and Corporate Governance Committee considers that the remuneration framework has an appropriate mix of fixed and performance based remuneration. Since performance during FY19 did not meet expectations, executives forfeited all or the majority of their STI, and also forfeited all of their LTI.

The Committee also considers that the remuneration framework in place will assist to increase shareholder wealth if maintained over the coming years, subject to any adjustments that are necessary or desirable to reflect the company's circumstances.

Use of remuneration consultants

There were no remuneration consultants engaged during the fFY18 and FY19.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Donaco International Limited:

- Stuart James McGregor – Non-executive Director and Chairman
- Joey Lim Keong Yew – Non-executive Director (removed 18 July 2019)
- Benedict Paul Reichel – Executive Director, General Counsel and Company Secretary
- Benjamin Lim Keong Hoe – Non-executive Director (removed 18 July 2019)
- Robert Andrew Hines – Non-executive Director (resigned 31 December 2018)
- David John Green – Non-executive Director (appointed 9 April 2019)

And the following persons:

- Paul Arbuckle – Chief Executive Officer (appointed 11 June 2019)
- Chong Kwong Yang – Chief Financial Officer

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS[1]	
	Cash salary and fees	Bonus	Super	Leave entitlements	Equity-settled	Total
2019	$	$	$	$	$	$
Non-executive directors						
S J McGregor	162,734	–	15,460	–	–	178,194
Lim K H (removed 18 July 19)	233,086	–	–	–	–	233,086
R A Hines (resigned 31 December 18)	68,650	–	6,522	–	–	75,172
D Green (appointed 9 April 19)	20,282	–	1,927	–	–	22,209
Executive directors						
Lim K Y (removed 18 July 19)	325,007	–	–	–	86,563	411,570
B P Reichel	332,700	33,270	25,000	–	62,054	453,024
Other key management personnel						
P Arbuckle (appointed 11 June 19)	18,950	–	–	–	–	18,950
Chong K Y	252,000	25,200	23,940	–	47,002	348,142
	1,413,409	58,470	72,849	–	195,619	1,740,347

[1]These amounts relate to shares acquired by an employee share trust which will vest to employees over the vesting period of three years. These shares are still within the vesting period. All employee options were cancelled during FY19, and employees received no benefit.

The bonuses set out above were paid during FY19, but relate to performance during FY18. The KPIs applicable were set out in the FY18 Annual Report.

For performance during FY19, bonuses are not payable until October 2019. The bonus amounts accrued to directors and key management personnel in FY19 for performance during FY19 are as shown below:

	Total
	$
Executive directors	
B P Reichel	33,270
Other key management personnel	
Chong K Y	13,750
	47,020

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
	Cash salary and fees	Bonus	Super	Leave entitlements	Equity-settled	Total
2018	$	$	$	$	$	$
Non-executive directors:						
S J McGregor	155,606	–	14,783	–	–	170,389
Lim K H	174,110	–	–	–	–	174,110
R A Hines	137,300	–	13,044	–	–	150,344
Executive directors:						
Lim K Y	581,211	326,931	–	–	122,072	1,030,214
B P Reichel	332,700	166,350	25,000	–	61,468	585,518
H T Sukjareonkraisri	32,243	–	–	–	–	32,243
Other key management personnel:						
Goh K B (retired 31 March 18)	256,917	145,945	250,191	–	41,207	694,260
Chong K Y	252,000	126,000	23,940	–	34,769	436,709
A Asavanund	56,747	–	–	–	–	56,747
	1,978,834	765,226	326,958	–	259,516	3,330,534

The proportion of remuneration linked to performance and the fixed proportion are shown below:

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI	
	2019	2018	2019	2018	2019	2018
Non-executive directors						
S J McGregor	100%	100%	0%	0%	0%	0%
Lim K H	100%	100%	0%	0%	0%	0%
R A Hines	100%	100%	0%	0%	0%	0%
D Green	100%	n/a	0%	n/a	0%	n/a
Executive directors						
Lim K Y	79%	56%	0%	32%	21%	12%
B P Reichel	79%	61%	7%	28%	14%	10%
H T Sukjareonkraisri	n/a	100%	0%	0%	0%	0%
Other key management personnel						
P Arbuckle	100%	n/a	0%	n/a	0%	n/a
Goh K B	100%	73%	0%	21%	0%	6%
Chong K Y	79%	63%	7%	29%	14%	8%
A Asavanund	n/a	100%	n/a	0%	n/a	0%

The proportion of the cash bonus paid/payable or forfeited is shown below:

	CASH BONUS PAID/PAYABLE		CASH BONUS FORFEITED	
	2019	2018	2019	2018
Executive directors				
Lim K Y	0%	100%	100%	0%
B P Reichel	20%	100%	80%	0%
Other key management personnel				
Goh K B	0%	100%	100%	0%
Chong K Y	20%	100%	80%	0%

In relation to performance during FY19, the proportions of the cash bonus paid/payable or forfeited are shown below:

	CASH BONUS PAID/PAYABLE	CASH BONUS FORFEITED
	2020	2020
Executive directors		
B P Reichel	10%	90%
Other key management personnel		
Chong K Y	5%	95%

Criteria for performance-based remuneration

The STI program is designed to align the targets of executives with the targets of the consolidated entity. STI payments are granted to executives based on specific annual targets and KPIs being achieved. The Board, advised by the Nominations, Remuneration and Corporate Governance Committee, applied these criteria in determining the award of performance-based remuneration during FY19.

Performance-based bonuses were paid in December 2018. AUD58,470 cash bonuses were awarded to the executive directors and other key management personnel. A break up of the bonuses paid is shown in the above tables.

For performance during FY19, the relevant criteria for the award of bonuses relate to revenue growth at each operating business, namely the Star Vegas and the Aristo International Hotel, as well as the achievement of budgeted EBITDA targets for the consolidated entity, and a personal KPI for each executive.

There were no share options granted or forfeited during FY19 (FY18: nil).

The number of the shares granted or forfeited is shown below:

	SHARES GRANTED		SHARES FORFEITED	
	2019	2018	2019	2018
Executive directors				
Lim K Y (removed 18 July 2019)[1]	–	784,872	–	–
B P Reichel	–	396,166	–	–
Other key management personnel				
Goh K B (retired 31 March 2018)	–	300,320	300,320	–
Chong K Y	–	300,071	–	–

[1]One-third of Lim K Y's shares (261,624 shares) will be forfeited subsequent to year end as he did not complete the vesting period.

Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other key management personnel are formalised in contracts of employment. The service agreements specify the components of remuneration, benefits and notice periods. The specified executives are employed under contracts with no fixed term. The company may terminate the contracts immediately if the executive is guilty of serious misconduct or wilful neglect of duties. Otherwise, the company may terminate the contracts by giving six months' notice or paying six months' salary. In the case of Mr Reichel, a termination benefit of 12 months' salary is payable, in accordance with the *Corporations Act* 2001.

The STI program is designed to align the targets of executives with the targets of the consolidated entity.

SHARE-BASED COMPENSATION

Shares

There were no shares granted as part of compensation during FY19.

Options

There were no options issued as part of compensation during FY19. All remaining employee options were cancelled on 1 October 2018.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during FY19. All options were cancelled on 1 October 2018.

	NO. OF OPTIONS GRANTED DURING 2019	NO. OF OPTIONS GRANTED DURING 2018	NO. OF OPTIONS VESTED DURING 2019	NO. OF OPTIONS VESTED DURING 2018
Lim K Y	–	–	–	634,828
B P Reichel	–	–	–	317,414
Goh K B	–	–	–	130,700

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during FY19 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is shown below:

	BALANCE AT THE START OF FY19	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF FY19
Ordinary shares					
S J McGregor	411,735	–	85,000	–	496,735
Lim K Y	231,406,797	–	–	(65,887,422)	165,519,375
B P Reichel	918,245	–	188,679	–	1,106,924
Lim K H	107,311,200	–	–	(8,925,397)	98,385,803
R A Hines	195,321	–	–	–	195,321
David Green	14,500	–	56,500	–	71,000
Paul Arbuckle	–	–	–	–	–
Chong K Y	–	–	297,000	–	297,000

Option holding

The number of options over ordinary shares in the company held during FY19 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is shown below:

	BALANCE AT THE START OF FY19	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF FY19	VESTED	UNVESTED
Options over ordinary shares							
Lim K Y	1,931,757	–	–	(1,931,757)	–	–	–
B P Reichel	1,026,593	–	–	(1,026,593)	–	–	–
	2,958,350	–	–	(2,958,350)	–	–	–

TRANSACTIONS WITH RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

The following transactions occurred with related parties during FY19:

	CONSOLIDATED 2019	2018
	$	$
Leasing fees paid to Lee Hoe Property Co., Ltd – a director-related entity	–	77,382
Rental received from director's immediate family	–	58,332
Rental received from Arte Mobile Technology Pte Ltd (subsidiary of Isentric Limited)	13,974	–
Technical support fees paid by Lao Cai JVC to iSentric Limited – a director-related entity	–	139,243
Management fees received for Star Paradise Casino property from MMD Travel Co., Ltd – a director-related entity	–	477,992
Disposal of property, plant and equipment to previous owner of DNA Star Vegas Co., Ltd – a director-related entity	–	141,351

The above transactions occurred at commercial rates.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

There were no unissued ordinary shares of Donaco under option at the date of this report. All remaining 2,514,186 options issued under the FY14, FY15 and FY16 option series were cancelled on 1 October 2018.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Donaco issued, during FY19 and up to the date of this report, on the exercise of options granted (FY18: nil).

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of FY19, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During FY19, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act* 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during FY19 by the auditor are outlined in Note 30 to the financial statements on page 75.

The directors are satisfied that the provision of non-audit services during FY19, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act* 2001.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act* 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards

AUDITOR

Crowe Sydney continues in office in accordance with section 327 of the *Corporations Act* 2001.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF CROWE SYDNEY

There are no officers of the company who are former partners of Crowe Sydney.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 34.

This report is made in accordance with a resolution of directors, pursuant to section 298 (2) (1) of the *Corporation Act* 2001.

On behalf of the directors

Stuart McGregor
Chairman

27 September 2019
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION ›

Crowe Sydney
ABN 97 895 683 573
Member of Crowe Global

Audit and Assurance Services

Level 15, 1 O'Connell Street
Sydney NSW 2000
Australia

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www.crowe.com.au

27 September 2019

The Board of Directors
Level 18
420 George Street
Sydney NSW 2000
Australia

Dear Board Members

Donaco International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Donaco International Limited.

