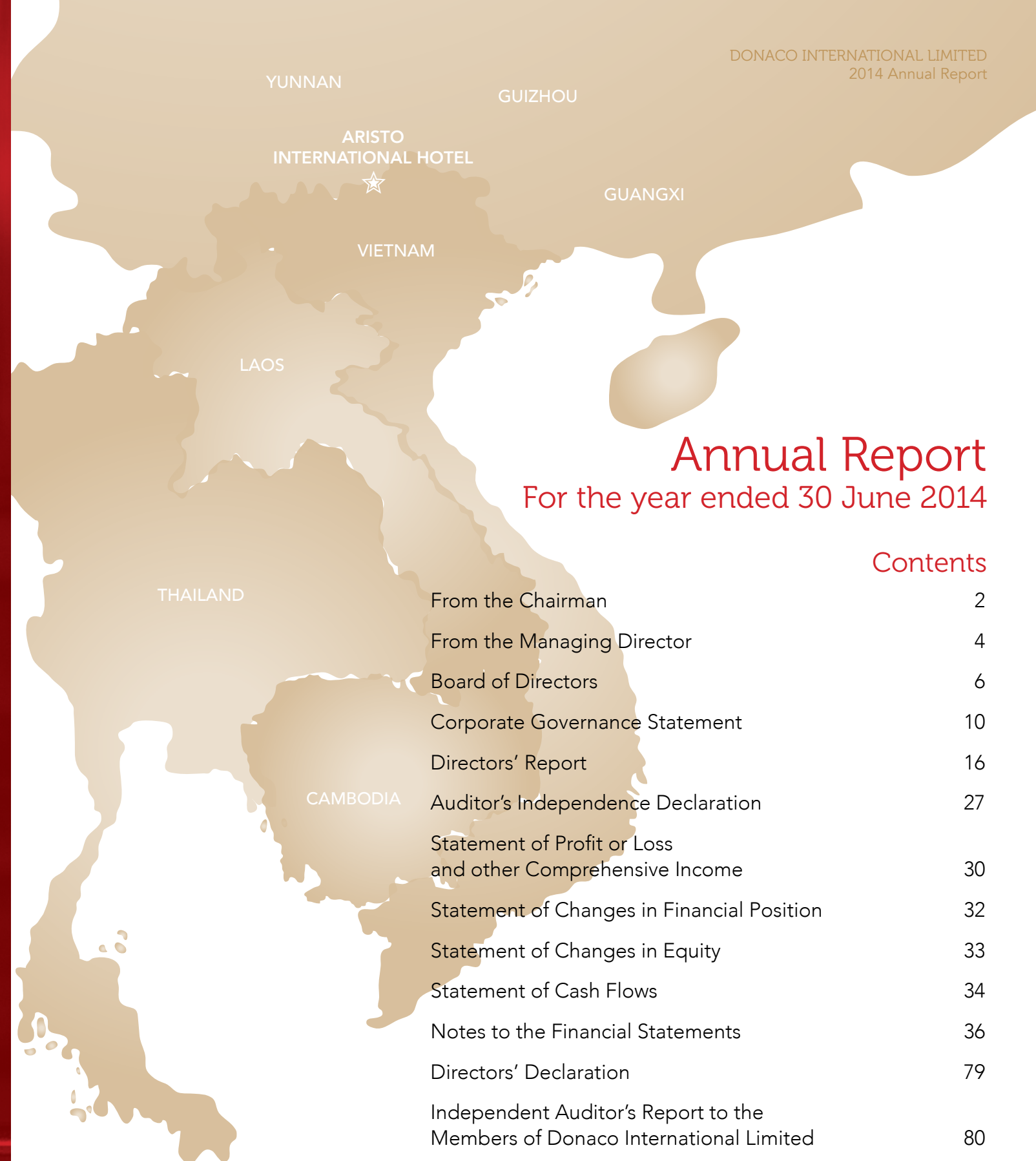


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Annual Report

For the year ended 30 June 2014

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ANNUAL GENERAL MEETING

The Annual General Meeting of Donaco International Limited will be held at Four Points by Sheraton Hotel, 161 Sussex Street, Sydney NSW 2000 on 25 November 2014 at 2.30pm.

From the Chairman



This very successful year was capped off in September 2014, when your Company was admitted to the ASX300 index, thus joining the ranks of Australia's largest listed public companies.

Dear Fellow Shareholder

I am pleased to report that our Company achieved a series of major milestones during the 2014 financial year.

The most important development was the opening of the Aristo International Hotel in May 2014. Through this brand-new resort complex in northern Vietnam, we now have a greatly expanded leisure and entertainment offering. This magnificent new property will underpin our growth in the year ahead.

In order to capture more of that growth, we successfully increased our stake from 75% to 95% in our joint venture with the Vietnamese Government. This took effect on 1 January 2014.

While the Board and management team focused on our existing flagship business in Vietnam, we also placed a high priority on adding value to shareholders through corporate activity. We announced the spin-off of our mobile technology business, iSentric, into a separate ASX listed company. This transaction was successfully completed in September 2014, with shares in the newly listed entity distributed in specie, as a return to our loyal shareholders.

We would like to thank shareholders for their support of the two capital raisings that were successfully completed during the year. The first was completed in November 2013, in the sum of \$25 million, to provide operating liquidity for our expanded gaming business in Vietnam. The second raising was completed in May 2014, in the sum of \$75 million, giving us considerable firepower to pursue a strong pipeline of acquisition opportunities.

This year, we also restructured and strengthened the Board, with Mr Rob Hines joining as a Director on 1 November 2014. Mr Hines has great experience and knowledge of gaming

and wagering businesses. He has also taken on the role of independent chair of our audit and remuneration committees.

I would like to acknowledge and thank Mr Gerald Tan and Mr Mak Siew Wei for their considerable contributions as Directors of the Company.

The growth and success of the Company's business was reflected by the increase in the Company's share price and market capitalisation during the year. The Board was pleased, on behalf of all shareholders, to note the 165% increase in the Company's share price and the 228% increase in market capitalisation during the year.

This very successful year was capped off in September 2014, when your Company was admitted to the ASX300 index, thus joining the ranks of Australia's largest listed public companies. This is an honour that brings a higher level of scrutiny and corporate governance requirements, which your Board has planned for and implemented in advance.

While the year can be considered a successful one, we are only just beginning our journey as an ASX listed company. I welcome you joining us on this journey.

Stuart McGregor
Chairman



228% increase
in market
capitalisation
in 2014.

From the Managing Director



We now have a strong capability to capture the ongoing demand for gaming and leisure entertainment from our target market in China.

Dear Fellow Shareholder

The results achieved during the 2014 financial year have begun to demonstrate the potential of the business that my family and I listed on the ASX in February 2013.

Our long-established gaming business in Vietnam moved to the next level of success during the year, with the opening of the Aristo International Hotel in May 2014. The opening of this five-star property is the culmination of many years of planning and effort by our management and project teams. We now have a strong capability to capture the ongoing demand for gaming and leisure entertainment from our target market in China, as well as the ability to provide many forms of entertainment and other services to our local population in Vietnam.

The soft opening of the Aristo occurred in May 2014, which means that the results for the 2014 financial year almost entirely reflect the old property that it replaces. I am pleased to report that even with the significant capacity restraints at that old property, our Vietnamese gaming operations posted revenue growth of 33%. Across the whole Company, revenue growth reached 80%, while earnings before interest, tax, depreciation and amortisation grew 29%, and net profit after tax (excluding non-recurring items) grew 52%.

The new property is a quantum leap ahead of the old. The Aristo has 400 guest rooms, with an additional 28 rooms currently fitted out as recreational facilities, primarily a health spa and a nightclub (operated by a contractor under a long-term lease). The property also has five restaurants, including a fine dining Chinese restaurant; a theatre restaurant and a ballroom that can seat 400 diners; several all-day dining outlets; and a VIP lounge. Other non-gaming amenities include a swimming pool, tennis court and gym, and eight retail shops.

The gaming business at the Aristo is much larger than at the old property, and is already showing strong growth in the short period since it has opened. This growth has been achieved despite the fact that we have faced some headwinds in that short period. We are confident that the Aristo's gaming business will underpin our growth in the year ahead.

In addition, we will see strong growth in our non-gaming businesses in Vietnam, including the accommodation, food and beverage, and entertainment revenue lines. The new Aristo International Hotel is already proving popular with the local Vietnamese population for weddings, conventions, and fine dining. All parts of the property are open to the local people, with the exception of the gaming hall.

The Vietnamese Government is currently considering proposals to allow local people to enter casinos. While we will continue to monitor developments in this area, our business at the Aristo is not dependent in any way on locals being allowed to gamble.

Our marketing strategies continue to develop and evolve to serve the needs of our expanded business. With the imminent opening of a new highway from Lao Cai to Hanoi, we are able to offer accommodation and entertainment packages to expatriates living in Hanoi, and we have recently opened a marketing office there. This will be a new line of business for us.

The opening of the Aristo has created new opportunities for our own people. We have essentially doubled the size of our workforce in Vietnam, thus giving our very experienced casino management team an opportunity to display the skills that they have previously learned from operating a much larger gaming business. I would like to thank all of our management and staff for their enthusiastic embrace of this opportunity.

We have also recently instituted management changes, with Mr Kent Ang promoted to the position of Chief Executive Officer Donaco Singapore and Vietnam Country Head. Mr Ang has lived in Vietnam for decades, and has recently successfully completed the construction project for the Aristo. Mr Kenny Goh, our Deputy Chief Financial Officer, is now focusing on acquisition and investment opportunities, which continue to be a high priority for our senior executive team.

Indeed, we have not wavered from our ceaseless pursuit of new growth opportunities, with a strong pipeline of potential deals in place. All of these opportunities play to our strengths in leisure and gaming operations, particularly in boutique properties in Asia. However, we are extremely disciplined in our approach, and will not pursue any deal unless it provides good returns to shareholders.

We expect to transform and expand our business in the year ahead. This will be done very carefully and prudently, building on the strong foundations that have been established at our existing business in Vietnam.

I look forward to sharing the benefits of our growth with you in the year ahead.

Joey Lim
Managing Director
and Chief Executive Officer

Across
the whole
Company,
revenue
growth
reached
80%.

Board of Directors



Stuart James McGregor
B.Com, LLB, MBA

Non-executive Chairman

Over the past 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 Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd, 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 Federal Government, and as Chief Executive of the Tasmanian Government's economic development agency.

Other current directorships: EBOS Group Limited (ASX: EBO)

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit & Risk Management Committee and the Nominations, Remuneration & Corporate Governance Committee.

Interests in shares: 235,224 ordinary shares

Interests in options: None



Joey Lim Keong Yew
B. Computer Science

Managing Director and Chief Executive Officer

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 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. Relevant experience includes executive director to M3 Technologies (Asia) Bhd, where he was responsible for strategic investments and corporate affairs; working at VXL Capital, China, a business focused on investing in and restructuring companies in Malaysia, Beijing, Shanghai and Hong Kong; and Project Manager for Glaxo Wellcome, London, UK.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Nominations, Remuneration & Corporate Governance Committee.

Interests in shares: 207,281,355 ordinary shares

Interests in options: 407,371 unlisted employee options



Benedict Paul Reichel
BA, LLB (Hons), LLM (Hons)

Executive Director, Group General Counsel, Company Secretary

Mr Reichel is an executive and company director in the gaming, media and technology sectors, with more than 20 years' experience in major Australian listed public companies and law firms. Mr Reichel held the position of 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, a \$2 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 3 years): None

Special responsibilities: None

Interests in shares: 183,306 ordinary shares

Interests in options: 203,686 unlisted employee options



Benjamin Lim Keong Hoe
B. International Business

Non-executive Director

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 bachelor's degree in International Business with Design Management from Regent Business School in the UK.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit & Risk Management Committee.

Interests in shares: 174,291,200 ordinary shares

Interests in options: None



Robert Andrew Hines
(appointed on 1 November 2013)

Non-executive Director

Mr Hines is one of Australia's leading gaming and wagering executives. As CEO 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 CEO roles at Jupiters Limited (2000 to 2004), which was acquired by Tabcorp; and AWA Limited (1997 to 2000), which was acquired by Jupiters. From 2005 to 2008, he was CEO UK and Europe for Vecommerce Limited, a natural language speech recognition company providing services to wagering operators. Mr Hines currently holds the positions of Non-Executive Director with Sportsbet Australia Pty Ltd; Group Chairman CEO Circle; and Advisory Board Member of the Sporting Chance Cancer Foundation.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of the Audit & Risk Management Committee and the Nominations, Remuneration & Corporate Governance Committee.

Interests in shares: 75,000 ordinary shares

Interests in options: None

Perseverance
is the foundation
of all actions.

LAO TZU

Net revenue growth from slot machines was 94%.

Gerald Nicholas Tan Eng Hoe

(resigned on 6 September 2013)

B. Econ, MBA

Non-executive Director

Mr Tan is a serial entrepreneur who has founded numerous companies in the digital and interactive media space. He is the Managing Partner of Nuetree Capital, with over 19 years' experience on both the sell and buy side of the venture capital and private equity business. Prior to joining Nuetree, Mr Tan was the Group Managing Director and Co-Founder of Phoenix Investment Global Limited, a leading pan-Asian interactive new media company. Prior to Phoenix, he founded N-Visio Ltd, an interactive television technologies company that developed Asia's first real-time 3-D interactive TV system. This solution was used extensively in Malaysia, Indonesia and China.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit & Risk Management Committee and the Nominations, Remuneration & Corporate Governance Committee.

Interests in shares: 648,750
(as at 6 September 2013)

Interests in options: 1,324,375 (as at 6 September 2013)

Mak Siew Wei

(resigned on 23 December 2013)

B. Bus (Info Sys)

Non-executive Director

Mr Mak served as Business Development Manager of Marvic International (NY) Ltd from 1998 to 2000. He has been an independent non-executive director of Jotech Holdings Bhd since August 2006, Nakamichi Corp. Bhd since August 2008, and Av Ventures Corp. Bhd since April 2006. He has been an Executive Director of Advance Information Marketing Berhad since September 2010, and of SCAN Associates Berhad since August 2012. Mr Mak also served as Manager of Low Yat Holdings Sdn Bhd from 2001 to 2002.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit & Risk Management Committee and the Nominations, Remuneration & Corporate Governance Committee.

Interests in shares: None
(as at 23 December 2013)

Interests in options: None
(as at 23 December 2013)



Corporate Governance Statement

Donaco International Limited (the Company) is committed to good corporate governance practices through its established corporate governance framework. This framework is reflected in the Company's policies, and is designed to ensure that there are appropriate levels of disclosure and accountability. Copies of the Company's policies are available from the 'Investor Relations' section of our website, donacointernational.com.

The Company has endorsed the 2nd edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council, and seeks to follow them to the extent that it is practicable having regard to the size and nature of its operations.

The Board regularly reviews all corporate governance policies and practices to ensure that they remain current and in accordance with good practice appropriate for the Company's

business environment. The Board and senior management ensure that employees are aware of the requirements for corporate compliance as it applies to their specific roles within the organisation.

Unless otherwise stated, the Board's corporate governance policies comply with the recommendations of the 2nd edition of the Corporate Governance Principles and Recommendations (including the 2010 amendments). The 3rd edition of the Corporate Governance Principles and Recommendations takes effect for financial years commencing on or after 1 July 2014. During the 2015 financial year, the Board will review and update its corporate governance policies.

The table below summarises the 2nd edition of the Corporate Principles and Recommendations, and cross-references these to the Company's Corporate Governance Policies.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 1: Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Complies	The Company's Board Charter sets out the specific responsibilities of the Board and those delegated to senior executives. The Company's Board Charter is available on the Company's website.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Company's Nominations, Remuneration & Corporate Governance Committee Charter sets out the process for evaluating the performance of senior executives. The Company's Nominations, Remuneration & Corporate Governance Committee Charter is available on the Company's website.
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complies	The Company will provide an explanation of any departures from Recommendations 1.1 to 1.2 in future annual reports.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 2: Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	Does not comply	The Company's Board Charter, specifically clauses 5 and 6, sets out the policy regarding independent directors. The Company's Board Charter is available on the Company's website. Since 23 December 2013, the Board has consisted of five members, which is considered the optimum size for the Company's current ownership and operations. The Board currently has two independent non-executive directors, one non-independent non-executive director and two executive directors. Current Directors are considered to possess skills and experience suitable and appropriate in the context of the stage of development of the Company and the scope and scale of the Company's operations. The Board will consider its composition if appropriate, depending on changes to the scope and scale of the Company's operations.
2.2 The chair should be an independent director.	Complies	The Chairman is an independent director.
2.3 The roles of the chair and chief executive officer should not be exercised by the same individual.	Complies	The Chairman and CEO are not the same person.
2.4 The Board should establish a Nominations Committee.	Complies	The Company has established the Nominations, Remuneration & Corporate Governance Committee in accordance with Clause 8 of its Board Charter.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Complies	The Company's Board Committee Standing Rules and Nominations, Remuneration & Corporate Governance Committee Charter sets out the process for evaluating the performance of the Board.
2.6 Companies should provide information indicated in Guide to reporting on Principle 2.	Complies	The Company will provide an explanation of any departures from Recommendations 2.1 to 2.5 in future annual reports.

Donaco International Limited (the Company) is committed to good corporate governance practices through its established corporate governance framework.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 3: Promote ethical and responsible decision-making		
<p>3.1 Companies should establish a code of conduct and disclose the code or a summary as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Complies	The Company has implemented a number of policies and procedures including the Company's Board Charter, Directors' Code of Conduct and Audit & Risk Management Committee Charter that maintain confidence in the Company's integrity, take into account the Company's legal obligations and govern the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. These policies are available on the Company's website, donacointernational.com.
<p>3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p>	Does not comply	<p>The Company's primary business in Vietnam, consisting of the vast majority of its employees, is governed by the Labor Code (Law No. 10/2012/QH13) and the Company's own Labor Regulation, which set out appropriate treatment of different genders. However, these requirements do not extend to the small minority of employees based outside Vietnam.</p> <p>The Board is considering the appropriate policy concerning diversity for operations outside Vietnam, including whether it is appropriate for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually.</p>
<p>3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</p>	Does not comply	See 3.2 above.
<p>3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.</p>	Complies	The proportion of women employees is as follows: Board, nil; senior executive positions, 17%; and in the whole organisation, 54%.
<p>3.5 Companies should provide the information indicated in Guide to reporting on Principle 3.</p>	Complies	The Company will provide an explanation of any departures from Recommendations 3.1 to 3.4 in future annual reports.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 4: Safeguard integrity in financial reporting		
<p>4.1 The Board should establish an audit committee.</p>	Complies	The Company has established the Audit & Risk Management Committee.
<p>4.2 The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not the chair of the Board; and has at least three members. 	Complies	<p>The Company has implemented an Audit & Risk Management Committee Charter which governs the operation of the Audit & Risk Management Committee. This Charter is available on the Company's website.</p> <p>The Audit & Risk Management Committee has three members, who are all non-executive directors; has a majority of independent directors; and has an independent chair, who is not the Chairman of the Board.</p>
<p>4.3 The audit committee should have a formal Charter.</p>	Complies	See 4.2 above.
<p>4.4 Companies should provide the information indicated in Guide to reporting on Principle 4.</p>	Complies	The Company will provide an explanation of any departures from Recommendations 4.1 to 4.3 in future annual reports.
Principle 5: Make timely and balanced disclosure		
<p>5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.</p>	Complies	The Company has implemented a Directors' Code of Conduct, Market Disclosure Policy, Directors' Disclosure Policy and Policy for Handling Conflicts of Interest, which are designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for compliance and disclosure. These policies are available on the Company's website.
<p>5.2 Companies should provide the information indicated in Guide to reporting on Principle 5.</p>	Complies	The Company will provide an explanation of any departures from Recommendation 5.1 in future annual reports.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 6: Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose the policy or a summary of the policy.	Complies	The Company has implemented a Market Disclosure Policy which ensures that there is full and timely disclosure of the Company's activities to shareholders. The Company's Market Disclosure Policy is available on the Company's website. The Company also conducts regular investor briefings outside scheduled results announcement. These briefings are released in advance to the ASX Market Announcements Platform if they contain any price-sensitive information.
6.2 Companies should provide the information indicated in Guide to reporting on Principle 6.	Complies	The Company will provide an explanation of any departures from Recommendation 6.1 in future annual reports.
Principle 7: Recognise and manage risk		
7.1 Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies.	Complies	The Company has implemented an Audit & Risk Management Committee Charter. The Audit & Risk Management Committee Charter outlines the powers and duties of the Audit & Risk Management Committee. The Audit & Risk Management Committee Charter is available on the Company's website.
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	The Audit & Risk Management Committee has been established and reports to the Board in respect of material business risks and their management. The Company has also implemented the Audit & Risk Management Committee Charter which governs the operation of the Audit & Risk Committee.
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	Pursuant to clause 4 of the Company's Board Charter, the Board must ensure that it is provided with an additional written statement from the Chief Executive Officer and Chief Financial Officer in relation to the Company's risk management systems and controls, stating that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4 Companies should provide the information indicated in Guide to reporting on Principle 7.	Complies	The Company will provide an explanation of any departures from Recommendations 7.1 to 7.3 in future annual reports.

ASX Corporate Governance Principles and Recommendations	Compliance	Donaco International Limited Corporate Governance Policy
Principle 8: Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	Complies	The Company has established the Nominations, Remuneration & Corporate Governance Committee.
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members. 	Complies	The Nominations, Remuneration & Corporate Governance Committee has three members, is comprised of a majority of independent directors and is chaired by an independent chair.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	Pursuant to clause 4.1(k) of the Company's Nominations, Remuneration & Corporate Governance Committee Charter, the Company's Nominations, Remuneration & Corporate Governance Committee must review the remuneration of non-executive directors annually and ensure 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.
8.4 Companies should provide the information indicated in Guide to reporting on Principle 8.	Complies	The Company will provide an explanation of any departures from Recommendations 8.1 to 8.3 in future annual reports.



Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 year ended 30 June 2014.

Directors

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

Stuart James McGregor – Non-executive Chairman

Joey Lim Keong Yew

Benedict Paul Reichel

Benjamin Lim Keong Hoe

Robert Andrew Hines (appointed on 1 November 2013)

Gerald Nicholas Tan Eng Hoe (resigned on 6 September 2013)

Mak Siew Wei (resigned on 23 December 2013)

Principal activities

During the financial year, the principal continuing activities of the consolidated entity consisted of:

- operation of a hotel and casino in northern Vietnam; and
- operation and development of gaming technology, including mobile payment gateways.