As lead audit partner for the audit of the financial report of Donaco International Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

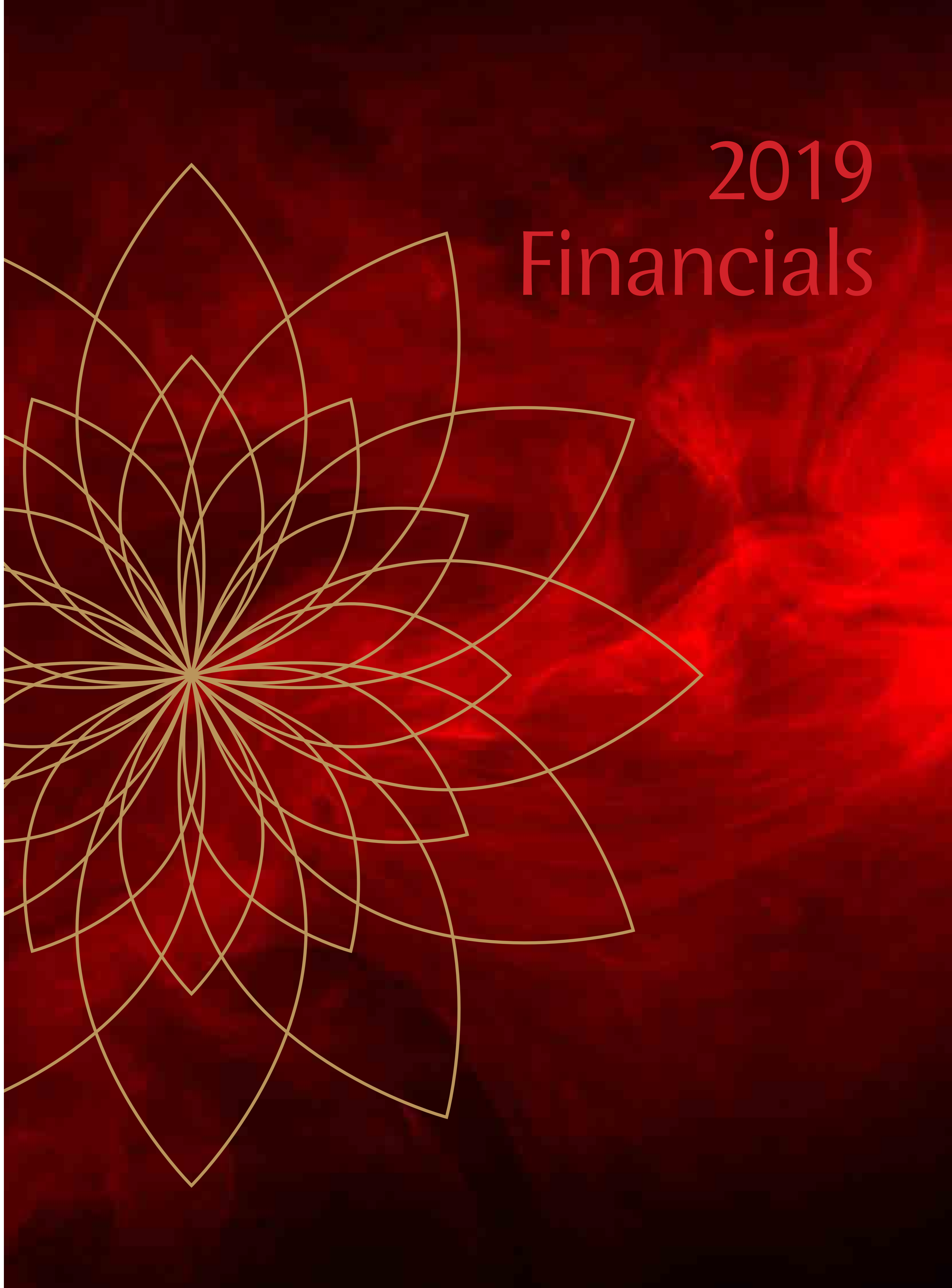
Yours sincerely

Crowe Sydney

Suwarti Asmono
Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.



2019 FINANCIALS ›

for the year ended 30 June 2019

‹ STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

		CONSOLIDATED	
	Note	2019	2018
		$	$
Revenue from continuing operations	4	86,263,580	92,606,141
Other (expenses)/income	5	(559,270)	1,022,878
Total income		85,704,310	93,629,019
Expenses			
Food and beverages		(4,704,645)	(5,112,751)
Employee benefits expense		(24,375,795)	(22,902,710)
Depreciation and amortisation expense	6	(10,127,357)	(9,981,320)
Impairment expense	6	(200,084,349)	(143,860,973)
Legal and compliance		(3,442,915)	(829,360)
Marketing and promotions		(5,465,129)	(6,756,555)
Professional and consultants		(1,016,974)	(1,924,893)
Property costs		(5,703,812)	(6,114,966)
Telecommunications and hosting		(343,163)	(497,219)
Gaming costs		(2,094,285)	(1,488,052)
Other expenses		(11,988,983)	(4,491,571)
Finance costs		(6,517,906)	(10,255,853)
Total expenses		(275,865,313)	(214,216,223)
Loss income tax expense from continuing operations		(190,161,003)	(120,587,204)
Income tax expense	7	(3,611,734)	(3,661,667)
Loss after income tax expense for the year		(193,772,737)	(124,248,871)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		19,368,661	13,600,431
Other comprehensive loss for the year, net of tax		19,368,661	13,600,431
Total comprehensive loss for the year		(174,404,076)	(110,648,440)
Loss for the year is attributable to:			
Non-controlling interest		219,956	261,944
Owners of Donaco International Limited		(193,992,693)	(124,510,815)
		(193,772,737)	(124,248,871)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		219,956	261,944
Owners of Donaco International Limited		(174,624,032)	(110,910,384)
		(174,404,076)	(110,648,440)

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

for the year ended 30 June 2019

		CONSOLIDATED	
	Note	2019	2018
		Cents	Cents
Loss per share for loss attributable to the owners of Donaco International Limited			
Basic loss per share	37	(23.55)	(15.03)
Diluted loss per share	37	(23.55)	(15.03)

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

as at 30 June 2019

		CONSOLIDATED	
	Note	2019	2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	8	27,377,908	47,075,589
Trade and other receivables	9	2,777,446	10,545,030
Inventories	10	1,149,324	1,397,344
Prepaid construction costs	11	38,800	1,811,360
Other current assets	12	1,005,918	451,329
Total current assets		32,349,396	61,280,652
Non-current assets			
Property, plant and equipment	13	167,960,128	162,172,238
Intangibles (including licences)	14	77,572,736	254,064,321
Construction in progress	15	505,527	591,787
Other non-current assets	16	2,147	4,018
Total non-current assets		246,040,538	416,832,364
Total assets		278,389,934	478,113,016
LIABILITIES			
Current liabilities			
Trade and other payables	17	44,189,694	34,652,015
Borrowings	18	16,563,907	24,594,915
Income tax	19	1,764,696	2,008,402
Employee benefits	20	690,488	1,261,325
		63,208,785	62,516,657
Non-current liabilities			
Trade and other payables	21	123,760	–
Borrowings	22	19,379,454	45,806,572
Employee benefits	23	55,594	42,408
Total non-current liabilities		19,558,808	45,848,980
Total liabilities		82,767,593	108,365,637
Net assets		195,622,341	369,747,379
EQUITY			
Issued capital	24	358,656,945	358,656,945
Reserves	25	42,188,163	22,540,464
Retained profits	26	(207,242,713)	(13,250,020)
Equity attributable to the owners of Donaco International Limited		193,602,395	367,947,389
Non-controlling interest		2,019,946	1,799,990
Total equity		195,622,341	369,747,379

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

STATEMENT OF CHANGES IN EQUITY ›

for the year ended 30 June 2019

	ISSUED CAPITAL	RESERVES	RETAINED PROFITS	NON–CONTROLLING INTEREST	TOTAL EQUITY
Consolidated	$	$	$	$	$
Balance at 1 July 2017	359,968,884	9,425,778	115,374,413	1,335,096	486,104,171
Loss after income tax expense for the year	–	–	(124,510,815)	261,944	(124,248,871)
Other comprehensive income for the year, net of tax	–	13,600,431	–	–	13,600,431
Total comprehensive loss for the year	–	13,600,431	(124,510,815)	261,944	(110,648,440)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	–	–	–	202,950	202,950
Shares issued to employees	766,014	(766,014)	–	–	–
Share buyback	(2,077,953)	–	–	–	(2,077,953)
Dividend paid	–	–	(4,113,618)	–	(4,113,618)
Share-based payments	–	280,269	–	–	280,269
Balance at 30 June 2018	358,656,945	22,540,464	(13,250,020)	1,799,990	369,747,379
Balance at 1 July 2018	358,656,945	22,540,464	(13,250,020)	1,799,990	369,747,379
Loss after income tax expense for the year	–	–	(193,992,693)	219,956	(193,772,737)
Other comprehensive income for the year, net of tax	–	19,368,661	–	–	19,368,661
Total comprehensive loss for the year	–	19,368,661	(193,992,693)	219,956	(174,404,076)
Transactions with owners in their capacity as owners					
Share-based payments	–	279,038	–	–	279,038
Balance at 30 June 2019	358,656,945	42,188,163	(207,242,713)	2,019,946	195,622,341

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

‹ STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

		CONSOLIDATED	
	Note	2019	2018
		$	$
Cash flow from operating activities			
Receipts from customers		91,107,609	102,284,185
Payments to suppliers and employees		(48,835,323)	(49,947,841)
		42,272,286	52,336,344
Interest received		79,946	93,786
Interest and other finance costs paid		(5,728,909)	(7,829,780)
Government levies, gaming taxes and GST		(10,166,853)	(9,968,146)
Net cash flows from operating activities	36(a)	26,456,470	34,632,204
Cash flow from investing activities			
Payments for property, plant and equipment		(5,649,675)	(5,668,289)
Net cash flows from investing activities		(5,649,675)	(5,668,289)
Cash flow from financing activities			
Repayment of borrowings	36(b)	(39,749,023)	(44,326,139)
Payments of dividends		–	(4,113,618)
Payments for share buyback		–	(2,077,954)
Net cash flows from financing activities		(39,749,023)	(50,517,711)
Net decrease in cash and cash equivalents		(18,942,228)	(21,553,796)
Cash and cash equivalents, beginning of the financial year		47,075,589	66,022,749
Effects of exchange rate changes on cash and cash equivalents		(755,453)	2,606,636
Cash and cash equivalents at the end of the financial year	8	27,377,908	47,075,589

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

‹ NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

GOING CONCERN

At 30 June 2019, the consolidated entity recorded net current liabilities of AUD30.8 million. The consolidated entity recorded a net profit after tax of AUD6.1 million before impairment (net loss after tax of AUD194.0 million after impairment charge of AUD200.1 million) and net operating cash inflows of AUD26.5 million for the year ended on that date.

The net current liabilities primarily arise due to the management fee of AUD22.7 million (as at 30 June 2019 spot rate) claimed by the Thai vendor of the Star Vegas business. This claim is disputed, and having considered legal advice, the Board considers that the claim is not payable. The claims are unresolved as at 30 June 2019 (Note 39) and as a result the amount continued to be recognised as a liability in accordance with the relevant accounting standards. Without the management fee payable, the consolidated entity's net current liabilities would total approximately AUD8.1 million.

Notwithstanding the net current liability position, management have prepared the 30 June 2019 financial report on a going concern basis. It is management's estimate that the consolidated entity will be able to generate sufficient operating cash inflows to cover the net current liabilities, and therefore will be able to pay its debts as and when they become due and payable.

The consolidated entity met all of its obligations to repay principal and interest under its loans during the period and up to the date of this report. The consolidated entity also remains in compliance with its loan covenants. Management has signed binding agreements with Mega Bank to refinance and restructure its existing term loan facility during the year. As part of the restructure, the principal repayment that was previously due in August 2019 was brought forward and repaid in June 2019. As at 30 June 2019, approximately AUD32.5 million remains unpaid under the loan. Subsequent principal repayments have also been reduced to USD5 million (AUD7.1 million at spot rate) with the next repayment due in December 2019. Certain loan covenants have also been relaxed. The consolidated entity expects to receive continual financing from Mega Bank in regard to the existing loan, and thus the going concern basis has not been affected.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The new and revised standards adopted by the consolidated entity are listed below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments and applicable amendments address the classification, measurement and derecognition of financial assets and financial liabilities. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The impairment model under the new standard requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The consolidated entity has applied AASB 9 for the first time in the current period. Based on the directors' assessment, debts which are known to be uncollectable have been written off by directly reducing the carrying amount of the trade receivable balance (see Note 6).

AASB 15 Revenue from Contracts with Customers

The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; the transaction price to be determined, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.

The consolidated entity has applied AASB 15 for the first time in the current period, using the modified retrospective approach. Recognition of both gaming and non-gaming revenue under the previous requirements already reflects the concept of transfer of control of goods or services to customers (that is, revenue is recognised at the time that the performance obligation has been satisfied). The adoption of AASB 15 resulted in the reclassification of revenue between gaming and non-gaming in relation to complimentary goods or services provided to customers, which were included as part of gaming transactions.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

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

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the *Corporations Act* 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act* 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 33.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Donaco International Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Donaco International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Donaco International Limited's functional and presentation currency. DNA Star Vegas Co Ltd, a subsidiary within the group, has casino and hotel operations in Cambodia. Its functional currency is the Thai baht.

Donaco Singapore Pte Ltd has an interest in the Lao Cai International Hotel Joint Venture Company which operates a casino and hotel in Vietnam. The functional currency of the Joint Venture Company is the Vietnamese dong.

The subsidiaries of Donaco that operate in the aforementioned foreign countries are consolidated into the Hong Kong Group (Star Vegas Group) and the Singapore Group (Aristo Group). At this level, the presentation currency is the US dollar.

Subsequently, these consolidated groups are consolidated with the Australian operations and converted to Australian dollars.

Foreign currency transactions

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

Foreign operations

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

Goodwill, casino licence and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

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

REVENUE RECOGNITION

Revenue is recognised when control of the good or service is transferred to the customer, and only to the extent that it is highly probable that a significant reversal will not occur. Revenue is measured at the fair value of the consideration received or receivable.

Casino revenue

Revenue at the playing tables is recognised upon the differences between chips at the closing and chips at the opening of each table plus chips transferred from the playing table to the cage, less chips transferred from the cage to the playing table. Revenue is recognised on a net basis after commission and profit sharing is paid to junket operators.

Revenue from slot machines represents the amount received over the exchange counter less the amount returned to customers and profit-sharing paid.

Sale of goods

The consolidated entity sale of goods consist of food and beverages sales. Revenue from the sale of goods is recognised at the point of sale, when a group entity sells a product to the customer.

Rendering of services

Revenue from the provision of accommodation and hospitality services is recognised in the accounting period in which the services are provided to the customer.

Complimentary goods or services

For gaming transactions that include complimentary goods or services being provided to customers, the consolidated entity allocates revenue from the gaming transaction to the good or service provided based on the standalone selling price which is the arm's length price for that good or service available to the public.

Interest

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

INCOME TAX

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

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

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

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

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

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

CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of impairment loss is determined using the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The expected loss rates used in measuring the expected credit losses are based on historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. These factors include significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired.

The amount of the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

INVENTORIES

Inventories include consumable stores, food and beverages and are carried at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and comprises all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in the statement of profit or loss and other comprehensive income, in the period in which the reversal occurs.

PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings and structures	25–50 years
Leasehold improvements	2–5 years
Machinery and equipment	5–15 years
Motor vehicles	5–6 years
Office equipment and other	3–8 years
Furniture and fittings	3–8 years
Consumables	1–8 years

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

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

LEASES

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

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

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

INTANGIBLE ASSETS

Land rights

The intangible asset includes costs incurred to acquire interests in the usage of land in the Socialist Republic of Vietnam for the original hotel, located in Lao Cai. The term of the agreement is 30 years from the initial licencing date of 19 July 2002. These land use rights are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over a period of 30 years, from the licencing date. At the expiry of the land term it is expected that the relevant state body will consider an application for extension.

Casino license

The group consider casino licenses to be intangible assets with indefinite useful lives. Accordingly, they are not amortised and are tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses. Impairment losses on casino licenses are recognised in the profit or loss.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

PREPAID CONSTRUCTION COSTS

Amounts recognised as prepaid construction costs relate to tranche payments made to third-party developers in connection with the construction of the new Lao Cai Casino. Tranche payments are made in advance of construction work being performed in accordance with the terms of the contractor agreements; however, once associated works have been completed an amount equal to the tranche payment is transferred from prepaid construction costs to construction in progress. Once recognised as part of construction in progress the amounts are then carried on the statement of financial position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property, plant and equipment, and accounted for in accordance with the consolidated entity's accounting policy for property, plant and equipment.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred including interest on short term and long term borrowings.

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award,

‹ NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

FAIR VALUE MEASUREMENT

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

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

The financial instruments recognised at fair value in the consolidated statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consist of the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The directors consider that the carrying amount of all financial assets and liabilities recorded in the financial statements approximate their fair value.

ISSUED CAPITAL

Ordinary shares are classified as equity.

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

Where the consolidated entity purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Donaco International Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Donaco International Limited.

DIVIDENDS

Provision is made for the amount of any dividend declared, determined or announced by the directors on or before the end of the financial year but not distributed at balance date.

EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

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

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

Cash flows are presented gross of GST and similar taxes. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change.

The consolidated entity is currently assessing the impact of the adoption of this standard and will adopt it from 1 July 2019. The standard will primarily affect the accounting for the consolidated entity's operating leases. As at the reporting date, the consolidated entity has non-cancellable operating lease commitments of AUD9,028,273, as disclosed in Note 31. This relates entirely to the lease for the casino premises for a 50-year term. Based on preliminary assessment, the current arrangement will meet the definition of lease under AASB 16. The consolidated entity will recognise a right-of-use asset and a corresponding liability in respect of the property lease, and intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to adoption.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions

AASB 2016-5 clarifies the measurement basis for cash-settled share-based payments with performance conditions, modifications that change an award from cash-settled to equity-settled and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations. There has been no significant impact on the financial statements.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *CONTINUED*

SHARE-BASED PAYMENT TRANSACTIONS

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

The value of shares issued to employees is based on the market value of shares traded on the ASX at the time of issue.

ESTIMATION OF USEFUL LIVES OF ASSETS

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

The casino licence is stated at cost less impairment losses, if any. The licence issued by the royal government of Cambodia is renewable annually and deemed to be with indefinite useful life, and therefore should not be amortised. Its useful life is reviewed at each reporting period to determine whether events and circumstances continue to exist to support indefinite useful life assessment. Impairment testing by comparing its recoverable amount with its carrying amount is performed annually. In the event that the expected future economic benefits are no longer probable of being recovered, the licences are written down to their recoverable amount.

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

INCOME TAX

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

EMPLOYEE SHARE TRUST AND OPTION TRUST

The consolidated entity has engaged an external unrelated third party to form trusts to administer the Group's employee share schemes. The consolidated entity has no ownership interest in the trusts and the trusts are not consolidated as they are not controlled by the consolidated entity. In determining whether or not the consolidated entity had control over the trusts, management considered the trust's status as an independent trust with an independent trustee, which holds the assets for the benefit of the employees rather than the consolidated entity.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The consolidated entity reviews the collectability of trade receivables on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for expected credit losses is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of expected credit loss is determined using the simplified approach which uses a lifetime expected loss allowance. The expected loss rates used in measuring the expected credit losses are based on historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. These factors include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

NOTE 3. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The consolidated entity is organised into three operating segments: Casino Operations in Vietnam, Casino Operations in Cambodia and Corporate Operations. These operating segments are based on the internal reports that are reviewed and used by the Board (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The consolidated entity is domiciled in Australia and operates predominantly in six countries: Australia, Cambodia, Vietnam, Singapore, Malaysia and Hong Kong. Casino operations are segmented geographically between casino operations in Cambodia and Vietnam.

The CODM reviews EBITDA. 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.

TYPES OF PRODUCTS AND SERVICES

The principal products and services of each of these operating segments are shown below:

Casino Operations – Vietnam	Comprises the Aristo International Hotel operating in Vietnam. These operations include hotel accommodation and gaming and leisure facilities.
Casino Operations – Cambodia	Comprises the Star Vegas Resort and Club, operating in Cambodia. These operations include hotel accommodation and gaming and leisure facilities.
Corporate Operations	Comprises the development and implementation of corporate strategy, commercial negotiations, corporate finance, treasury, management accounting, corporate governance and investor relations functions.

INTERSEGMENT TRANSACTIONS

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

NOTE 3. OPERATING SEGMENTS *CONTINUED*

OPERATING SEGMENT INFORMATION FOR CONTINUING OPERATIONS

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 2019	$	$	$	$
Revenue				
Sales to external customers	21,509,789	64,674,383	56	86,184,228
Interest	48,475	–	30,877	79,352
Total revenue	21,558,264	64,674,383	30,933	86,263,580
EBITDA	10,846,782	26,414,045	(7,703,194)	29,557,633
Depreciation and amortisation	(4,488,371)	(5,553,091)	(85,895)	(10,127,357)
Impairment of assets	–	(200,084,349)	–	(200,084,349)
Interest revenue	48,475	–	30,877	79,352
Non–recurring items	–	–	(2,509,106)	(2,509,106)
Net exchange losses	(508,705)	–	(50,565)	(559,270)
Non–controlling interest	(219,956)	–	–	(219,956)
Finance costs	(890,933)	–	(5,626,973)	(6,517,906)
Profit/(loss) before income tax expense	4,787,292	(179,223,395)	(15,944,856)	(190,380,959)
Income tax expense				(3,611,734)
Loss after income tax expense attributable to the owners of Donaco International Limited				(193,992,693)
Assets				
Segment assets	83,902,536	187,064,234	7,423,164	278,389,934
Total assets				278,389,934
Liabilities				
Segment liabilities	14,935,618	11,786,631	56,045,344	82,767,593
Total liabilities				82,767,593

The consolidated entity is organised into three operating segments: Casino Operations in Vietnam, Casino Operations in Cambodia and Corporate Operations.

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 2018	$	$	$	$
Revenue				
Sales to external customers	25,905,756	66,606,184	199	92,512,139
Interest	57,851	–	36,151	94,002
Total revenue	25,963,607	66,606,184	36,350	92,606,141
EBITDA	14,532,245	38,670,344	(10,808,527)	42,394,062
Depreciation and amortisation	(4,719,576)	(5,047,359)	(214,385)	(9,981,320)
Impairment of intangible asset	–	(143,860,973)	–	(143,860,973)
Interest revenue	57,851	–	36,151	94,002
Non–recurring items	–	–	681,507	681,507
Net exchange gains	171,936	–	169,435	341,371
Non–controlling interest	(261,944)	–	–	(261,944)
Finance costs	(1,156,882)	–	(9,098,971)	(10,255,853)
Loss before income tax expense	8,623,630	(110,237,988)	(19,234,790)	(120,849,148)
Income tax expense				(3,661,667)
Loss after income tax expense attributable to the owners of Donaco International Limited				(124,510,815)
Assets				
Segment assets	87,094,230	373,661,535	17,357,251	478,113,016
Total assets				478,113,016
Liabilities				
Segment liabilities	16,657,078	26,608,658	65,099,901	108,365,637
Total liabilities				108,365,637

GEOGRAPHICAL INFORMATION

	SALES TO EXTERNAL CUSTOMERS		GEOGRAPHICAL NON-CURRENT ASSETS	
	2019	2018	2019	2018
	$	$	$	$
Australia	56	199	2,651,283	2,761,664
Vietnam	21,509,789	25,905,756	69,241,051	68,654,062
Cambodia	64,674,383	66,606,184	174,148,204	345,416,638
	86,184,228	92,512,139	246,040,538	416,832,364

NOTE 3. OPERATING SEGMENTS *CONTINUED*

	CONSOLIDATED	
	2019	2018
	$	$
Revenue and other income		
Total reportable segment revenues	86,184,228	92,512,139
Other segment revenues	(479,918)	1,116,880
Total revenue and other income	85,704,310	93,629,019

MAJOR CUSTOMERS

There was no single external customer that contributed 10% or more of the consolidated entity's revenue during the current and previous financial years.

NOTE 4. REVENUE

	CONSOLIDATED	
	2019	2018
	$	$
FROM CONTINUING OPERATIONS		
Sales revenue		
Casino:		
– Gaming revenue	67,868,793	74,514,551
– Non-gaming revenue	18,315,379	17,997,389
Corporate operations	56	199
Interest	79,352	94,002
Revenue from continuing operations	86,263,580	92,606,141

Gaming revenue represents net house takings arising from casino operations.

Non-gaming revenue represents house revenue from room rental, food and beverage sales and other related services recognised when the services are rendered.

DISAGGREGATION OF REVENUE

The consolidated entity derives revenue from the transfer of goods and services over time and at a point in time in the following operating segments.

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 30 June 2019	$	$	$	$
Revenue				
Gaming revenue	12,271,369	55,597,424	–	67,868,793
Non-gaming revenue	9,238,420	9,076,959	–	18,315,379
Corporate operations	–	–	56	56
Interest	48,475	–	30,877	79,352
Total revenue	21,558,264	64,674,383	30,933	86,263,580
Timing of revenue recognition				
At a point in time	14,832,468	61,560,438	–	76,392,906
Over time	6,725,796	3,113,945	30,933	9,870,674
	21,558,264	64,674,383	30,933	86,263,580

	CASINO OPERATIONS VIETNAM	CASINO OPERATIONS CAMBODIA	CORPORATE OPERATIONS	TOTAL
Consolidated – 30 June 2018	$	$	$	$
Revenue				
Gaming revenue	14,023,965	60,490,586	–	74,514,551
Non-gaming revenue	11,881,791	6,115,598	–	17,997,389
Corporate operations	–	–	199	199
Interest	57,851	–	36,151	94,002
Total revenue	25,963,607	66,606,184	36,350	92,606,141
Timing of revenue recognition				
At a point in time	17,000,040	65,037,680	–	82,037,720
Over time	8,963,567	1,568,504	36,350	10,568,421
	25,963,607	66,606,184	36,350	92,606,141

NOTE 5. OTHER (EXPENSES)/INCOME

	CONSOLIDATED	
	2019	2018
	$	$
Net foreign exchange (loss)/gain	(559,270)	341,371
Gain on derivative financial instrument at fair value through the profit and loss	–	681,507
Other (expenses)/income	(559,270)	1,022,878

NOTE 6. EXPENSES

Loss before income tax from continuing operations includes the following specific expenses.