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$6,793,403 (30 June 2013: \$7,026,199).

Vietnamese Gaming Operations

The results reflect the final year of operation of the old Lao Cai International Hotel, the Company's boutique 34-room hotel with eight gaming tables, located in the north of Vietnam. The old hotel was replaced by the soft opening of the Aristo International Hotel, an expanded five-star property with 428 rooms and 40 gaming tables, on 18 May 2014. Therefore the FY14 results include the Aristo in place of the old hotel for a period of

approximately six weeks only. During this time, the Aristo operated in soft opening mode, with not all facilities available.

During the year, total revenue from the Vietnamese hotel and gaming operations reached record levels, up 33% on the previous year (or 18% in US dollar constant currency terms). This result was underpinned by strong increases in turnover from VIP table games (up 67%, or 49% in US dollars) and in slot machines (up 144%, or 117% in US dollars).

The increase in turnover from VIP gaming did not directly translate into revenue, due to a slight decline in the gross win rate from 2.98% in FY13, to 2.78% in FY14. While this change is within the range of normal fluctuations, it had the effect of restricting VIP gaming net revenue growth to 41% (or 25% in US dollars).

The increase in slot machine turnover was primarily due to the expanded machine base in the Aristo, which has 34 linked jackpot slot machines, and three electronic roulette tables with eight seats each, for a total of 58 electronic gaming machine positions. Net revenue growth from slot machines was 94% (or 73% in US dollars), which again was below the rate of turnover increase, due to a decline in the slots win rate from 31.21% in FY13 to 24.84% in FY14 (based on cash paid in by slots players).

The Company does not currently report normalised results from its gaming operations, based on a theoretical win rate. The reasons for this are the small size of the old property, with only eight licensed tables; the rapid growth it has been experiencing in recent years; and the fact that the old property was replaced by the expanded gaming business of the Aristo towards the end of the financial year. Now that the Aristo has opened, the Board is considering the best approach for reporting normalised results for future periods.

Non-gaming hotel revenue also showed very strong growth of 96% (or 82% in US dollars), with most of the increase coming after the Aristo opened in May. This reflects the quality of the guest rooms, restaurants and other non-gaming amenities at the new property.

The soft opening of the Aristo on 18 May 2014 was a milestone in the Company's development. When fully operational, the Aristo will have 400 guest rooms available, with an additional 28 rooms currently fitted out as recreational facilities, primarily a health spa and a nightclub (operated by a contractor under a long-term lease). The property also has five restaurants, including a fine dining Chinese restaurant; a theatre restaurant and a ballroom that can seat 400 diners; several all-day dining outlets; and a VIP lounge. Other non-gaming amenities include a swimming pool, tennis court and gym, and eight retail shops, with a ticketing agency and convenience store already trading.

Gaming Technology Operations

The Gaming Technology businesses consist primarily of iSentric Sdn Bhd, a successful mobile commerce business based in Kuala Lumpur. iSentric has significant interests and expertise in almost every segment of the mobile services sector, including mobile content distribution, mobile payment aggregation, mobile banking and bespoke corporate mobility solutions. iSentric's revenue for the year was \$8,074,671, with net profit after tax of \$1,570,130.

iSentric currently provides technology services under arm's length arrangements to the Company's core hotel and casino business in Vietnam. This includes advising on the property management system, loyalty program, third-party system integration and network design.

In addition, iSentric provides technical support to the Way2Bet wagering marketing portal and games businesses in Australia, which posted total revenue of \$694,206 during FY14.

Significant changes in the state of affairs

On 24 July 2013, the company announced that it had signed a non-binding Memorandum of Understanding with its joint venture partner to increase its stake in the Lao Cai International Hotel joint venture by 20%, for a total cost of US\$4 million. The transfer of the stake was completed with effect from 1 January 2014.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Spin-off of iSentric Sdn Bhd

On 26 February 2014, the company announced that it planned to spin off its mobile technology business, which trades under the name iSentric, into a new company separately listed on the ASX. A binding Share Sale and Purchase Agreement to implement the transaction was signed with OMI Holdings Limited (ASX: OMI) on 9 May 2014.

The transaction was completed on 23 September 2014, when iSentric Limited listed on the ASX. Donaco distributed its shares in the newly listed entity to Donaco shareholders in specie on 16 September 2014. Donaco shareholders with a minimum of 19,206 shares on the record date of 12 September 2014 received approximately 0.13 iSentric shares for each Donaco share. Holders of fewer Donaco shares will have their entitlements sold, and will receive the proceeds of sale (less costs) in cash.

Employee Option Allocation

At the Annual General Meeting on 21 November 2013, shareholders approved the establishment of a long-term incentive (LTI) plan for executives, consisting of the 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.

No other matter or circumstance has arisen since 30 June 2014 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 flagship business is the Aristo International Hotel, a successful boutique casino in northern Vietnam. The company operates the business and owns a 95% interest in a joint venture with the Government of Vietnam.

The company is a pioneer casino operator in Vietnam. The business was established in 2002, and is located on the border with Yunnan Province, China. The property has recently been expanded to a brand-new five-star resort complex with 428 hotel rooms.

The operation and marketing of the Aristo International Hotel 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, by seeking opportunities to invest in or acquire other similar businesses. This will complement the growth at the expanded casino in Vietnam, and provide for diversification.

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 regulation

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 above under 'Board of Directors'.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Management Committee		Nominations, Remuneration & Corporate Governance Committee	
	Attended	Held	Attended	Held	Attended	Held
Stuart James McGregor	13	13	2	2	5	5
Joey Lim Keong Yew	12	13	–	–	2	5
Benedict Paul Reichel	13	13	–	–	–	–
Benjamin Lim Keong Hoe	12	13	–	–	–	–
Robert Andrew Hines	10	10	1	1	3	3
Mak Siew Wei	5	6	1	1	2	2
Gerald Nicholas Tan Eng Hoe	2	2	–	–	1	1

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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 conforms to the

market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency

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 Board has an established Nominations, Remuneration & Corporate Governance Committee, consisting only of non-executive directors, with a majority of independent 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; and
- 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.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nominations, Remuneration & Corporate Governance Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The remuneration framework is aligned to shareholders' interests:

- it has economic profit as a core component of plan design;
- it focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- it attracts and retains high calibre executives.

The remuneration framework is also aligned to program participants' interests:

- it rewards capability and experience;
- it reflects competitive reward for contribution to growth in shareholder wealth; and
- it 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 Nominations, Remuneration

& Corporate Governance Committee. The Nominations, Remuneration & Corporate Governance 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.

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 an aggregate remuneration of \$750,000, including statutory superannuation contributions.

Executive remuneration

The consolidated entity's remuneration policy is to ensure that executive remuneration packages properly reflect a person'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. Base salary is determined by considering the scope of the executive's responsibilities, 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.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- long-term incentives, consisting primarily of the grant of options
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits (if any), is reviewed annually by the Nominations, Remuneration & Corporate Governance 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 short-term incentive ('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 key performance indicators ('KPIs') being achieved. During FY14, applicable KPIs included profit contribution, improvement in shareholder value, and achievement of corporate objectives.

The long-term incentive ('LTI') program consists primarily of participation in the Company's option plan. Options are awarded on an annual basis, ensuring that at any given time, the executives have at risk a number of plans, with different vesting periods and amounts. This also helps to smooth both the risk and the cash flow for the Company and for executives. The option plan was established with shareholder approval during the 2014 financial year, but no options were allocated to individual executives until after the end of the year.

Consolidated entity performance and link to remuneration

Remuneration for certain executives is directly linked to performance of the consolidated entity. Bonus and incentive payments are dependent on defined KPIs being met, and are at the discretion of the Nominations, Remuneration & Corporate Governance Committee.

The section headed 'Additional Information' below provides information on the improvement in revenue, earnings, share price and market capitalisation for the consolidated entity over the last three years.

The Nominations, Remuneration & Corporate Governance Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation, and is satisfied with the upwards trend in shareholder wealth. The Committee also considers that the remuneration framework in place will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2014, the consolidated entity received a remuneration recommendation (as defined in the Corporations Act) from Egan Associates Pty Limited, to review its existing remuneration policies and provide market benchmarking. Egan Associates was paid \$6,000 plus GST for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')

At the 21 November 2013 AGM, 99.98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the 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 Chairman
- **Joey Lim Keong Yew**
Managing Director and Chief Executive Officer
- **Benedict Paul Reichel**
Executive Director, Group General Counsel and Company Secretary
- **Benjamin Lim Keong Hoe**
Non-Executive Director
- **Robert Andrew Hines** (appointed on 1 November 2013)
Non-executive Director
- **Gerald Nicholas Tan Eng Hoe** (resigned on 6 September 2013)
Non-executive Director
- **Mak Siew Wei** (resigned on 23 December 2013)
Non-executive Director

And the following persons:

- **Richard Na Chun Wee**
Chief Financial Officer and Deputy Group CEO
- **Kenny Goh Kwey Biaw**
Deputy Chief Financial Officer and CEO of Donaco Singapore

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Leave entitlements	Equity-settled	
2014	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
S J McGregor	139,737	-	-	12,926	-	-	152,663
Lim K H	131,172	-	-	-	-	-	131,172
R A Hines	91,533	-	-	8,467	-	-	100,000
G N Tan	13,500	-	-	-	-	-	13,500
Mak S W	61,636	-	-	-	-	-	61,636
Executive Directors							
Lim K Y	432,868	72,145	-	-	-	-	505,013
B P Reichel	190,000	33,334	-	21,014	3,846	-	248,194
Other Key Management Personnel							
Na C W	288,578	48,096	-	-	-	-	336,674
Goh K B	118,055	19,676	-	-	-	-	137,731
	1,467,079	173,251	-	42,407	3,846	-	1,686,583
2013	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
S J McGregor	99,000	-	-	8,910	-	-	107,910
B P Reichel *	66,000	-	-	5,940	-	-	71,940
Lim K H	48,680	-	-	-	-	-	48,680
G N Tan	54,000	-	-	-	-	-	54,000
Mak S W	48,375	-	-	-	-	-	48,375
Executive Directors							
Lim K Y	97,360	38,944	-	-	-	-	136,304
Other Key Management Personnel							
Na C W	46,733	23,366	-	-	-	-	70,099
Goh K B	34,952	13,981	-	-	-	-	48,933
F R Magrini **	153,831	5,640	-	14,932	10,795	-	185,198
	648,931	81,931	-	29,782	10,795	-	771,439

* B P Reichel was appointed as an Executive Director on 1 July 2013 after previously being a Non-executive Director.

** F R Magrini was not a member of the key management personnel during FY14. He resigned on 23 January 2014.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors						
S J McGregor	100%	100%	-%	-%	-%	-%
Lim K H	100%	100%	-%	-%	-%	-%
R A Hines	100%	100%	-%	-%	-%	-%
G N Tan	100%	100%	-%	-%	-%	-%
Mak S W	100%	100%	-%	-%	-%	-%
Executive Directors						
Lim K Y	86%	76%	14%	24%	-%	-%
B P Reichel	87%	100%	13%	-%	-%	-%
Other Key Management Personnel						
Na C W	86%	67%	14%	33%	-%	-%
Goh K B	86%	71%	14%	29%	-%	-%
F R Magrini	-%	97%	-%	3%	-%	-%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2014	2013	2014	2013
Executive Directors				
Lim K Y	100%	100%	-%	-%
B P Reichel	100%	100%	-%	-%
Other Key Management Personnel				
Na C W	100%	100%	-%	-%
Goh K B	100%	100%	-%	-%
F R Magrini	-%	100%	-%	-%

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 key performance indicators (KPIs) all being achieved. During FY14, applicable KPIs included profit contribution, improvement in shareholder value and achievement of corporate objectives.