	CONSOLIDATED	
	2019	2018
	$	$
Depreciation	4,748,917	4,216,434
Land, buildings and structures	86,623	305,076
Furniture and fittings	1,879,130	1,897,605
Machinery and equipment	2,164,874	1,970,317
Office equipment and other	257,772	248,188
Motor vehicles	987,800	1,341,602
Consumables	10,125,116	9,979,222
Amortisation		
Land right	2,241	2,098
Total depreciation and amortisation	10,127,357	9,981,320
Operating lease payments	388,990	353,355
Superannuation expense		
Defined contribution superannuation expense	72,848	76,766
Impairment of assets		
Casino licence (see Note 14)	186,644,711	143,860,973
Interactive gaming (see Note 13)	3,674,155	–
Trade and other receivables (see Note 9)	9,765,483	–
	200,084,349	143,860,973

NOTE 7. INCOME TAX EXPENSE

	CONSOLIDATED	
	2019	2018
	$	$
Income tax expense		
Current tax	3,611,734	3,661,667
Aggregate income tax expense	3,611,734	3,661,667
Income tax expense is attributable to:		
Profit from continuing operations	3,611,734	3,661,667
Aggregate income tax expense	3,611,734	3,661,667
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	(190,161,004)	(120,587,204)
Profits tax using:		
Australian corporation tax at the statutory tax rate of 30% (2018: 30%)	(57,048,301)	(36,176,162)
Tax effect of difference in overseas corporation tax at the statutory tax rate of 20% (2018: 20%)	1,692,781	11,524,310
Tax effect amounts which are not deductible in calculating taxable income	50,784,436	30,560,656
Losses not brought to account	7,598,241	2,941,532
Tax exempt profits from Cambodian operations (Note (a))	(1,998,176)	(7,005,429)
Obligation payments in Cambodia (Note (a))	3,002,735	2,620,496
Adjustment for investment spending in Vietnam	(419,982)	(803,736)
Income tax expense (Note (b))	3,611,734	3,661,667

(a) Income tax in profit or loss

Income tax includes obligation payments totalling AUD3,002,735 (2018: AUD2,620,496) payable to the Ministry of Economy and Finance of Cambodia (MOEF).

As at the date of this report, the Casino Law in respect of casino taxes in Cambodia is yet to be introduced. The MOEF levies an obligatory tax payment, payable on a monthly basis. The obligatory tax payment is comprised of a fixed gaming tax and a fixed non-gaming tax payment. In addition, an annual casino licence fee of USD30,000 is paid.

In respect of gaming activities, DNA Star Vegas Co., Ltd (DNA Star Vegas) has to pay the obligatory payment which is a fixed gaming tax and with the payment of this fixed gaming tax, DNA Star Vegas will be exempted from all categories of taxes on gaming activities including advance profits tax, minimum tax and advance tax on distribution of dividends.

As for non-gaming obligatory payment, it is considered as a composite of various other taxes such as salary tax, fringe benefit tax, withholding tax, value-added tax, patent tax, tax on rental of moveable and unmoveable assets, minimum tax, advance profit tax, advertising tax and specific tax on entertainment services.

Monthly payments for the obligatory payment are due on the first week of the following month. DNA Star Vegas has made the obligatory payment on timely manner.

In the event of late payment within seven days from the due date, there will be a penalty of 2% on the late payment and interest of 2% per month. In addition, after 15 days when official government notice is issued to DNA Star Vegas for the late payment and additional penalty of 25% will be imposed. In the case where DNA Star Vegas does not comply with the above-mentioned requirements, the MOEF will not issue the casino licences to DNA Star Vegas in the successive years.

NOTE 7. INCOME TAX EXPENSE *CONTINUED*

Certain amendments to the Law of Investment (LOI) and Law of Taxation (LOT) were promulgated in March 2003. Under the amendments made to the LOT, distribution of dividends to non-residents will be subject to a withholding tax on the distribution of net of 20% corporate tax, at a rate of 14%, resulting in a net distribution tax of 31.2%.

These amendments are not applicable to DNA Star Vegas as they will be regulated by the Casino Law which is yet to be enacted.

(b) The parent entity has not brought to account tax losses with a tax effect of AUD1,141,339 (2018: AUD1,323,933).

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2019	2018
	$	$
Cash on hand	20,308,499	28,360,270
Cash at bank	5,695,441	16,130,913
Cash in transit	961,482	840,465
Short-term deposit	412,486	1,743,941
	27,377,908	47,075,589

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2019	2018
	$	$
Trade receivables	1,788,448	2,389,633
Other receivables	974,210	8,132,629
Interest receivable on bank deposits	89	683
Tax-related receivables	14,699	22,085
	2,777,446	10,545,030

IMPAIRMENT OF RECEIVABLES

The consolidated entity has recognised a loss of AUD9,765,483 in respect of impairment of receivables for the year ended 30 June 2019 (2018: nil).

NOTE 10. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	2019	2018
	$	$
Food and beverage – at cost	1,149,324	1,397,344

NOTE 11. CURRENT ASSETS – PREPAID CONSTRUCTION COSTS

	CONSOLIDATED	
	2019	2018
	$	$
Prepaid construction costs	38,800	1,811,360

Amounts recognised as prepaid construction costs relate to tranche payments made to third-party developers in connection with the construction of the new Aristo Casino. Tranche payments are made in advance of construction work being performed in accordance with the terms of the contractor agreements; however, once associated works have been completed an amount equal to the tranche payment is transferred from prepaid construction costs to non-current construction in progress.

NOTE 12. CURRENT ASSETS – OTHER

	CONSOLIDATED	
	2019	2018
	$	$
Bonds and security deposits	505,586	5,379
Prepayments	447,620	324,245
Other current assets	52,712	121,705
	1,005,918	451,329

NOTE 13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2019	2018
	$	$
Leasehold buildings and structures – at cost	174,655,552	160,430,636
Less: Accumulated depreciation for leasehold buildings and structures	(24,420,906)	(17,975,569)
	150,234,646	142,455,067
Furniture and fittings – at cost	5,594,200	4,905,381
Less: Accumulated depreciation for furniture and fittings	(5,505,540)	(4,753,580)
	88,660	151,801
Machinery and equipment – at cost	46,433,136	40,459,999
Less: Accumulated depreciation for machinery and equipment	(31,448,420)	(24,964,399)
	14,984,716	15,495,600
Motor vehicles – at cost	2,569,132	2,298,287
Less: Accumulated depreciation for motor vehicles	(1,969,042)	(1,528,435)
	600,090	769,852
Office equipment and other – at cost	3,820,296	3,463,739
Less: Accumulated depreciation for office equipment and other	(2,321,067)	(1,594,665)
	1,499,229	1,869,074
Consumables	552,787	1,430,844
	552,787	1,430,844
Interactive gaming – at cost	3,804,363	–
Less: Accumulated impairment	(3,804,363)	–
	–	–
	167,960,128	162,172,238

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are shown below.

	LEASEHOLD BUILDINGS	FURNITURE AND FITTINGS	MACHINERY AND EQUIPMENT	MOTOR VEHICLES	OFFICE EQUIPMENT AND OTHER	CONSUMABLES	TOTAL
Consolidated	$	$	$	$	$	$	$
Balance at 1 July 2017	139,310,121	437,154	16,183,761	556,193	2,118,116	2,739,028	161,344,373
Additions	1,394,907	–	2,447,269	572,456	202,874	4,560	4,622,066
Disposals	–	–	(368,940)	(136,702)	–	–	(505,642)
Exchange differences	5,966,473	19,723	(868,885)	26,093	1,518,401	28,858	6,690,663
Depreciation expense	(4,216,434)	(305,076)	(1,897,605)	(248,188)	(1,970,317)	(1,341,602)	(9,979,222)
Balance at 30 June 2018	142,455,067	151,801	15,495,600	769,852	1,869,074	1,430,844	162,172,238
Additions	2,506,055	9,020	189,100	33,475	1,880,136	68,929	4,686,715
Disposals	–	–	–	–	(38,358)	–	(38,358)
Exchange differences	10,022,441	14,462	1,179,146	54,535	(46,749)	40,814	11,264,649
Depreciation expense	(4,748,917)	(86,623)	(1,879,130)	(257,772)	(2,164,874)	(987,800)	(10,125,116)
Balance at 30 June 2019	150,234,646	88,660	14,984,716	600,090	1,499,229	552,787	167,960,128

Consumables represent low value, high turnover items that are depreciated in accordance with company policy and local legislation.

NOTE 14. NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	2019	2018
	$	$
Goodwill – at cost	2,426,187	2,426,187
Land right – at cost	72,737	69,449
Less: Accumulated amortisation for land right	(42,610)	(38,262)
	30,127	31,187
Casino licence	424,607,676	395,467,920
Less: Accumulated impairment	(349,491,254)	(143,860,973)
	75,116,422	251,606,947
	77,572,736	254,064,321

NOTE 14. 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 shown below.

	GOODWILL	LAND RIGHT	CASINO LICENSE	TOTAL
Consolidated	$	$	$	$
Balance at 1 July 2017	2,426,187	32,353	386,681,694	389,140,234
Impairment of assets	–	–	(143,860,973)	(143,860,973)
Exchange differences	–	932	8,786,226	8,787,158
Amortisation expense	–	(2,098)	–	(2,098)
Balance at 30 June 2018	2,426,187	31,187	251,606,947	254,064,321
Impairment of assets	–	–	(186,644,711)	(186,644,711)
Exchange differences	–	1,181	10,154,186	10,155,367
Amortisation expense	–	(2,241)	–	(2,241)
Balance at 30 June 2019	2,426,187	30,127	75,116,422	77,572,736

IMPAIRMENT TESTING OF GOODWILL

Goodwill is monitored by the CODM at the cash-generating unit level. CODM reviews the business performance based on geography and type of business. It has identified two reportable cash-generating units: Lao Cai and DNA Star Vegas. A business-level summary of the goodwill allocation is shown below:

	CONSOLIDATED	
	2019	2018
	$	$
Lao Cai International Hotel JVC	2,426,187	2,426,187
Total goodwill	2,426,187	2,426,187

LAO CAI – GOODWILL

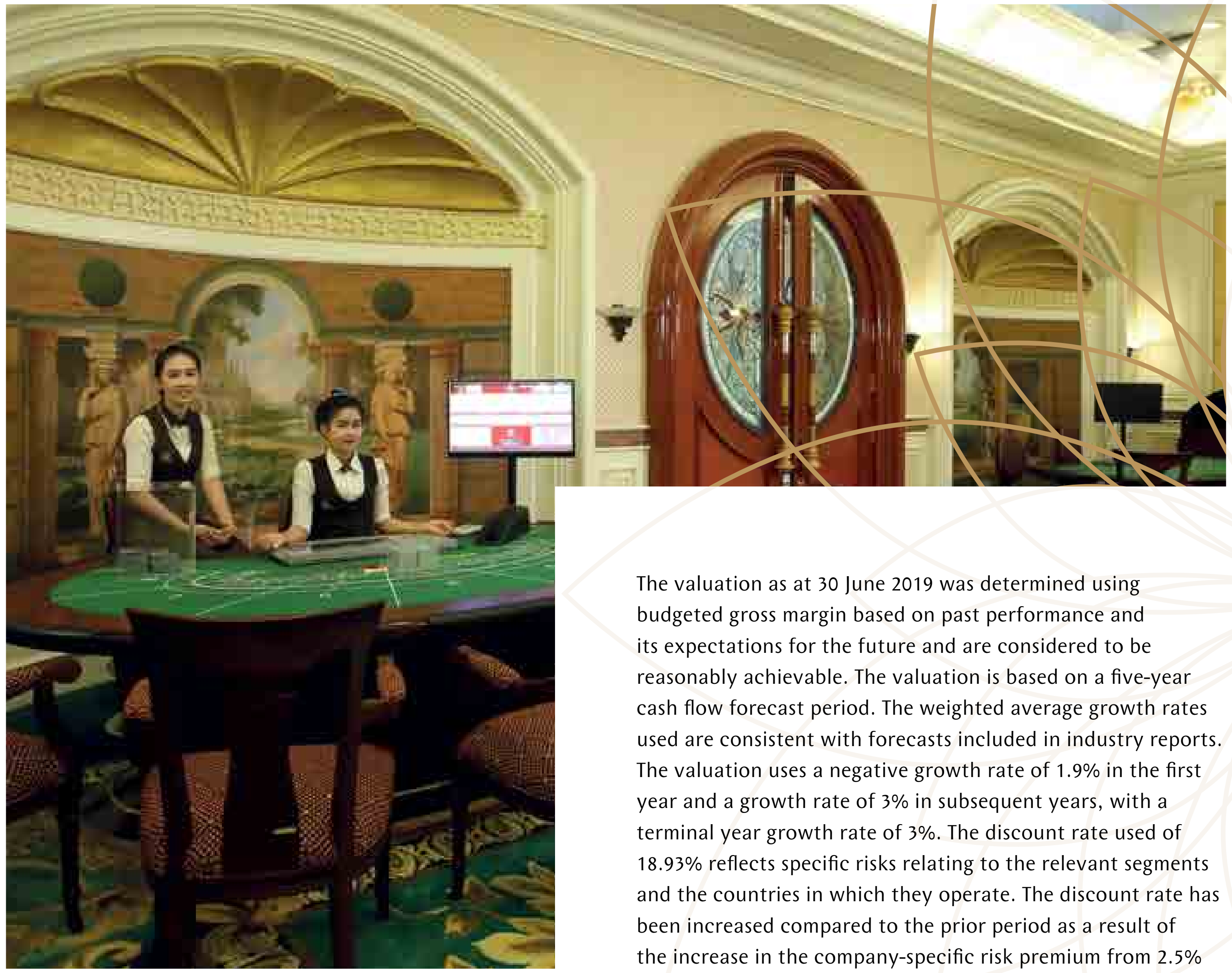
The recoverable amount of the cash-generating unit of Lao Cai has been determined based on the value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period.

The group determines whether goodwill is impaired at least on an annual basis. To do so, the group employs a value in use calculation using cash flow projections from financial budgets approved by senior management. Management has forecast a strong growth rate in budgeted gross margin for FY20 based on the growth in revenue from Aristo's main gaming floor, VIP gaming and the increase in the number of slot machines. The new hotel room, entertainment, restaurant and bar revenue lines, with associated marketing programs, will increase visitation to the new hotel, which will also contribute to overall revenue growth. Gross margin projections for future years are based on past performance and management's expectations for future performance in each segment.

Management determined budgeted gross margin based on past performance and its expectations for the future and are considered to be reasonably achievable. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

The recoverable amount calculation for goodwill is most sensitive to changes in growth rate and EBIT margin on sales. Based on sensitivity analysis performed, no reasonable change in these assumptions would give rise to an impairment.

No impairment has been recognised for the year ended 30 June 2019 (2018: nil).



DNA STAR VEGAS – CASINO LICENCE

The casino licence relates to the licence to operate the DNA Star Vegas casino acquired on 1 July 2015. The licence is stated at cost less any impairment losses. This intangible asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the cash-generating unit of DNA Star Vegas has been determined based on its value in use. Independent valuations of the 100% equity interest in DNA Star Vegas Co., Ltd were undertaken as at 31 December 2018 and as at 30 June 2019. As at 31 December 2018, adjustments were made to determine the value in use of the cash-generating unit which was reasonably determined to be AUD331,232,365 (USD233,789,077 converted at the spot rate). Based on the valuation undertaken as at 30 June 2019, the value in use was determined to be AUD165,735,942 (USD116,232,514).

The valuation as at 30 June 2019 was determined using budgeted gross margin based on past performance and its expectations for the future and are considered to be reasonably achievable. The valuation is based on a five-year cash flow forecast period. The weighted average growth rates used are consistent with forecasts included in industry reports. The valuation uses a negative growth rate of 1.9% in the first year and a growth rate of 3% in subsequent years, with a terminal year growth rate of 3%. The discount rate used of 18.93% reflects specific risks relating to the relevant segments and the countries in which they operate. The discount rate has been increased compared to the prior period as a result of the increase in the company-specific risk premium from 2.5% to 6%. The valuation was determined using a foreign exchange rate between Thai baht and US dollar of 30.68 THB:1 USD. Capital expenditure of THB30 million (AUD1.4 million at the spot rate) was included in the valuation.

Based on the valuation, the directors determined an impairment loss of AUD186,644,711 needed to be recognised as at 30 June 2019.

Apart from the impairment loss, the movement in the historical cost of the casino license is due to foreign exchange translation as the licence is denominated in foreign currency.

LAND RIGHT

Intangible asset of AUD30,127 (2018: AUD31,187) relates to a 30-year land use right in the Socialist Republic of Vietnam. Land use right is stated at cost less accumulated amortisation and any impairment losses. The amortisation period is 30 years. This intangible asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

‹ NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 15. NON-CURRENT ASSETS – CONSTRUCTION IN PROGRESS

	CONSOLIDATED	
	2019	2018
	$	$
Property construction works in progress – at cost	505,527	591,787

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are shown below.

	CONSTRUCTION WIP
Consolidated	$
Balance at 1 July 2017	595,885
Additions	270,209
Disposals	(261,366)
Exchange differences	23,912
Transfers out	(36,853)
Balance at 30 June 2018	591,787
Additions	2,395,152
Exchange differences	48,003
Transfers out	(2,529,415)
Balance at 30 June 2019	505,527

Construction relates to costs incurred for the new construction of the Aristo Casino.

Amounts previously recognised as prepaid construction costs are transferred to construction in progress, once associated works have been completed.

Once recognised as part of construction in progress the amounts are then carried on the statement of financial position at cost, until such time as the asset is completed and ready for its intended use. Work in progress is not depreciated, but tested for impairment annually. Once ready for its intended use an amount equal to the cost of the completed asset will be transferred to property plant and equipment or non current prepayment and accounted for in accordance with the consolidated entity's accounting policy for each asset class.

NOTE 16. NON-CURRENT ASSETS – OTHER

	CONSOLIDATED	
	2019	2018
	$	$
Other debtors	2,147	4,018

NOTE 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019	2018
	$	$
Trade payables (Note 28)	7,168,624	4,842,651
Deposits received	93,559	97,285
Floating chips (Note 28)	8,257,413	6,624,856
Interest payable	45,233	646,922
Other payables and accrued expenses	28,624,865	22,440,301
	44,189,694	34,652,015

Refer to Note 28 for further information on financial instruments.

FLOATING CHIPS

The number of floating chips is determined as the difference between the number of chips in use and the actual chips counted by the casino as at reporting date.

NOTE 18. CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2019	2018
	$	$
Joint Stock Commercial Ocean Bank	2,998,803	2,882,374
Mega International Commercial Bank Co., Ltd	13,565,104	21,712,541
	16,563,907	24,594,915

Refer to Note 28 for further information on financial instruments.

TOTAL SECURED LIABILITIES

The total secured current liabilities are as follows:

Joint Stock Commercial Ocean Bank	2,998,803	2,882,374
Mega International Commercial Bank Co., Ltd	13,565,104	21,712,541
	16,563,907	24,594,915

NOTE 18. CURRENT LIABILITIES – BORROWINGS *CONTINUED*

The loan from Mega International Commercial Bank Co., Ltd (Mega Bank), which was initially drawn down on 1 July 2015 and refinanced on 14 August 2017, was restructured and refinanced under new binding agreements effective June 2019. Under the new refinancing terms, future principal repayments have been reduced to USD5 million, with final settlement in June 2021.

The consolidated entity complied with loan covenants as amended by Mega Bank during the year and consequently continued to present the outstanding loan balance expected to be settled more than 12 months after the reporting period as a non-current liability as at 30 June 2019 (Note 22).

ASSETS PLEDGED AS SECURITY

The loan from Mega Bank is secured by the following:

i. a parent company guarantee from the parent entity for the debt owed by Donaco Hong Kong Limited

ii. a pledge of the shares in Donaco Hong Kong Limited owned by the parent entity (carrying value AUD123,347,846, 2018: AUD293,608,393)

iii. a pledge of the shares in DNA Star Vegas owned by Donaco Hong Kong Limited (carrying value AUD165,735,942, 2018: AUD443,615,198)

iv. a pledge of the debt service reserve account maintained by Donaco Hong Kong Limited

v. a security assignment of contractual rights held by the parent entity under the purchase agreement for DNA Star Vegas

vi. a security agreement over the assets of DNA Star Vegas;

vii. A hypothec agreement over the land and buildings of DNA Star Vegas

MORTGAGE TO JOINT STOCK COMMERCIAL OCEAN BANK

A mortgage was registered by the Ocean Bank of Vietnam over the assets of the Aristo International Hotel on 11 July 2011. Total borrowings as per the statement of financial position as at 30 June 2019 under this arrangement were AUD4,498,205 (2018: AUD7,205,935).

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn down at any time.

FINANCING ARRANGEMENTS

Unrestricted access was available at the reporting date to the following lines of credit (current and non current).

	CONSOLIDATED	
	2019	2018
	$	$
Total facilities:		
Bank loans	35,943,361	70,401,487
Used at the reporting date:		
Bank loans	35,943,361	70,401,487
Unused at the reporting date:		
Bank loans	–	–

NOTE 19. CURRENT LIABILITIES – INCOME TAX

	CONSOLIDATED	
	2019	2018
	$	$
Provision for income tax	1,764,696	2,008,402

NOTE 20. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	CONSOLIDATED	
	2019	2018
	$	$
Annual leave	200,407	140,590
Accrued salaries, wages and other benefits	490,081	1,120,735
	690,488	1,261,325

NOTE 21. NON-CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019	2018
	$	$
Other payables – non current	123,760	–
	123,760	–

NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2019	2018
	$	$
Joint Stock Commercial Ocean Bank	1,499,402	4,323,561
Mega International Commercial Bank Co., Ltd	17,880,052	41,483,011
	19,379,454	45,806,572

Refer to Note 28 for further information on financial instruments.

TOTAL SECURED LIABILITIES

The total secured liabilities (current and non-current) are shown below.

	CONSOLIDATED	
	2019	2018
	$	$
Joint Stock Commercial Ocean Bank	4,498,205	7,205,935
Mega International Commercial Bank Co Ltd	31,445,156	63,195,552
	35,943,361	70,401,487

NOTE 23. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	CONSOLIDATED	
	2019	2018
	$	$
Long service leave	55,594	42,408
	55,594	42,408

NOTE 24. EQUITY – ISSUED CAPITAL

	CONSOLIDATED			
	2019	2018	2019	2018
	Shares	Shares	$	$
Ordinary shares – fully paid	823,592,773	823,592,773	358,656,945	358,656,945

DETAILS	SHARES	$
Balance at 30 June 2017	831,211,424	359,968,884
Employee short-term incentive	–	766,014
Share buybacks	(7,618,651)	(2,077,953)
Balance at 30 June 2018	823,592,773	358,656,945
Balance at 30 June 2019	823,592,773	358,656,945

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.

CAPITAL RISK MANAGEMENT

The consolidated entity's objectives when managing capital are 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.

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. The financing arrangements contain certain covenants relating to interest cover (the ratio of consolidated EBITDA to consolidated finance charges) and debt ratio (the ratio of consolidated net debt to EBITDA), which apply to Donaco Hong Kong Limited. In addition, covenants relating to the debt equity ratio (the ratio of consolidated total debt to consolidated total equity), and minimum cash holdings, apply to the consolidated entity.

There have been no events of default on the financing arrangements during FY19.

The capital risk management policy remains unchanged from the 2018 financial statements.

Treasury shares are shares in Donaco International Limited that are held by Smartequity EIS Pty Ltd for the purpose of issuing shares under the employee share scheme. Shares issued to employees are recognised on a first-in-first-out basis.