The Board, advised by the Nominations, Remuneration & Corporate Governance Committee, applied these criteria

in determining the award of performance-based remuneration during the year. In particular, the relevant criteria included the fact that during the year, the Company's share price increased by a multiple of 2.65 times (an increase of 165%), and the Company's market capitalisation increased by a multiple of 3.28 times (an increase of 228%), as well as the successful raising of \$100 million to enable the Company to pursue its objectives.

Performance-based bonuses were paid on 29 January 2014 and 4 June 2014, with the total amounts set out in the tables above.

Service agreements

Remuneration and other terms of employment for the Managing Director, 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 three months' notice or paying three months' salary (in the case of Mr J Lim, Mr Na and Mr Goh), or six months (in the case of Mr Reichel). In the case of Mr J Lim and Mr Na, termination for any reason other than just cause will result in a termination payment of 24 months' base salary.

Additional information

The earnings of the consolidated entity for the three years to 30 June 2014 are summarised below:

	2014	2013	2012
	\$	\$	\$
Sales revenue	28,240,282	15,671,759	11,121,438
EBITDA	8,861,216	6,888,780	6,489,683
Profit after income tax	6,793,403	7,026,196	5,000,327

Note that the FY12 comparative is to Donaco Singapore Pte Ltd, which listed on the ASX part way through FY13. Information relating to previous financial years has not been included as it is not directly comparable.

The factors that are considered to affect total shareholder return are summarised below:

	2014	2013	2012
Share price at financial year end (\$)	0.90	0.34	-
Market capitalisation at year end (\$)	414,254,367.00	126,372,057.00	-
Basic earnings per share* (cents per share)	2.22	2.53	-

* Basic earnings per share is not directly comparable due to the increase in the number of shares for the consolidated entity from 3,000 in 2012 to 277,827,871 (weighted average number of shares on issue) in 2013. In 2014, there was a further increase in the weighted average number of shares on issue to 306,593,004.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Stuart James McGregor	126,816	–	108,408	–	235,224
Joey Lim Keong Yew	244,366,355	–	1,450,000	(38,535,000)	207,281,355
Benedict Paul Reichel	122,204	–	61,102	–	183,306
Benjamin Lim Keong Hoe	202,826,200	–	–	(28,535,000)	174,291,200
Robert Andrew Hines	–	–	75,000	–	75,000
Gerald Nicholas Tan Eng Hoe*	1,367,500	–	(718,750)	–	648,750
Mak Siew Wei**	–	–	–	–	–
Richard Na Chun Wee	1,600,000	–	10,000,000	(6,145,000)	5,455,000
Kenny Goh Kwey Biaw	1,000,000	–	–	(300,000)	700,000

* Resigned 6 September 2013. Closing balance relates to date of resignation.

** Resigned 23 December 2013. Closing balance relates to date of resignation.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Options over ordinary shares					
Stuart James McGregor	63,408	–	(63,408)	–	–
Benedict Paul Reichel	61,102	–	(61,102)	–	–
Gerald Nicholas Tan Eng Hoe	1,496,250	–	–	(171,875)	1,324,375

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Gerald Nicholas Tan Eng Hoe*	1,324,375	–	1,324,375

* Resigned 6 September 2013. Closing balance relates to date of resignation.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Donaco International Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
17 January 2012	17 January 2015	\$0.540	562,500
1 March 2012	1 March 2015	\$0.540	125,000
17 May 2012	17 May 2015	\$0.540	125,000
29 January 2013	29 January 2015	\$0.280	3,306,396
1 July 2014	1 July 2016	\$0.590	1,323,059
1 July 2014	1 July 2017	\$0.590	1,261,431
1 July 2014	1 July 2018	\$0.590	1,222,335
			8,652,444

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Donaco International Limited were issued during the year ended 30 June 2014 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
29 January 2013	\$0.300	3,750,686

Non-gaming hotel revenue also showed very strong growth of 96%.

Auditors Independence Declaration for the year ended 30 June 2014

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

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

During the financial year, 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 the financial year by the auditor are outlined in Note 35 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, 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 35 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; and

- 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.

Officers of the Company who are former audit partners of William Buck

There are no officers of the company who are former audit partners of William Buck.

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 the following page.

Auditor

On 28 May 2013, the Board resolved to extend the lead auditor's appointment for a further 12 months beyond the initial five successive years, in accordance with section 324DAA of the *Corporations Act 2001* (Cth). The initial five-year period was due to elapse on 30 June 2013. A copy of the resolution and the required Form 397 were lodged with the Australian Securities and Investments Commission on 5 June 2013.

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

On behalf of the Directors

Mr Stuart McGregor
Chairman

29 September 2014
Sydney



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF DONACO INTERNATIONAL LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt
Partner
Sydney, 29 September 2014

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Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2014

	Consolidated		
	Note	2014	2013
		\$	\$
Revenue from continuing operations	4	21,111,819	16,076,337
Other income	5	121,674	2,121,772
Expenses			
Cost of sales	6	(1,270,995)	(679,319)
Employee benefits expense		(5,882,036)	(3,329,484)
Depreciation and amortisation expense	6	(270,153)	(189,837)
Legal and compliance		(452,412)	(237,667)
Marketing and promotions		(510,722)	(238,434)
Professional and consulting fees		(300,346)	(311,695)
Property costs		(545,837)	(438,548)
Telecommunications and hosting		(176,299)	(215,148)
Other expenses		(2,231,618)	(913,011)
Finance costs		(920)	–
Profit before income tax expense from continuing operations		9,592,155	11,644,966
Income tax expense		(2,892,203)	(2,663,247)
Profit after income tax expense from continuing operations		6,699,952	8,981,719
Profit after income tax expense from discontinued operations	8	1,570,130	61,517
Profit after income tax expense for the year		8,270,082	9,043,236
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,316,108)	1,574,774
Other comprehensive income for the year, net of tax		(1,316,108)	1,574,774
Total comprehensive income for the year		6,953,974	10,618,010
Profit for the year is attributable to:			
Non-controlling interest		1,476,679	2,017,037
Owners of Donaco International Limited	29	6,793,403	7,026,199
		8,270,082	9,043,236
Total comprehensive income for the year is attributable to:			
Continuing operations		1,603,297	2,350,634
Discontinuing operations		–	–
Non-controlling interest		1,603,297	2,350,634
Continuing operations		3,780,547	8,205,859
Discontinuing operations		1,570,130	61,517
Owners of Donaco International Limited		5,350,677	8,267,376
		6,953,974	10,618,010

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2014

	Consolidated		
	Note	2014	2013
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Donaco International Limited			
Basic earnings per share	45	1.70	2.51
Diluted earnings per share	45	1.66	2.44
Earnings per share for profit from discontinued operations attributable to the owners of Donaco International Limited			
Basic earnings per share	45	0.51	0.02
Diluted earnings per share	45	0.50	0.02
Earnings per share for profit attributable to the owners of Donaco International Limited			
Basic earnings per share	45	2.22	2.53
Diluted earnings per share	45	2.16	2.46

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.



Statement of Changes in Financial Position for the year ended 30 June 2014

	Consolidated		
	Note	2014	2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	98,034,937	29,404,205
Trade and other receivables	10	771,310	3,179,668
Inventories	11	1,405,726	225,210
Prepaid construction costs	12	18,815,625	12,317,843
Other	13	2,238,260	145,461
		121,265,858	45,272,387
Assets of disposal groups classified as held for sale	14	5,706,816	–
Total current assets		126,972,674	45,272,387
Non-current assets			
Property, plant and equipment	15	4,885,952	1,552,965
Intangibles	16	9,796,836	9,796,836
Construction in progress	17	39,151,630	12,336,321
Other	18	1,061,041	215,455
Total non-current assets		54,895,459	23,901,577
Total assets		181,868,133	69,173,964
Liabilities			
Current liabilities			
Trade and other payables	19	12,635,132	11,447,235
Borrowings	20	1,446,596	–
Income tax	21	4,851,700	5,171,114
Employee benefits	22	70,490	457,146
Other	23	–	63,043
		19,003,918	17,138,538
Liabilities directly associated with assets classified as held for sale	24	2,998,897	–
Total current liabilities		22,002,815	17,138,538
Non-current liabilities			
Borrowings	25	10,608,370	–
Employee benefits	26	20,485	32,969
Total non-current liabilities		10,628,855	32,969
Total liabilities		32,631,670	17,171,507
Net assets		149,236,463	52,002,457
Equity			
Issued capital	27	129,964,909	34,692,937
Reserves	28	(478,093)	964,633
Retained profits	29	18,690,859	12,745,584
Equity attributable to the owners of Donaco International Limited		148,177,675	48,403,154
Non-controlling interest	30	1,058,788	3,599,303
Total equity		149,236,463	52,002,457

The above Statement of Changes in Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2012	1,619	(276,544)	5,707,548	1,983,157	7,415,780
Profit after income tax expense for the year	–	–	7,026,199	2,017,037	9,043,236
Other comprehensive income for the year, net of tax	–	1,241,177	–	333,597	1,574,774
Total comprehensive income for the year	–	1,241,177	7,026,199	2,350,634	10,618,010
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (Note 27)	34,680,692	–	–	–	34,680,692
Employee share options issued	22,463	–	–	–	22,463
Employee share options lapsed	(11,837)	–	11,837	–	–
Dividends paid to non-controlling interest	–	–	–	(734,488)	(734,488)
Balance at 30 June 2013	34,692,937	964,633	12,745,584	3,599,303	52,002,457

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2013	34,692,937	964,633	12,745,584	3,599,303	52,002,457
Profit after income tax expense for the year	–	–	6,793,403	1,476,679	8,270,082
Other comprehensive income for the year, net of tax	–	(1,442,726)	–	126,618	(1,316,108)
Total comprehensive income for the year	–	(1,442,726)	6,793,403	1,603,297	6,953,974
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (Note 27)	101,073,907	–	–	–	101,073,907
Unissued shares	(300,000)	–	300,000	–	–
Share issue expense	(5,501,935)	–	–	–	(5,501,935)
Additional holding in Lao Cai JV	–	–	(1,148,128)	(3,322,272)	(4,470,400)
Dividends paid to non-controlling interest	–	–	–	(821,540)	(821,540)
Balance at 30 June 2014	129,964,909	(478,093)	18,690,859	1,058,788	149,236,463

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 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Cash flows from operating activities			
Receipts from customers		34,465,583	28,432,419
Payments to suppliers and employees		(16,517,800)	(16,689,439)
		17,947,783	11,742,980
Interest received		566,303	56,044
Government levies, gaming taxes and GST		(8,825,898)	(7,697,580)
Net cash from operating activities	44	9,688,188	4,101,444
Cash flows from investing activities			
Payments for property, plant and equipment		(41,262,043)	(9,626,742)
Cash and cash equivalents on acquisition of subsidiaries	41	-	1,188,298
Proceeds from sale of investments		103,865	118,615
Proceeds from sale of property, plant and equipment		(186,673)	45,682
Net cash used in investing activities		(41,344,851)	(8,274,147)
Cash flows from financing activities			
Proceeds from issue of shares		101,073,907	25,078,425
Proceeds from borrowings		12,054,966	-
Payment of equity raising expenses		(5,501,935)	(1,865,770)
Dividends paid by controlled entities to non-controlling interests		(821,540)	(1,017,586)
Purchase of additional 20% non controlling interest in Lao Cai JV		(4,470,400)	-
Net cash from financing activities		102,334,998	22,195,069
Net increase in cash and cash equivalents		70,678,335	18,022,366
Cash and cash equivalents at the beginning of the financial year		29,404,205	10,356,152
Effects of exchange rate changes on cash and cash equivalents		(586,375)	1,025,687
Cash and cash equivalents at the end of the financial year	9	99,496,165	29,404,205

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Consolidated Financial Statements as at 30 June 2014

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.