DETAILS	NUMBER OF SHARES	$
Opening balance 1 July 2017	2,376,653	999,484
Shares issued to employees	(1,781,429)	(766,014)
Balance 30 June 2018	595,224	233,470
Balance 30 June 2019	595,224	233,470

NOTE 25. EQUITY – RESERVES

	CONSOLIDATED	
	2019	2018
	$	$
Revaluation surplus reserve	1,855,327	1,855,327
Foreign currency reserve	37,244,147	17,875,486
Employee share option reserve	3,088,689	2,809,651
	42,188,163	22,540,464

	REVALUATION SURPLUS RESERVE	SHARE-BASED PAYMENT RESERVE	FOREIGN CURRENCY RESERVE	TOTAL
Consolidated	$	$	$	$
Balance at 1 July 2017	1,855,327	3,295,396	4,275,055	9,425,778
Foreign currency translation	–	–	13,600,431	13,600,431
Shares allocated to employees	–	(766,014)	–	(766,014)
Employee share options	–	280,269	–	280,269
Balance at 30 June 2018	1,855,327	2,809,651	17,875,486	22,540,464
Foreign currency translation	–	–	19,368,661	19,368,661
Employee share options	–	279,038	–	279,038
Balance at 30 June 2019	1,855,327	3,088,689	37,244,147	42,188,163

NATURE AND PURPOSE OF EQUITY RESERVES

Revaluation surplus

The revaluation surplus reserve is used to record increments and decrements in the fair value of net assets of disposed entities.

Share-based payment

The reserve is used to recognise:

- the grant date fair value of options issued to key management personnel but not exercised
- the issue of options held by the Employee Share Option Trust to key management personnel

Foreign currency

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 1 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTE 26. EQUITY – RETAINED PROFITS

	CONSOLIDATED	
	2019	2018
	$	$
(Accumulated losses)/retained profits at the beginning of the financial year	(13,250,020)	115,374,413
Loss after income tax expense for the year	(193,992,693)	(124,510,815)
Dividends paid	–	(4,113,618)
Accumulated losses at the end of the financial year	(207,242,713)	(13,250,020)

NOTE 27. EQUITY – DIVIDENDS

A new dividend policy was announced on 29 August 2017, which stated that the consolidated entity intends to pay out 10-30% of net profit after tax as dividends to shareholders, with the intention to provide regular half-yearly dividend payments, subject to the consolidated entity's then current working capital requirements and growth plans. Shareholders should note that the payment of dividends is not guaranteed.

No dividends were paid for the year ended 30 June 2019.

FRANKING CREDIT BALANCE

	CONSOLIDATED	
	2019	2018
	$	$
Franking credits available for subsequent reporting periods after payment of tax liability based on a tax rate of 30% (2018: 30%)	471,682	471,682

NOTE 28. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

Market risk

Market risk is the risk that changes in market prices, such as changes to interest rates and foreign exchange rate will affect the consolidated entity's income.

Foreign currency risk

The consolidated entity is exposed to foreign exchange fluctuations in relation to cash generated for working capital purposes, denominated in foreign currencies and net investments in foreign operations, in which the functional currencies are Vietnamese dong and Thai baht.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed and was found to be immaterial for the purposes of this disclosure.

Exchange rate exposures are managed within approved policy parameters and material movements are not expected. The consolidated entity does not enter into any forward exchange contracts to buy or sell specified foreign currencies.

The average exchange rates and reporting date exchange rates applied are shown below.

	AVERAGE EXCHANGE RATE		REPORTING DATE EXCHANGE RATE	
	2019	2018	2019	2018
	AUD	AUD	AUD	AUD
USD	1.3975	1.2897	1.4259	1.3530
THB	0.0433	0.0397	0.0464	0.0409
VND	0.0001	0.0001	0.0001	0.0001
CNY	0.2048	0.1982	0.2076	0.2045
MYR	0.3387	0.3163	0.3443	0.3352
SGD	1.0235	0.9608	1.0535	0.9923
HKD	0.1782	0.1648	0.1826	0.1724

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date are as shown below.

	ASSETS		LIABILITIES	
Consolidated	2019	2018	2019	2018
USD	21,146,435	13,044,387	(32,219,506)	(61,506,058)
VND	2,118,289	5,299,495	(7,084,087)	(9,690,246)
CNY	11,381,283	12,133,109	(7,295,175)	(6,175,459)
MYR	179,733	800,324	(100,428)	(72,731)
THB	12,458,113	27,070,484	(34,500,634)	(26,610,202)
SGD	141,515	132,179	(18,029)	(16,382)
EUR	3,238	–	–	–
HKD	45,174	257,378	(69,290)	(67,324)
	47,473,780	58,737,356	(81,287,149)	(104,138,402)

NOTE 28. FINANCIAL INSTRUMENTS *CONTINUED*

A 5% strengthening of the Australian dollar against the various foreign currencies at the balance date would increase/(decrease) the company's profit/(loss) after tax by the amounts shown below. The analysis assumes that all other variables remain constant.

		AUD STRENGTHENED	
	% Change	Effect on profit after tax	Effect on profit after tax
Consolidated		2019	2018
USD	5%	553,654	2,423,084
VND	5%	248,290	219,538
CNY	5%	(204,305)	(297,883)
MYR	5%	(3,965)	(36,380)
THB	5%	1,102,126	(23,014)
SGD	5%	(6,174)	(5,790)
EUR	5%	(162)	—
HKD	5%	1,206	(9,503)
		1,690,670	2,270,052

A 5% weakening of the AUD against the various currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's bank loans and debt obligations and its cash and cash equivalents. The consolidated entity manages its interest rate risk by using a combination of variable and fixed rate borrowings.

As at the reporting date, the consolidated entity had the following cash and cash equivalents.

	2019		2018	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$	%	$
Bank loans	8.62%	(35,943,361)	8.19%	(70,401,487)
Cash at bank	0.54%	5,695,441	0.51%	16,130,913
Fixed deposits	5.50%	412,486	5.05%	1,743,941
Net exposure to cash flow interest rate risk		(29,835,434)		(52,526,633)

An analysis by remaining contractual maturities is shown in Liquidity Risk on page 73.

An assessment of the sensitivity of the consolidated entity's exposure to interest rate movements was performed and was found to be not significant for the purposes of this disclosure.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

LIQUIDITY RISK

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

The consolidated entity maintains cash to meet all its liquidity requirements and manages its liquidity by carefully monitoring cash outflows due in a day-to-day and week-to-week basis. Furthermore, the consolidated entity's long term liquidity needs are identified in its annual Board approved budget, and updated on a quarterly basis through revised forecasts.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LESS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL MATURITIES
Consolidated – 2019	%	$	$	$	$	$
NON-DERIVATIVES						
Non-interest bearing:						
Trade payables	–	7,168,624	–	–	–	7,168,624
Floating chips	–	8,257,413	–	–	–	8,257,413
Interest bearing – variable:						
Bank loans	8.62%	16,563,907	19,379,454	–	–	35,943,361
Total non-derivatives		31,989,944	19,379,454	–	–	51,369,398

	WEIGHTED AVERAGE INTEREST RATE	1 YEAR OR LOSS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL MATURITIES
Consolidated – 2018	%	$	$	$	$	$
NON-DERIVATIVES						
Non-interest bearing:						
Trade payables	–	4,842,651	–	–	–	4,842,651
Floating chips	–	6,624,856	–	–	–	6,624,856
Interest-bearing – variable:						
Bank loans	8.19%	24,594,915	45,806,572	–	–	70,401,487
Total non-derivatives		36,062,422	45,806,572	–	–	81,868,994

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 29. KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

The following persons were directors of Donaco International Limited during the financial year:

Stuart James McGregor	Non-executive Director and Chairman
Joey Lim Keong Yew	Non-executive Director (removed 18 July 2019)
Benedict Paul Reichel	Executive Director and Company Secretary
Benjamin Lim Keong Hoe	Non-executive Director (removed 18 July 2019)
Robert Andrew Hines	Non-executive Director (resigned 31 December 2018)
David John Green	Non-executive Director (appointed 9 April 2019)

OTHER KEY MANAGEMENT PERSONNEL

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Paul Arbuckle	Chief Executive Officer (appointed 11 June 2019)
Chong Kwong Yang	Chief Financial Officer

COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is shown below.

	CONSOLIDATED	
	2019	2018
	$	$
Short-term employee benefits	1,471,879	2,744,060
Post-employment benefits	72,849	326,958
Share-based payments	195,619	259,516
	1,740,347	3,330,534

NOTE 30. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Crowe the auditor of the company and unrelated firms.

	CONSOLIDATED	
	2019	2018
	$	$
Audit services – Crowe Sydney		
Audit or review of the financial statements	123,000	99,500
	123,000	99,500
Audit services – related firms		
Audit or review of the financial statements	203,653	206,044
Preparation of the tax return	1,069	984
	204,722	207,028
Audit services – unrelated firms		
Audit or review of the financial statements	74,292	72,660
Other services – unrelated firms		
Preparation of the tax return	2,493	1,803
	76,785	74,463

NOTE 31. COMMITMENTS

	CONSOLIDATED	
	2019	2018
	$	$
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property construction works	–	599,871
Property, plant and equipment	79,741	37,914
	79,741	637,785
Lease commitments – operating (as lessee)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	389,837	311,063
One to five years	824,044	659,182
More than five years	7,814,392	7,580,362
	9,028,273	8,550,607

Operating lease commitments includes contracted amounts for various offices and sites within Australia and South East Asia under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTE 31. COMMITMENTS *CONTINUED*

	CONSOLIDATED	
	2019	2018
	$	$
Lease commitments – operating (as lessor)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,191,608	–
One to five years	3,887,003	–
	6,078,611	–

The consolidated entity leases out its premises in the DNA Star Vegas casino under non-cancellable operating leases. The leases have remaining lease periods of between one to two years as at 30 June 2019.

NOTE 32. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Donaco International Limited is the legal parent entity. Donaco International Limited is listed on the Australian Securities Exchange (ASX: DNA).

SUBSIDIARIES

Interests in subsidiaries are set out in Note 34.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 29 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties during 2019.

	CONSOLIDATED	
	2019	2018
	$	$
Leasing fees paid to Lee Hoe Property Co., Ltd – a director-related entity	–	77,382
Rental received from director's immediate family	–	58,332
Rental received from Arte Mobile Technology Pte Ltd (subsidiary of Isentric Limited)	13,974	–
Technical support fees paid by Lao Cai JVC to iSentric Limited – a director related entity	–	139,243
Management fees received for Star Paradise Casino property from MMD Travel Co., Ltd – a director-related entity	–	477,992
Disposal of property, plant and equipment to previous owner of DNA Star Vegas Co., Ltd – a director-related entity	–	141,351

The above transactions occurred at commercial rates.

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

LOANS TO/FROM RELATED PARTIES

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

TERMS AND CONDITIONS

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

NOTE 33. PARENT ENTITY INFORMATION

The supplementary information about the parent entity is shown below.

	PARENT	
	2019	2018
	$	$
Statement of profit or loss and other comprehensive income		
Profit after income tax	(173,848,343)	(344,111)
Total comprehensive income	(173,848,343)	(344,111)
Statement of financial position		
Total current assets	28,622,170	22,588,546
Total assets	208,760,764	372,987,687
Total current liabilities	52,466,322	43,137,126
Total liabilities	52,521,917	43,179,534
Equity		
Issued capital	406,620,031	406,620,031
Employee share option reserve	3,088,688	2,809,651
Accumulated losses	(253,469,872)	(79,621,529)
Total equity	156,238,847	329,808,153

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2019, the parent entity acts as a guarantor for the facility provided by Mega International Commercial Bank Co., Ltd to a controlled entity, Donaco Hong Kong Limited.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

NOTE 34. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2019	OWNERSHIP INTEREST 2018
		%	%
Donaco Australia Pty Ltd	Australia	100.00%	100.00%
Donaco Singapore Pte Ltd	Singapore	100.00%	100.00%
Donaco Holdings Ltd *	British Virgin Islands	100.00%	100.00%
Donaco Holdings Sdn Bhd *	Malaysia	100.00%	100.00%
Lao Cai International Hotel Joint Venture Company *	Vietnam	95.00%	95.00%
Donaco Hong Kong Limited	Hong Kong	100.00%	100.00%
Prime Standard Limited	Hong Kong	0.00%	100.00%
Donaco Holdings (Hong Kong) Pte Ltd *	Hong Kong	100.00%	100.00%
DNA Star Vegas Co., Limited **	Cambodia	100.00%	100.00%
Donaco Entertainment & Marketing (Thailand) Ltd *	Thailand	0.00%	49.00%
Donaco Investment (S) Pte Ltd *	Singapore	100.00%	100.00%

* Subsidiary of Donaco Singapore Pty Ltd
** Subsidiary of Donaco Hong Kong Limited

The principal activities of each subsidiary are:

Donaco Australia Pty Ltd – dormant (previously operated New Zealand games service, discontinued in January 2015).