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement

associated with other entities, being subsidiaries, associates and joint arrangements (joint operations and joint ventures). The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards Arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets, whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards Arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards Arising from Annual Improvements 2009–2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 *First-time Adoption of Australian Accounting Standards* is permitted; clarification of borrowing cost exemption in AASB 1; clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 *Presentation of Financial Statements*; clarification that servicing of equipment is covered by AASB 116 *Property, Plant and Equipment*, if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 *Financial Instruments: Presentation* should be accounted for in accordance with AASB 112 *Income Taxes*; and clarification of the financial reporting requirements in AASB 134 *Interim Financial Reporting* and the disclosure requirements of segment assets and liabilities.

AASB 2012-9 Amendment to AASB 1048 Arising from the Withdrawal of Australian Interpretation 1039

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2013. The amendments remove reference to AASB 1048 following the withdrawal of Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('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 ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment 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 40.

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 2014 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

Notes to the Consolidated Financial Statements as at 30 June 2014

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 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.

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 rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. 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 from slot machines represents the amount received over the exchange counter less the amount returned to customers.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract.

Rendering of services

Revenue from the provision of services is recognised in the accounting period in which the services are rendered.

Interest

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

Other revenue

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

Dividend income

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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 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 apply 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.

Notes to the Consolidated Financial Statements as at 30 June 2014

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

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

Discontinued operations

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

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 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.

Notes to the Consolidated Financial Statements as at 30 June 2014

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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 years
Machinery and equipment	3–10 years
Motor vehicles	6 years
Office equipment and other	3–10 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 of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets 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 licensing 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 licensing date. At the expiry of the land term, it is expected that the relevant State body will consider an application for extension.

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

Notes to the Consolidated Financial Statements as at 30 June 2014

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, long service leave and accumulating sick

leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and 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 is 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 government 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

Share-based compensation benefits are provided to employees via Donaco International Limited's option plan. The fair value of options granted under Donaco International Limited's option plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

When the options are exercised, Donaco International Limited transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

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.

Notes to the Consolidated Financial Statements as at 30 June 2014

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.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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

Notes to the Consolidated Financial Statements as at 30 June 2014

from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The 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 2014. 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 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) *Financial Instruments: Recognition and Measurement*. 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 accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 *Financial Instruments: Presentation*, by clarifying the meaning of 'currently has a legally enforceable right of set-off', and clarifies that some gross settlement systems may be considered to be equivalent to

net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 *Impairment of Assets* have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amend AASB 139 *Financial Instruments: Recognition and Measurement* to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 January 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 *Business Combinations* when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 January 2014 will have no impact on the consolidated entity.

Annual Improvements to IFRSs 2010–2012 cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affect several Accounting Standards as follows: amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 *Share-based Payment*; Amends AASB 3 *Business Combinations* to clarify that contingent consideration that is classified as an asset or liability

Notes to the Consolidated Financial Statements as at 30 June 2014

shall be measured at fair value at each reporting date; amends AASB 8 *Operating Segments* to require entities to disclose the judgements made by management in applying the aggregation criteria; clarifies that AASB 8 only requires a reconciliation of the total reportable segments, assets to the entity's assets, if the segment, assets are reported regularly; clarifies that the issuance of AASB 13 *Fair Value Measurement* and the amending of AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 9 *Financial Instruments* did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; clarifies that in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*, when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 *Related Party Disclosures* to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011–2013 cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affect four Accounting Standards as follows: clarifies the 'meaning of effective IFRSs' in AASB 1 *First-time Adoption of Australian Accounting Standards*; clarifies that AASB 3 *Business Combination* excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; clarifies that the scope of the portfolio exemption in AASB 13 *Fair Value Measurement* includes all contracts accounted for within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* or AASB 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 *Financial Instruments: Presentation*; and clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 *Business Combinations* and investment property as defined in AASB 140 *Investment Property* requires the separate application of both standards independently of each other. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* makes amendments to AASB 9 to: (i) replace the general hedge accounting requirements to more closely align hedge accounting with risk management activities undertaken when hedging financial and non-financial risks; (ii) permit fair value changes

due to changes in 'own credit risk' of financial liabilities measured at fair value to be recognised through other comprehensive income, without applying all other requirements of AASB 9 at the same time; and (iii) defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2017. This application date is subject to review and is expected to be revised by the IASB.

AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*. This standard makes amendments to AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*. The main principle is to establish the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset rather than associated to revenue streams. This standard applies to annual reporting periods beginning on or after 1 January 2016. The Company has not elected early adoption.

IFRS 15 *Revenue from Contracts with Customers* contains new requirements for the recognition of revenue. The standard will also include additional disclosures about revenue. Adoption of IFRS 15 is not mandatory until annual periods beginning on or after 1 January 2017 and 1 January 2018 respectively. Early adoption is permitted. The potential financial impact to the Group is not yet possible to determine.

The new property is a quantum leap ahead of the old. The Aristo has 400 guest rooms, with an additional 28 rooms currently fitted out as recreational facilities, primarily a health spa and a nightclub.

Notes to the Consolidated Financial Statements as at 30 June 2014

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.

Goodwill

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 value-in-use calculations. 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. 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.

Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

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

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Casino Operations	Comprises the Lao Cai International Hotel operations, including hotel accommodation, gaming and leisure facilities, in Vietnam.
Gaming Technology Operations	Comprises the operation and development of gaming technology, including mobile payment gateways and interactive media and gambling applications for deployment on television, mobile and internet.

The consolidated entity is domiciled in Australia and operates predominantly in four countries: Australia, Vietnam, Singapore and Malaysia.

Intersegment transactions

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

Notes to the Consolidated Financial Statements as at 30 June 2014

Notes to the Consolidated Financial Statements as at 30 June 2014

Operating segment information for continuing and discontinuing operations

	Casino Operations	Gaming Technology Operations	Total
Consolidated – 2014	\$	\$	\$
Revenue			
Sales revenue	19,471,405	8,821,721	28,293,126
Interest	101,529	851,093	952,622
Total revenue	19,572,934	9,672,814	29,245,748
EBITDA	8,943,888	(82,672)	8,861,216
Depreciation and amortisation	(270,153)	(21,937)	(292,090)
Interest revenue	101,529	851,093	952,622
Other income – discontinuing entity	–	52,844	52,844
Net exchange gains	126,732	(5,059)	121,673
NCI	1,476,679	–	1,476,679
Profit before income tax expense	10,378,675	794,269	11,172,944
Income tax expense	–	–	(2,902,862)
Profit after income tax expense	–	–	8,270,082
Assets			
Segment assets	84,807,927	97,060,206	181,868,133
Total assets	–	–	181,868,133
<i>Total assets includes:</i>			
Acquisition of non-current assets	39,151,630	–	39,151,630
Liabilities			
Segment liabilities	24,463,950	3,316,020	27,779,970
<i>Unallocated liabilities:</i>			
Provision for income tax	–	–	4,851,700
Total liabilities	–	–	32,631,670

* The above operating segment information includes iSentric Sdn Bhd, the discontinuing operation as at 30 June 2014, which is reported under the category Gaming Technology Operations.

	Casino Operations	Gaming Technology Operations	Total
Consolidated – 2013	\$	\$	\$
Revenue			
Sales revenue	14,664,539	1,007,219	15,671,758
Other revenue	804,356	70,758	875,114
Total revenue	15,468,895	1,077,977	16,546,872
EBITDA	7,231,627	(342,847)	6,888,780
Depreciation and amortisation	–	–	(191,877)
Interest revenue	–	–	250,200
Creditor written back	–	–	624,904
Exchange gain on investing activities	–	–	1,258,818
NCI	–	–	2,017,037
Sale of TAB Active business	–	–	862,964
Profit before income tax expense	–	–	11,710,826
Income tax expense	–	–	(2,667,590)
Profit after income tax expense	–	–	9,043,236
Assets			
Segment assets	52,571,602	16,602,362	69,173,964
Total assets	–	–	69,173,964
<i>Total assets includes:</i>			
Acquisition of non-current assets	12,336,321	–	12,336,321
Liabilities			
Segment liabilities	10,330,708	1,669,685	12,000,393
<i>Unallocated liabilities:</i>			
Provision for income tax	–	–	5,171,114
Total liabilities	–	–	17,171,507

* The above operating segment information includes iSentric Sdn Bhd, the discontinuing operation as at 30 June 2014, which is reported under the category Gaming Technology Operations.

Notes to the Consolidated Financial Statements as at 30 June 2014

Geographical information

	Sales to external customers		Geographical non-current assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
Australia	747,050	537,358	9,805,003	9,796,836
Vietnam	19,471,405	14,664,539	45,121,068	13,975,505
Other countries (discontinuing operation)	8,074,671	469,862	227,452	129,236
	28,293,126	15,671,759	55,153,523	23,901,577

Segment revenues are allocated based on the country in which the customer is located.

Revenue by geographical area

	Consolidated	
	2014	2013
	\$	\$
<i>Revenue and other income:</i>		
Australia	1,533,830	1,471,071
Vietnam	19,699,663	16,727,702
Other countries (discontinuing operation)	8,133,929	469,871
Total revenue and other income	29,367,422	18,668,644

Note 4. Revenue

	Consolidated	
	2014	2013
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Casino operations	19,471,405	14,664,539
Gaming technology operations	694,206	536,694
	20,165,611	15,201,233
<i>Other revenue</i>		
Interest	946,208	875,104
Revenue from continuing operations	21,111,819	16,076,33

In the year ended 30 June 2013, the interest comparative included a non-recurring item of \$624,904, representing a creditor write-back by Donaco Singapore Pte Ltd prior to listing on the ASX.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 5. Other income

	Consolidated	
	2014	2013
	\$	\$
Net foreign exchange gain	121,674	1,258,808
Sale of TAB Active	-	862,964
Other income	121,674	2,121,772

Note 6. Expenses

	Consolidated	
	2014	2013
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	1,270,995	679,319
Depreciation		
Buildings and structures	58,758	51,733
Machinery and equipment	108,821	55,669
Office equipment	45,081	51,859
Motor vehicles	57,493	30,576
Total depreciation	270,153	189,837
<i>Superannuation expense</i>		
Defined contribution superannuation expense	63,296	28,490



Notes to the Consolidated Financial Statements as at 30 June 2014

Note 7. Income tax expense

	Consolidated	
	2014	2013
	\$	\$
Income tax expense		
Current tax	2,883,202	2,667,798
Adjustment recognised for prior periods	19,660	(208)
Aggregate income tax expense	2,902,862	2,667,590
<i>Income tax expense is attributable to:</i>		
Profit from continuing operations	2,892,203	2,663,247
Profit from discontinued operations	10,659	4,343
Aggregate income tax expense	2,902,862	2,667,590
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	9,592,155	11,644,966
Profit before income tax expense from discontinued operations	1,580,789	65,860
	11,172,944	11,710,826
Tax at the statutory tax rate of 30%	3,351,883	3,513,248
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Non-assessable or deductible items	284,972	(259,909)
	3,636,855	3,253,339
Adjustment recognised for prior periods	19,660	(208)
Difference in overseas tax rates	(753,653)	(585,541)
Income tax expense	2,902,862	2,667,590

The property also has five restaurants, a theatre restaurant and ballroom, several all day dining outlets and a VIP lounge. Other non-gaming amenities include a swimming pool, tennis court and gym, and eight retail shops, with a ticketing agency and convenience store.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 8. Discontinued operations

Description

On 26 February 2014, the company announced that it planned to spin off its mobile technology business, which trades under the name iSentric, into a new company separately listed on the ASX. A binding Share Sale Agreement to implement the transaction was signed with OMI Holdings Limited on 9 May 2014.