Donaco Singapore Pte Ltd – holding company for Vietnamese casino operations.

Donaco Holdings Ltd – cost centre for corporate operations.

Donaco Holdings Sdn Bhd – cost centre for corporate operations.

Donaco Holdings (Hong Kong) Pte Ltd – cost centre for corporate operations and marketing activities.

Lao Cai International Hotel Joint Venture Company – operates Vietnamese casino operations.

Donaco Hong Kong Limited – holding company for Cambodian casino operations.

Prime Standard Limited – dormant (previously cost centre for corporate operations). Deregistered 15 February 2019.

DNA Star Vegas Co., Limited – operates Cambodian casino operations.

Donaco Entertainment & Marketing (Thailand) Ltd – dormant (previously provided marketing services). While the ownership of this entity is below 50%, it is considered a controlled entity due to the provisions of the shareholders agreement which give the consolidated entity the right to appoint a majority of the board. Deregistered January 2019.

Donaco Investment (S) Pte Ltd – investment company.

SUMMARISED FINANCIAL INFORMATION

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are shown below.

LAO CAI INTERNATIONAL HOTEL JOINT VENTURE COMPANY

	2019	2018
	$	$
Summarised statement of financial position		
Current assets	14,661,485	18,440,168
Non-current assets	69,241,051	68,654,062
Total assets	83,902,536	87,094,230
Current liabilities	20,912,194	20,065,651
Non-current liabilities	5,258,106	11,816,389
Total liabilities	26,170,300	31,882,040
Net assets	57,732,236	55,212,190
Summarised statement of profit or loss and other comprehensive income		
Revenue	21,558,264	25,963,606
Expenses	(16,551,017)	(17,078,032)
Profit before income tax expense	5,007,247	8,885,574
Income tax expense	(608,126)	(1,035,477)
Profit after income tax expense	4,399,121	7,850,097
Statement of cash flows		
Net cash from operating activities	8,597,554	6,077,364
Net cash used in investing activities	(570,287)	(1,529,638)
Net cash used in financing activities	(10,831,838)	(7,652,100)
Net decrease in cash and cash equivalents	(2,804,571)	(3,104,374)
Other financial information		
Profit attributable to non-controlling interests	219,956	261,944
Accumulated non-controlling interests at the end of reporting period	2,019,946	1,799,990

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

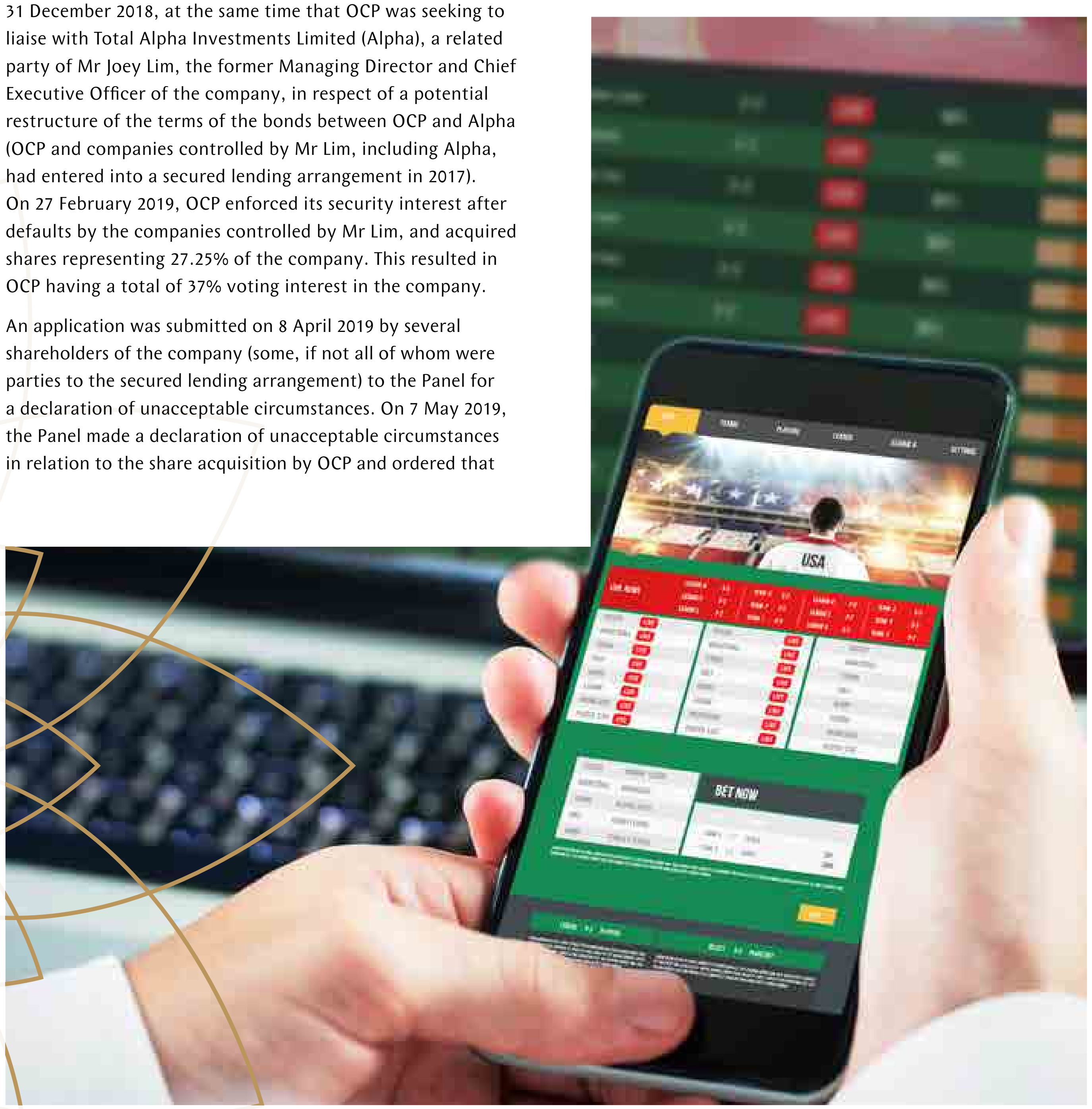
SALE OF SHARES

On 5 July 2019, ASIC appointed Morgan Stanley Wealth Management Australia to sell 80,000,000 ordinary shares in the company, pursuant to a decision by the Takeovers Panel (the Panel) to vest shares in the Commonwealth for sale by ASIC. These shares, representing approximately 9.71% of the company's issued capital, were initially acquired by OL Master (Singapore Fund 1) Pte. Limited (OCP) between 7 and 31 December 2018, at the same time that OCP was seeking to liaise with Total Alpha Investments Limited (Alpha), a related party of Mr Joey Lim, the former Managing Director and Chief Executive Officer of the company, in respect of a potential restructure of the terms of the bonds between OCP and Alpha (OCP and companies controlled by Mr Lim, including Alpha, had entered into a secured lending arrangement in 2017). On 27 February 2019, OCP enforced its security interest after defaults by the companies controlled by Mr Lim, and acquired shares representing 27.25% of the company. This resulted in OCP having a total of 37% voting interest in the company.

An application was submitted on 8 April 2019 by several shareholders of the company (some, if not all of whom were parties to the secured lending arrangement) to the Panel for a declaration of unacceptable circumstances. On 7 May 2019, the Panel made a declaration of unacceptable circumstances in relation to the share acquisition by OCP and ordered that the 80,000,000 shares be vested in ASIC for sale and that the sales process was to follow the requirements specified by the Panel.

In Cambodia, there was an award made by an arbitrator on 21 August 2019 ruling that the vendor is entitled to terminate the Star Vegas lease; however, this decision is not enforceable unless it is affirmed by a court and has already been appealed.

The directors are not aware of any other events subsequent to the reporting period that may have a material impact on the financial statements.



NOTE 36. NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2019	2018
	$	$
a) Reconciliation of loss after income tax to net cash from operating activities		
Loss after income tax expense for the year	(193,772,737)	(124,248,871)
Adjustments for:		
Depreciation and amortisation	10,127,357	9,981,320
Impairment of assets	200,084,349	143,860,973
Share-based payments	279,037	280,269
Non-cash finance costs	1,390,685	3,839,305
Gain on revaluation of derivative financial liability	–	(681,507)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,997,898)	9,505,655
Decrease/(increase) in inventories	248,020	(503,870)
Decrease/(increase) in other operating assets	1,219,842	(1,390,974)
Increase/(decrease) in trade and other payables	9,679,172	(7,180,789)
(Decrease)/increase in provision for income tax	(243,706)	880,635
(Decrease)/increase in provisions for employee benefits	(557,651)	290,058
Net cash from operating activities	26,456,470	34,632,204

b) Change in liabilities arising from financing activities

Borrowings at beginning of the year (Note 22)	70,401,487
Repayments	(39,749,023)
Foreign exchange adjustments	3,900,212
Other non-cash movements	1,390,685
Borrowings at end of the year (Note 22)	35,943,361

NOTE 37. LOSS PER SHARE

	CONSOLIDATED	
	2019	2018
	$	$
Loss per share for loss from continuing operations:		
Loss after income tax	(193,772,737)	(124,248,871)
Non-controlling interest	(219,956)	(261,944)
Loss after income tax attributable to the owners of Donaco International Limited	(193,992,693)	(124,510,815)
	NUMBERS	NUMBERS
Weighted average number of ordinary shares used in calculating basic loss per share	823,592,773	828,178,915
Adjustments for calculation of diluted loss per share:		
Options over ordinary shares	–	–
Weighted average number of ordinary shares used in calculating diluted loss per share	823,592,773	828,178,915
	CENTS	CENTS
Basic loss per share	(23.55)	(15.03)
Diluted loss per share	(23.55)	(15.03)

NOTE 38. SHARE-BASED PAYMENTS

EMPLOYEE SHARES

Share allocation FY18

Under the employee share scheme, 1,781,429 shares were issued to employees on 3 October 2017, held by an employee share trust. These shares were issued at 41.99 cents per share and will vest over the three-year vesting period commencing on 1 July 2017.

EMPLOYEE OPTIONS

Employee option allocation FY14

At the Annual General Meeting on 21 November 2013, shareholders approved the establishment of an LTI plan for executives, consisting of the annual grant of units under an option share trust (OST).

On 23 December 2013, the company announced that it had issued options amounting to 1% of its then issued capital (a total of 4,010,511 options) under the LTI plan. Approval for the issue of these options under an employee incentive scheme was obtained pursuant to ASX Listing Rule 10.14.

These options were not contributed to the OST until 1 July 2014. Accordingly employees were not allocated units in the OST until 1 July 2014. The remainder of these options expired in accordance with their terms on 1 July 2018.

Employee option allocation FY15

Pursuant to the approval granted by shareholders at the FY13 Annual General Meeting, further options were contributed to the OST for FY15. These options were not contributed to the OST until 1 July 2015, and accordingly employees were not allocated additional units in the OST until 1 July 2015. The remainder of these options either expired in accordance with their terms on 1 July 2018 or were cancelled on 1 October 2018.

Employee option allocation FY16

Pursuant to the approval granted by shareholders at the FY13 Annual General Meeting, further options were contributed to the OST for FY16. These options were contributed to the OST and employees were allocated additional units on 25 August 2015. The remainder of these options either expired in accordance with their terms on 1 July 2018 or were cancelled on 1 October 2018.

Below are summaries of options issued under the LTI plan, all of which were cancelled or expired during the year ended 30 June 2019.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT END OF THE YEAR
01/07/2014	01/07/2018	$0.59	1,149,717	–	–	(1,149,717)	–
01/07/2015	01/07/2018	$0.89	395,208	–	–	(395,208)	–
01/07/2015	01/07/2019	$0.89	349,377	–	–	(349,377)	–
25/08/2015	01/07/2018	$0.77	1,385,700	–	–	(1,385,700)	–
25/08/2015	01/07/2019	$0.77	1,156,784	–	–	(1,156,784)	–
25/08/2015	01/07/2020	$0.77	1,008,025	–	–	(1,008,025)	–
			5,444,811	–	–	(5,444,811)	–

No options remained exercisable at the end of the financial year.