The transaction was completed on 23 September 2014, when iSentric Limited listed on the ASX. Donaco distributed its shares

in the newly listed entity to Donaco shareholders in specie on 16 September 2014. Donaco shareholders with a minimum of 19,206 shares on the record date of 12 September 2014 received approximately 0.13 iSentric shares for each Donaco share. Holders of fewer Donaco shares will have their entitlements sold and will receive the proceeds of sale (less costs) in cash. No impairment loss was recognised on the reclassification of iSentric to a discontinued operation.

Information on the financial performance of the discontinued operation during the year ended 30 June 2014 is set out below.

Financial performance information

	Consolidated	
	2014	2013
	\$	\$
Gaming Technology Operations	8,127,515	470,525
Interest	6,414	10
Total revenue	8,133,929	470,535
Cost of sales	(4,971,121)	(341,058)
Employee benefits expense	(715,749)	(26,000)
Depreciation and amortisation expense	(21,937)	(2,040)
Legal and compliance	(20,606)	(6,971)
Marketing and promotions	(254,304)	(13,721)
Professional and consulting fees	(134,945)	(7,300)
Property costs	(34,870)	(2,779)
Telecommunications and hosting	(14,618)	(1,479)
Other expenses	(384,990)	(3,327)
Total expenses	(6,553,140)	(404,675)
Profit before income tax expense	1,580,789	65,860
Income tax expense	(10,659)	(4,343)
Profit after income tax expense from discontinued operations	1,570,130	61,517

Notes to the Consolidated Financial Statements as at 30 June 2014

Financial performance information

	Consolidated	
	2014	2013
	\$	\$
Net cash from operating activities	1,477,253	91,406
Net cash used in investing activities	(209,172)	(2,338)
Net cash used in financing activities	–	(204,200)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	1,268,081	(115,132)

Note 9. Current assets – cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash on hand	5,514,580	9,951,954
Cash at bank	6,160,255	12,050,857
Bank deposits with original maturities of less than 3 months	86,360,102	7,401,394
	98,034,937	29,404,205

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	98,034,937	29,404,205
Cash and cash equivalents – classified as held for sale (note 14)	1,461,228	–
Balance as per statement of cash flows	99,496,165	29,404,205

Note 10. Current assets – trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Trade receivables	449,720	3,138,711
Receivable from related parties	27,039	25,838
Interest receivable on bank deposits	294,551	15,119
	771,310	3,179,668

Impairment of receivables

The consolidated entity has recognised a loss of \$0 (2013: \$0) in profit or loss in respect of impairment of receivables for the year ended 30 June 2014.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 11. Current assets – inventories

	Consolidated	
	2014	2013
	\$	\$
Food and beverage – at cost	1,405,726	225,210

Note 12. Current assets – prepaid construction costs

	Consolidated	
	2014	2013
	\$	\$
Prepaid construction costs	18,815,625	12,317,843

Prepaid construction costs

This refers to prepaid costs incurred in the construction of the new five-star Aristo International Hotel and Casino in Lao Cai, Northern Vietnam.

Note 13. Current assets – other

	Consolidated	
	2014	2013
	\$	\$
Bonds and security deposits	8,167	18,012
Tax receivable	1,238,204	28,371
Other debtors	991,889	99,078
	2,238,260	145,461

Note 14. Current assets – assets of disposal groups classified as held for sale

	Consolidated	
	2014	2013
	\$	\$
Cash and cash equivalents	1,461,228	–
Trade and other receivables	4,003,057	–
Other current assets	21,693	–
Property, plant and equipment	25,045	–
Other non-current assets	195,793	–
	5,706,816	–

Notes to the Consolidated Financial Statements as at 30 June 2014

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

	Consolidated	
	2014	2013
	\$	\$
Land right	56,642	52,357
Less: Accumulated depreciation	(22,863)	–
	33,779	52,357
Leasehold buildings and structures – at cost	1,170,778	1,131,881
Less: Accumulated depreciation	(488,769)	(392,042)
	682,009	739,839
Machinery and equipment – at cost	3,699,023	1,741,034
Less: Accumulated depreciation	(1,366,871)	(1,258,050)
	2,332,152	482,984
Motor vehicles – at cost	512,538	262,984
Less: Accumulated depreciation	(143,948)	(79,253)
	368,590	183,731
Office equipment and other – at cost	1,671,963	214,613
Less: Accumulated depreciation	(202,541)	(120,559)
	1,469,422	94,054
	4,885,952	1,552,965



Notes to the Consolidated Financial Statements as at 30 June 2014

Reconciliations

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

	Land right	Leasehold buildings and structures	Machinery and equipment	Motor vehicles	Office equipment and other	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	52,357	714,278	91,100	119,070	96,795	1,073,600
Additions	–	14,937	18,022	88,327	23,986	145,272
Additions through business combinations (Note 41)	–	–	438,146	–	–	438,146
Disposals	–	–	(83,525)	–	(10,021)	(93,546)
Exchange differences	–	(13,904)	(11,270)	(4,449)	39,030	9,407
Transfers in/(out)	–	76,261	86,180	11,652	(2,130)	171,963
Depreciation expense	–	(51,733)	(55,669)	(30,869)	(53,606)	(191,877)
Balance at 30 June 2013	52,357	739,839	482,984	183,731	94,054	1,552,965
Additions	–	–	1,766,859	270,120	1,230,192	3,267,171
Disposals	–	–	(12,950)	(50,415)	–	(63,365)
Exchange differences	–	(17,650)	191,130	(5,691)	190,257	358,046
Transfers in/(out)	–	–	12,950	28,338	–	41,288
Depreciation expense	(18,578)	(40,180)	(108,821)	(57,493)	(45,081)	(270,153)
Balance at 30 June 2014	33,779	682,009	2,332,152	368,590	1,469,422	4,885,952

Land right

Intangible asset of US\$53,355 which relates to a 30-year land use right in the Socialist Republic of Vietnam. The amortisation period is 30 years with a remaining amortisation period of 20 years.

Note 16. Non-current assets – intangibles

	Consolidated	
	2014	2013
	\$	\$
Goodwill – at cost	9,796,836	9,796,836

Notes to the Consolidated Financial Statements as at 30 June 2014

Reconciliations

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

	Consolidated	
	Goodwill	Total
	\$	\$
Balance at 1 July 2012	–	–
Additions through business combinations (Note 41)	9,796,836	9,796,836
Balance at 30 June 2013	9,796,836	9,796,836
Balance at 30 June 2014	9,796,836	9,796,836

Impairment testing of goodwill

Goodwill is monitored by the Chief Operating Decision Maker ('CODM') at the cash generating level. CODM reviews the business performance based on geography and type of business. It has identified two reportable cash generating segments. A business-level summary of the goodwill allocation is presented below:

	Consolidated	
	2014	2013
	\$	\$
Donaco Singapore	2,426,187	2,426,187
iSentric	7,370,649	7,370,649
Total goodwill	9,796,836	9,796,836

The recoverable amount of the iSentric cash generating unit was determined using the fair value less costs of disposal approach based on the binding Share Sale and Purchase Agreement executed on 9 May 2014. Accordingly, the recoverable amount of the iSentric cash generating unit is \$11,400,000, based on the contract price of \$12 million, less expected costs of disposal of \$600,000. The Directors have determined this is a level 1 valuation. In the prior reporting period the recoverable amount of the iSentric cash generating unit was determined using a value in-use approach, however as the iSentric business is to be sold the fair value less costs of disposal approach was deemed to be more appropriate in the current year.

The recoverable amount of the cash generating unit of Donaco Singapore 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 and casino licences with indefinite useful lives are 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 FY15 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.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 17. Non-current assets – construction in progress

	Consolidated	
	2014	2013
	\$	\$
Property construction works in progress – at cost	39,151,630	12,336,321

Reconciliations

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

	Consolidated	
	Property construction works in progress	Total
	\$	\$
Balance at 1 July 2012	3,038,891	3,038,891
Additions	9,030,366	9,030,366
Exchange differences	267,064	267,064
Balance at 30 June 2013	12,336,321	12,336,321
Additions	27,005,239	27,005,239
Exchange differences	(189,930)	(189,930)
Balance at 30 June 2014	39,151,630	39,151,630

All borrowing costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of the qualifying asset, that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of the asset, until substantially all those activities necessary to prepare the qualifying asset for its intended use, or sale, are complete. Total capitalised as at 30 June 2014 is \$1,232,870.

Note 18. Non-current assets – other

	Consolidated	
	2014	2013
	\$	\$
Other debtors	1,061,041	122,007
Product development	–	93,448
	1,061,041	215,455

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 19. Current liabilities – trade and other payables

	Consolidated	
	2014	2013
	\$	\$
Trade payables	1,909,478	1,534,988
Deposits received	85,989	22,118
Floating chips	9,282,203	9,626,898
Other payables and accrued expenses	1,357,462	263,231
	12,635,132	11,447,235

Refer to Note 32 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 20. Current liabilities – borrowings

	Consolidated	
	2014	2013
	\$	\$
Bank loans	1,446,596	–

Refer to Note 25 for further information on assets pledged as security and financing arrangements.

Refer to Note 32 for further information on financial instruments.

Total secured liabilities

The total secured current liabilities are as follows:

	Consolidated	
	2014	2013
	\$	\$
VND 26,028,269,490 – 7 years at 12.5% pa	1,298,841	–
VND 2,922,727,024 – 7 years at 6% pa	147,755	–
	1,446,596	–

Assets pledged as security

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

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 21. Current liabilities – income tax

	Consolidated	
	2014	2013
	\$	\$
Provision for i1	4,851,700	5,171,114

Note 22. Current liabilities – employee benefits

	Consolidated	
	2014	2013
	\$	\$
Annual leave	32,928	56,425
Unpaid wages	–	337,607
Other	37,562	63,114
	70,490	457,146

Note 23. Current liabilities – other

	Consolidated	
	2014	2013
	\$	\$
Foreign government charges or levies	–	57,401
Other	–	5,642
	–	63,043

Note 24. Current liabilities – liabilities directly associated with assets classified as held for sale

	Consolidated	
	2014	2013
	\$	\$
Trade payables	2,688,331	–
Other payables	302,432	–
Provision for income tax	8,134	–
	2,998,897	–

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 25. Non-current liabilities – borrowings

	Consolidated	
	2014	2013
	\$	\$
Bank loans	10,608,370	–

Refer to Note 32 for further information on financial instruments.

The above represents a non-current loan with Ocean Bank for US\$9,992,813 (VND 212,307,309,036) as at 30 June 2014 (2013: 0) for the capital works on the new Lao Cai Hotel and Casino.

Total secured liabilities

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

	Consolidated	
	2014	2013
	\$	\$
Bank loans	12,054,966	–

On 11 July 2011, the Lao Cai International Hotel Joint Venture (the Borrower) entered into a loan agreement with Joint Stock Commercial Ocean Bank (the Lender) for a lending facility of VND 180 billion for use towards construction of the new Lao Cai International Hotel. A second agreement was signed on 25 December 2013 for a lending facility for an additional VND 180 billion.

The total facility at 30 June 2014 is VND 360 billion (2014: AU\$17,988,139, 2013: AU\$9,225,899). Total borrowings at 30 June 2014 are \$12,054,966 (2013: 0). Available unused facility as at 30 June is 2014 \$5,933,173 (2013: \$9,225,899). The term of the loan is seven years payable by 2 October 2020.

Assets pledged as security

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

Financing arrangements

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

	Consolidated	
	2014	2013
	\$	\$
Total facilities		
Bank loans	17,988,139	9,225,899
Used at the reporting date		
Bank loans	12,054,966	–
Unused at the reporting date		
Bank loans	5,933,173	9,225,899

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 26. Non-current liabilities – employee benefits

	Consolidated	
	2014	2013
	\$	\$
Long service leave	20,485	32,969

Note 27. Equity – issued capital

	Consolidated			
	2014 Shares	2013 Shares	2014 \$	2013 \$
	Ordinary shares – fully paid	460,282,631	371,719,896	129,964,909

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2012	268,530,760	1,619	
Issued shares	17 September 2012	6,666,667	\$0.000	–
Issued shares	18 September 2012	10,000,000	\$0.000	–
Adjustment for 20:1 consolidation	31 January 2013	(270,937,647)	\$0.000	(1,619)
Shares issued under Donaco Singapore Pty Ltd merger	1 February 2013	261,724,250	\$0.130	3,374,826
Shares issued under iSentric Sdn Bhd acquisition	1 June 2013	22,368,420	\$0.380	8,500,000
Capital raising	multiple	73,292,571	\$0.340	25,000,000
Shares issued under options	multiple	74,875	\$0.300	22,463
Employee share options lapsed	multiple	–	\$0.000	(11,837)
Unissued shares written off	30 June 2013	–	\$0.000	(401,184)
Less: transaction costs arising on share issue	–	–	\$0.000	(1,791,331)
Balance	30 June 2013	371,719,896		34,692,937
Issued shares	26 November 2013	29,300,000	\$0.860	25,198,000
Issued shares	16 December 2013	20,000	\$0.860	17,200
Issued shares	1 April 2014	26,748,344	\$1.330	35,575,297
Issued shares	12 May 2014	29,642,635	\$1.330	39,424,705
DNAO option conversion	multiple	2,851,756	\$0.300	858,705
Unissued shares	31 December 2013	–	\$0.000	(300,000)
Less: transaction costs arising on share issue	multiple	–	\$0.000	(5,501,935)
Balance	30 June 2014	460,282,631		129,964,909

Notes to the Consolidated Financial Statements as at 30 June 2014

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.

Share buy-back

There is a current on-market share buy-back, which was announced to the ASX on 22 July 2014.

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

The capital risk management policy remains unchanged from the 2013 Annual Report.

Note 28. Equity – reserves

	Consolidated	
	2014	2013
	\$	\$
Foreign currency reserve	(478,093)	964,633

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Movements in reserves

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

	Foreign currency	Total
	\$	\$
Consolidated		
Balance at 1 July 2012	(276,544)	(276,544)
Foreign currency translation	1,241,177	1,241,177
Balance at 30 June 2013	964,633	964,633
Foreign currency translation	(1,442,726)	(1,442,726)
Balance at 30 June 2014	(478,093)	(478,093)

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 29. Equity – retained profits

	Consolidated	
	2014	2013
	\$	\$
Retained profits at the beginning of the financial year	12,745,584	5,707,548
Profit after income tax expense for the year	6,793,403	7,026,199
Transfer from contributed equity	300,000	11,837
Adjustment on the acquisition of non-controlling interest	(1,148,128)	–
Retained profits at the end of the financial year	18,690,859	12,745,584

Note 30. Equity – non-controlling interest

	Consolidated	
	2014	2013
	\$	\$
Retained profits	1,058,788	3,599,303

Note 31. Equity – dividends

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

Note 32. 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 interest rates and foreign exchange rates 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, namely Vietnam and Malaysia.

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.

Notes to the Consolidated Financial Statements as at 30 June 2014

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2014	2013	2014	2013
Australian Dollars				
US Dollar (USD)	1.0931	0.9736	1.0616	1.0782
Vietnamese Dong (VND)	0.0001	0.0001	0.0001	0.0001
Malaysia Ringgit (MYR)	0.3359	0.3366	0.3307	0.3403
Singapore Dollar (SGD)	0.9070	0.8409	0.8501	0.8529

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2014	2013	2014	2013
Consolidated	\$	\$	\$	\$
US Dollar	8,325,884	11,026,604	(2,265,498)	(172,826)
Vietnamese Dong	24,407,168	20,684,785	(11,939,946)	(465,487)
Chinese RenMinBi	5,234,206	6,595,276	(10,076,241)	(9,682,576)
Malaysia Ringgit	29,269	27,228	(1,058)	(4,651)
Singapore Dollar	46,987	34,981	(7,644)	(16,619)
	38,043,514	38,368,874	(24,290,387)	(10,342,159)

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.

Consolidated – 2014	AUD strengthened	
	% change	Effect on profit after tax
US Dollar	5	(303,019)
Vietnamese Dong	5	(623,361)
Chinese RenMinBi	5	242,101
Malaysia Ringgit	5	(1,410)
Singapore Dollar	5	(1,967)
		(687,656)

Notes to the Consolidated Financial Statements as at 30 June 2014

Consolidated – 2013	AUD strengthened	
	% change	Effect on profit after tax
US Dollar	5	(542,689)
Vietnamese Dong	5	(1,010,965)
Chinese RenMinBi	5	154,365
Malaysia Ringgit	5	(1,129)
Singapore Dollar	5	(918)
		(1,401,336)

A 5% weakening of the Australian dollar 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 main interest rate risk arises from cash and cash equivalents.

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

	2014		2013	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	\$	%	\$
Bank loans	(9.00)	(12,054,966)	–	–
Cash on hand and short-term deposits	–	17,015,447	–	9,951,954
Cash at bank and long-term deposits	3.35	81,019,491	5.60	19,452,251
Net exposure to cash flow interest rate risk		85,979,972		29,404,205

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.

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.

Notes to the Consolidated Financial Statements as at 30 June 2014

Notes to the Consolidated Financial Statements as at 30 June 2014

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2014	2013
	\$	\$
Bank loans	5,933,173	9,225,899

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of six years (2013: seven years).

On 11 July 2011, the Lao Cai International Hotel Joint Venture (the Borrower) entered into a loan agreement with Joint Stock Commercial Ocean Bank (the Lender) for a lending facility of VND 180 billion, for use towards construction of the new Lao Cai International Hotel. A second agreement was signed on 25 December 2013 for a lending facility for an additional VND 180 billion. Total facility at 30 June 2014 is VND 360 billion (2014: AU\$17,988,139, 2013: AU\$9,225,899). Total borrowings at 30 June 2014 are \$12,054,966 (2013: 0). Available unused facility

as at 30 June 2014 \$5,933,173 (2013: \$9,225,899). The term of the loan is seven years payable by 2 October 2020.

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. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2014	%	\$	\$	\$	\$	\$
<i>Non-interest bearing</i>						
Trade payables	–	1,909,478	–	–	–	1,909,478
Floating chips	–	9,282,203	–	–	–	9,282,203
<i>Interest-bearing – fixed rate</i>						
Borrowings	12.50	1,446,596	1,768,062	5,304,186	3,536,122	12,054,966
Total		12,638,277	1,768,062	5,304,186	3,536,122	23,246,647

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2013	%	\$	\$	\$	\$	\$
<i>Non-interest bearing</i>						
Trade payables	–	1,534,988	–	–	–	1,534,988
Floating chips	–	9,912,247	–	–	–	9,912,247
Total		11,447,235	–	–	–	11,447,235

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

Note 33. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 34. Key management personnel disclosures

Directors

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

Stuart James McGregor	Non-executive Chairman
Joey Lim Keong Yew	Managing Director and Chief Executive Officer
Benedict Paul Reichel	Executive Director, Group General Counsel and Company Secretary
Benjamin Lim Keong Hoe	Non-executive Director
Robert Andrew Hines	Non-executive Director (appointed on 1 November 2013)
Gerald Nicholas Tan Eng Hoe	Non-executive Director (resigned on 6 September 2013)
Mak Siew Wei	Non-executive Director (resigned on 23 December 2013)

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:

Richard Na Chun Wee	Chief Financial Officer and Deputy Group Chief Executive Officer
Kenny Goh Kwey Biaw	Deputy Chief Financial Officer and CEO of Donaco Singapore

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	1,644,176	738,958
Post-employment benefits	42,407	29,782
Long-term benefits	–	2,699
	1,686,583	771,439

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company, and unrelated firms:

	Consolidated	
	2014	2013
	\$	\$
<i>Audit services – William Buck</i>		
Audit or review of the financial statements	80,000	61,539
<i>Other services – William Buck</i>		
Preparation of the tax return	5,000	18,167
Due diligence	–	18,500
	5,000	36,667
	85,000	98,206
<i>Audit services – unrelated firms</i>		
Audit or review of the financial statements	33,564	75,292
<i>Other services – unrelated firms</i>		
Preparation of the tax return	6,667	–
Due diligence	220	58,875
	6,887	58,875
	40,451	134,167

Note 36. Contingent assets

The consolidated entity has no contingent assets as at 30 June 2014 and 30 June 2013.

Note 37. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2014 and 30 June 2013.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 38. Commitments

	Consolidated	
	2014	2013
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property construction works	7,012,564	32,527,314
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	55,200	153,482
One to five years	182,719	96,000
	237,919	249,482

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.

Mortgage to Ocean Bank of Vietnam

A mortgage was registered by the Ocean Bank of Vietnam over the assets of the Lao Cai International Hotel on 11 July 2011. Total borrowings as per the statement of financial position as at 30 June 2014 under this arrangement were \$12,054,966. (2013: 0).



Notes to the Consolidated Financial Statements as at 30 June 2014

Note 39. 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 42.