			2019	2018
GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER	NUMBER
01/07/2014	01/07/2018	$0.59	–	1,149,717
01/07/2015	01/07/2018	$0.89	–	395,208
25/08/2015	01/07/2018	$0.77	–	1,385,700
01/07/2015	01/07/2019	$0.89	–	349,377
			–	3,280,002

The weighted average share price during the year ended 30 June 2018 was AUD0.34.

NOTE 39. CONTINGENT ASSETS AND LIABILITIES

COURT PROCEEDINGS

Proceedings against Somboon Sukcharoenkraisri (the vendor) for breach of non-competition clauses under the agreements of the sale and purchase of Star Vegas are still in process. The company obtained an injunction on 25 December 2017, ordering the closure of the Star Paradise and Star Paramax casinos which were illegally operated by the vendor. A further appeal was submitted to a higher court by the vendor, contesting against the injunction. On 5 October 2018, the injunction was removed, but this is not a judgement on the merits of the claim. The vendor had also attempted to seek security rights over certain assets of Star Vegas in relation to his claim for the unpaid FY17 management fee, however this was rejected by the court on 6 July 2018.

Having considered expert legal and financial advice, the company initially sought damages of USD190 million (equivalent to AUD271 million), however based on final valuation reports provided by expert valuation witnesses, the claim can be increased to USD240 million (equivalent to AUD342 million).

Paramax Co., Ltd, a vendor-related entity, filed a merit case petition against Donaco in Cambodia, requesting that the court order Donaco to refrain from publishing news related to the operations of the Paramax casinos, issue an apology letter and to pay USD1.1 million (equivalent to AUD1.6 million) as compensation. There have been three pre-hearings for this matter between September and December 2018, however the hearing date is still to be determined.

The vendors are also joint owners of a Cambodian company, Lee Hoe Property Co., Ltd (lessor), which owns and leases the land occupied by the Star Vegas business. Threats were made by the vendor to terminate the lease, however an injunction against this was granted in favour of the company. The vendor has commenced arbitration proceedings in Cambodia which were heard at an oral hearing on 28 February 2019. The arbitrator has extended the timeframe for making an award in this matter, pursuant to the Cambodian arbitration rules. An award was received on 21 August 2019. The arbitrator ruled that the lessor is entitled to terminate the lease. This decision is not enforceable unless it is affirmed by a court. The decision has already been appealed.

On 20 August 2018, the lessor obtained an order allowing it to develop the land outside the Star Vegas boundary, which was always agreed under the lease, provided that no competing casino or gaming business is built. The vendor has also commenced defamation proceedings in Thailand against Donaco and two of its directors, seeking damages of THB1 million (equivalent to AUD48,000). No amounts have been recognised as at 30 June 2019 in relation to these proceedings as they are still in the early stages and no damages have been determined.

Donaco's legal claim against the vendor has been set down for arbitration proceedings in Singapore. A nine-day hearing was scheduled to commence on 29 July 2019. The hearing was not completed and a further hearing has been set for one week commencing 25 November 2019. Having considered expert legal and financial advice, the company initially sought damages of USD190 million (equivalent to AUD271 million), however based on final valuation reports provided by expert valuation witnesses, the claim can be increased to USD240 million (equivalent to AUD342 million). No amount receivable has been recognised as at 30 June 2019 given the uncertainty over the outcome of the proceedings. The Supreme Court of New South Wales has granted a further extension of the freezing order over the Donaco shares held by the vendor until 4 October 2019.

The consolidated entity has no contingent liabilities which are required to be recognised as at 30 June 2019.

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act* 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations required by section 295A of the *Corporations Act* 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act* 2001.
On behalf of the directors

S. J. McGregor

Stuart McGregor
Chairman

27 September 2019
Melbourne

Crowe

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Donaco International Limited (the Company and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of consolidated entity is in accordance with the *Corporations Act* 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations* 2001.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity's current liabilities exceeded its current assets by $30,859,389 as at 30 June 2019. The consolidated entity recorded a net loss after tax of $193,992,693, a net profit after tax and before impairment of $6,091,656, and net operating cash inflows of $26,456,470 for the year ended on that date. As stated in Note 1, the directors have prepared the 30 June 2019 financial report on a going basis and have been taking actions to address these financial positions. Should the events or actions set forth in Note 1 not eventuate, it may result in a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Crowe

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS (NOTE 14)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The consolidated entity recorded a casino licence asset of $75.1 million as at 30 June 2019. The licence is classified as an intangible asset with indefinite useful life and is subject to annual impairment assessment. Impairment of $186.6 million was recognised in the statement of profit or loss and other comprehensive income for the year based on impairment assessments performed as at 31 December 2018 and 30 June 2019. The impairment assessment of the intangible asset is a key audit matter because of the complexity and subjectivity involved, including key assumptions made.	Our audit procedures included, amongst others, the following: • Assessed management's determination of the cash generating unit ('CGU') and the CGU's carrying value. • Assessed reasonableness of cash flow forecasts by comparing the base year in the forecast calculation to the current period's actual results. • Assessed the appropriateness of the currency used in the model. The cash flow forecast is calculated in the Thai Baht (THB) and translated to the US Dollar (USD) at the valuation date, and subsequently translated into the Australian Dollar (AUD). • Together with our valuation specialists, assessed reasonableness of the key assumptions used, being revenue growth rate, discount rate, and terminal growth rate. • Together with our valuation specialists, tested the mathematical accuracy and components of the model that supports the impairment assessment. • Checked the sensitivity of the impairment assessment by focusing on the discount rate. • Evaluated the adequacy of the judgments and sources of estimation uncertainty disclosures in the consolidated financial report.

CONTINGENT ASSETS AND LIABILITIES (NOTE 39)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER
The consolidated entity is a party to several ongoing legal actions both initiated by and directed against the entity. Outcomes of these proceedings were uncertain at 30 June 2019. We determined this to be a key audit matter given the materiality of the amounts involved together with the level of judgement required in assessing the developments to ensure they are appropriately reflected in the financial report.	Our audit procedures, amongst others, included the following: • Obtained a list of litigation matters and held discussions with management on the status and outcome of each matter up to the date of this audit report. • Reviewed all solicitor's representation letters, including those received by the component auditors of DNA Star Vegas Co., Limited. • Held discussions with the component auditors of DNA Star Vegas Co., Limited to gain understanding of the impact on the consolidated financial report. Reviewed consolidated entity reporting package received. • Ensured completeness and accuracy of the disclosures included in the consolidated financial report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT CONTINUED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the consolidated entity financial report. The auditor is responsible for the direction, supervision and performance of the consolidated entity audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE RENUMERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 19 to 31 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Donaco International Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act* 2001.

RESPONSIBILITIES

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act* 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Crowe Sydney

Crowe Sydney

Suwarti Asmono
Partner

27 September 2019 Sydney

The shareholder information shown below was applicable as at 31 August 2019.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding.

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	335
1,001 to 5,000	434
5,001 to 10,000	298
10,001 to 100,000	705
100,001 and over	253
	2,025

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are shown below.

	ORDINARY SHARES	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	237,248,752	28.81%
J P Morgan Nominees Australia Pty Limited	90,587,508	11.00%
Convent Fine Limited	60,353,318	7.33%
The Commonwealth Of Australia c/- Australian Securities and Investments Commission	54,375,000	6.60%
Slim Twinkle Limited	38,012,485	4.62%
Citicorp Nominees Pty Limited	36,821,288	4.47%
Mr Keong Yew Lim	34,208,800	4.15%
Max Union Corporate Development Ltd	26,000,000	3.16%
BNP Paribas Nominees Pty Ltd ‹IB AU NOMS RETAILCLIENT DRP›	19,541,119	2.37%
HSBC Custody Nominees (Australia) Limited – A/C 2	16,148,036	1.96%
National Nominees Limited	16,027,237	1.95%
Spenceley Management Pty Ltd ‹Spenceley Family A/C›	13,936,665	1.69%
BNP Paribas Noms (NZ) Ltd ‹DRP›	13,330,000	1.62%
RHB Securities Singapore Pte Ltd ‹Clients A/C›	11,043,464	1.34%
BNP Paribas Noms Pty Ltd ‹UOB KH P/L AC UOB KH DRP›	8,171,736	0.99%
Spenceley Management Pty Ltd ‹Spenceley Family S/F A/C›	7,700,000	0.93%
Monex Boom Securities (HK) Ltd ‹Clients Account›	6,128,901	0.74%
BNP Paribas Noms Pty Ltd ‹UOB KAY HIAN PRIV LTD DRP›	5,157,043	0.63%
Defender Equities Pty Ltd ‹DEFENDER AUS OPPORTUN FD A/C›	3,570,000	0.43%
TA Securities Holdings Berhad	3,320,000	0.40%
	701,681,352	85.20%

Unquoted equity securities

	NUMBER ON ISSUE
Employee options	–
Warrants	–

SUBSTANTIAL HOLDERS

Substantial holders in the company are shown below:

	ORDINARY SHARES	
	Number held	% of total shares issued
Lim Keong Yew*	165,519,375	20.10%
Lim Keong Hoe (jointly held as part of Lim Keong Yew's holding)*	98,385,803	11.95%
Vincent Pirina and Mitchell Mansfield (receivers)*	158,574,603	19.25%
On Nut Road Limited and affiliates*	158,574,603	19.25%
Lee Bug Tong	73,599,765	8.98%
Lee Bug Huy	74,599,764	9.06%
Australian Securities and Investments Commission	61,710,000	7.49%

* The majority of the shares held jointly by Lim Keong Yew and Lim Keong Hoe were controlled by receivers as at 31 August 2019, and were subsequently sold to On Nut Road Limited in September 2019. These holdings are all overlapping, not separate holdings.

VOTING RIGHTS

The voting rights attached to ordinary shares and options are shown below:

Ordinary shares

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.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights. There are no other classes of equity securities.

CORPORATE DIRECTORY ›

for the year ended 30 June 2019

Directors	Stuart James McGregor – Non-executive Chairman Joey Lim Keong Yew – Non-executive Director (removed 18 July 2019) Benedict Paul Reichel – Executive Director Benjamin Lim Keong Hoe – Non-executive Director (removed 18 July 2019) Robert Andrew Hines – Non-executive Director (resigned 31 December 2018 David John Green – Non-executive Director (appointed 9 April 2019) Yan Ho Leo Chan – Non-executive Director (appointed 12 August 2019) Kurkye Wong – Non-executive Director (appointed 12 August 2019) Yugo Kinoshita – Non-executive Director (appointed 14 August 2019)
Company Secretary	Benedict Paul Reichel
Notice of Annual General Meeting	The Annual General Meeting of Donaco International Limited will be held on 29 November 2019 at Level 5, 126 Phillip Street, Sydney NSW 2001, Australia Commencing at 2.30pm (Sydney time)
Registered office	Level 18, 420 George Street, Sydney NSW 2000, Australia
Principal place of business	Level 18, 420 George Street, Sydney NSW 2000, Australia
Share register	Automic – Level 5, 126 Phillip Street, Sydney NSW 2001, Australia +61 2 9698 5414
Auditor	Crowe Sydney – Level 15, 1 O'Connell Street, Sydney NSW 2000, Australia
Stock Exchange listing	Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)
Website	www.donacointernational.com
Corporate governance statement	The corporate governance statement of Donaco International Limited is available from our website **www.donacointernational.com**, via the tab headed Investor Relations.

GENERAL INFORMATION ›

for the year ended 30 June 2019

The financial statements cover Donaco International Limited as a consolidated entity consisting of Donaco International Limited and the entities it controlled at the end of, or during, the 2019 financial year. The financial statements are presented in Australian dollars, which is Donaco International Limited's functional and presentation currency.

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

Level 18
420 George Street
Sydney NSW 2000 Australia

A description of the nature of the consolidated entity'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 27 September 2019. The directors have the power to amend and reissue the financial statements.

donaco
INTERNATIONAL

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