Key management personnel

Disclosures relating to key management personnel are set out in Note 34 and the remuneration report in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
Other transactions:		
Dividends paid by controlling entities to non-controlling interest	(821,540)	(734,488)
Legal consultancy – B P Reichel	–	61,530
Management fee – associated entities	47,394	9,382

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2014	2013
	\$	\$
Current receivables:		
Amount owing to Donaco Singapore Pte Ltd by associated entity	27,039	25,838
Amount owing to iSentric Sdn Bhd by associated entity	–	13,306

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.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 40. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	\$	\$
Loss after income tax	(813,264)	(491,198)
Total comprehensive income	(813,264)	(491,198)

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	81,494,286	4,369,342
Total assets	130,996,072	32,059,157
Total current liabilities	287,577	560,320
Total liabilities	308,065	712,160
Equity		
Issued capital	181,302,812	86,030,839
Accumulated losses	(50,614,805)	(50,298,741)
Total equity	130,688,007	35,732,098

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

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.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 41. Business combinations

The following refers to business combinations that occurred in the 2013 financial year. No business combinations occurred in the 2014 financial year.

Donaco Singapore Pte Ltd

On 1 February 2013, the company acquired 100% of the issued share capital of Donaco Singapore Pte Ltd, a Singapore registered company, whose principal asset at the time was a 75% ownership of the Lao Cai International Hotel Joint Venture Company ('JV Company'). JV Company is the entity that owns the Lao Cai International Hotel in Lao Cai, Vietnam, a 34-room hotel with a restaurant and a fully operational casino. The other

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	890,763
Trade receivables	110,678
Prepayments	3,457
Other current assets	419,196
Plant and equipment	3,424
Trade payables	(190,058)
Employee benefits	(241,654)
Other liabilities	(47,167)
Net assets acquired	948,639
Goodwill	2,426,187
Acquisition-date fair value of the total consideration transferred	3,374,826
Representing:	
Donaco International Limited shares issued to vendor	3,374,826

	Consolidated	
	2014	2013
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	–	3,374,826
Less: cash and cash equivalents acquired	–	(890,763)
Less: shares issued by company as part of consideration	–	(3,374,826)
Net cash received	–	(890,763)

25% of the JV Company was owned by Petro Vietnam Sapa Tourism Joint Stock Company, an entity associated with the Government of Vietnam. The acquired business contributed revenues of \$1,471,071 and net profit before tax of \$333,792 to the consolidated entity for the period from 1 February 2013 to 30 June 2013. Pursuant to Australian Accounting Standard AASB 3: *Business Combinations*, this merger represents a reverse acquisition with the result that Donaco Singapore Pte Ltd was identified as the acquirer, for accounting purposes, of Donaco International Limited (the acquiree) and (legal parent). The consolidated financial statements and share capital represents the continuation of Donaco Singapore Pte Ltd. The number of shares on issue reflect those of Donaco International Limited.

Notes to the Consolidated Financial Statements as at 30 June 2014

iSentric Sdn Bhd

On 1 June 2013, the company acquired 100% of the issued share capital of iSentric Sdn Bhd, a mobile services business in South-East Asia for \$8.5 million. To effect the completion of the acquisition, the Company issued 22,368,420 fully paid ordinary shares to the vendors at an agreed price of \$0.38 per share (totalling \$8,500,000). The acquired business contributed revenues of \$469,871 and net profit before tax of \$65,195 to the consolidated entity for the period from 1 June 2013 to 30 June 2013.

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	297,534
Trade receivables	2,139,616
Prepayments	33,615
Other current assets	18,950
Plant and equipment	31,700
Other non-current assets	60,600
Trade payables	(1,190,781)
Employee benefits	(261,883)
Net assets acquired	1,129,351
Goodwill	7,370,649
Acquisition-date fair value of the total consideration transferred	8,500,000
Representing:	
Donaco International Limited shares issued to vendor	8,500,000

	Consolidated	
	2014	2013
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	–	8,500,000
Less: cash and cash equivalents acquired	–	(297,534)
Less: shares issued by company as part of consideration	–	(8,500,000)
Net cash received	–	(297,534)

Had both these business combinations been effected at 1 July 2012, the revenue of the consolidated entity for 2013 would have been \$26,502,746 and net profit \$12,913,805.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 42. 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:

Name	Principal place of business/country of incorporation	Ownership interest	
		2014	2013
		%	%
Donaco Australia Pty Ltd	Australia	100.00	100.00
Way2Bet Pty Ltd	Australia	90.00	90.00
Donaco Singapore Pte Ltd (acquired on 1 February 2013)	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	75.00
iSentric Sdn Bhd (acquired on 1 June 2013)	Malaysia	100.00	100.00

* Subsidiary of Donaco Singapore Pte Ltd



Notes to the Consolidated Financial Statements as at 30 June 2014

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

Lao Cai International Hotel Joint Venture Company

	2014	2013
	\$	\$
Summarised statement of financial position		
Current assets	32,597,267	27,570,887
Non-current assets	45,564,285	13,779,028
Total assets	78,161,552	41,349,915
Current liabilities	29,002,058	16,455,853
Non-current liabilities	29,594,711	10,753,508
Total liabilities	58,596,769	27,209,361
Net assets	19,564,783	14,140,554
Summarised statement of profit or loss and other comprehensive income		
Revenue	19,381,119	15,810,415
Expenses	(7,311,782)	(4,240,257)
Profit before income tax expense	12,069,337	11,570,158
Income tax expense	(2,847,373)	(2,871,576)
Profit after income tax expense	9,221,964	8,698,582
Other comprehensive income	-	-
Total comprehensive income	9,221,964	8,698,582
Statement of cash flows		
Net cash from operating activities	10,144,827	15,076,734
Net cash used in investing activities	(40,573,413)	(17,373,579)
Net cash from financing activities	25,962,545	8,764,872
Net increase/(decrease) in cash and cash equivalents	(4,466,041)	6,468,027
Other financial information		
Profit attributable to non-controlling interests	1,476,679	2,017,037
Accumulated non-controlling interests at the end of reporting period	1,058,788	3,599,303

On 24 July 2013, the Company announced that it had signed a non-binding Memorandum of Understanding (MOU) with its joint venture partner, PetroVietnam Sapa Tourism Joint Stock Company (PVST), to increase the Company's stake in the Lao Cai International Hotel Joint Venture Company (JVC). Previously the Company owned 75% of the JVC, with the remaining 25% held by PVST, which is an entity owned by the Government of Vietnam. Under the MOU, the Company was to increase its stake in the JVC to 95%, with the remaining 5% continuing to be held by the Government of Vietnam.

On 30 December 2013, the Company announced that it had signed a binding Capital Transfer Agreement to implement the

transfer of the 20% stake, in accordance with the MOU at a cost of \$4,470,400 (US\$4 million). At the date immediately prior to the transaction, the carrying amount of the NCI was \$4,152,840 (US\$3,715,855). The impact of the transaction on equity was a reduction to retained profits of \$1,148,128 and \$3,322,272 to NCI.

On 4 February 2014, the Company announced that the formal requirements for the transfer had been completed, and that Donaco Singapore Pte Ltd now owns 95% of the JVC, with effect from 1 January 2014. The remaining 5% stake was transferred from PVST to Lao Cai Tourism Co Ltd, an entity also owned by the Government of Vietnam.

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 43. Events after the reporting period

Spin-off of iSentric Sdn Bhd

On 26 February 2014, the Company announced that it planned to spin off its mobile technology business, which trades under the name iSentric, into a new company separately listed on the ASX. A binding Share Sale and Purchase Agreement to implement the transaction was signed with OMI Holdings Limited (ASX: OMI) on 9 May 2014.

The transaction was completed on 23 September 2014, when iSentric Limited listed on the ASX. Donaco distributed its shares in the newly listed entity to Donaco shareholders in specie on 16 September 2014. Donaco shareholders with a minimum of 19,206 shares on the record date of 12 September 2014 received approximately 0.13 iSentric shares for each Donaco share. Holders of fewer Donaco shares will have their entitlements sold, and will receive the proceeds of sale (less costs) in cash.

Employee Option Allocation

At the Annual General Meeting on 21 November 2013, shareholders approved the establishment of a long-term incentive (LTI) plan for executives, consisting of the 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.

No other matter or circumstance has arisen since 30 June 2014 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.

Note 44. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2014	2013
	\$	\$
Profit after income tax expense for the year	8,270,082	9,043,236
Adjustments for:		
Depreciation and amortisation	292,090	191,877
Foreign exchange relating to capital raising	1,545,565	945,158
Interest on investing activities	(77,117)	(118,614)
Net gain on sale of assets	(9,861)	(23,670)
Equity and investing costs in trade creditors	-	28,450
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,408,358	(2,508,984)
Increase in inventories	(1,180,516)	(115,270)
Increase in other operating assets	(2,092,799)	(7,998,850)
Increase in trade and other payables	1,187,897	2,629,065
Increase/(decrease) in provision for income tax	(319,414)	1,596,585
Increase/(decrease) in employee benefits	(399,140)	432,461
Increase in other provisions	63,043	-
Net cash from operating activities	9,688,188	4,101,444

Notes to the Consolidated Financial Statements as at 30 June 2014

Note 45. Earnings per share

	Consolidated	
	2014	2013
	\$	\$
Earnings per share for profit from continuing operations		
Profit after income tax	6,699,952	8,981,719
Non-controlling interest	(1,476,679)	(2,017,037)
Profit after income tax attributable to the owners of Donaco International Limited	5,223,273	6,964,682

	Number	
	2014	2013
Weighted average number of ordinary shares used in calculating basic earnings per share	306,593,004	277,827,871
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	7,869,582	7,388,761
Weighted average number of ordinary shares used in calculating diluted earnings per share	314,462,586	285,216,632

	Cents	
	2014	2013
Basic earnings per share	1.70	2.51
Diluted earnings per share	1.66	2.44

	Consolidated	
	2014	2013
	\$	\$
Earnings per share for profit from discontinued operations		
Profit after income tax attributable to the owners of Donaco International Limited	1,570,130	61,517

	Number	
	2014	2013
Weighted average number of ordinary shares used in calculating basic earnings per share	306,593,004	277,827,871
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	7,869,582	7,388,761
Weighted average number of ordinary shares used in calculating diluted earnings per share	314,462,586	285,216,632

	Cents	
	2014	2013
Basic earnings per share	0.51	0.02
Diluted earnings per share	0.50	0.02

Notes to the Consolidated Financial Statements as at 30 June 2014

Directors' Declaration 30 June 2014

	Consolidated	
	2014	2013
	\$	\$
Earnings per share for profit		
Profit after income tax	8,270,082	9,043,236
Non-controlling interest	(1,476,679)	(2,017,037)
Profit after income tax attributable to the owners of Donaco International Limited	6,793,403	7,026,199
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	306,593,004	277,827,871
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	7,869,582	7,388,761
Weighted average number of ordinary shares used in calculating diluted earnings per share	314,462,586	285,216,632
	Cents	Cents
Basic earnings per share	2.22	2.53
Diluted earnings per share	2.16	2.46

Note 46. Share-based payments

Employee option allocation

At the Annual General Meeting on 21 November 2013, shareholders approved the establishment of a long-term incentive (LTI) plan for executives, consisting of the 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.

Expired employee options

The 2008 Series B options granted as remuneration to the key management personnel of the consolidated entity were granted progressively over the 2009 financial year, commencing from 1 July 2008. The options vested two years after each grant date and expired progressively throughout the 2013 financial year, commencing 1 July 2012 with the last expiry date being 1 June 2013.

In the Directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr Stuart McGregor
Chairman

29 September 2014
Sydney

Independent Auditor's Report to the Members of Donaco International Limited

Independent Auditor's Report to the Members of Donaco International Limited



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONACO INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising of Donaco International Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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Sydney NSW 2000
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONACO INTERNATIONAL LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the year ended 30 June 2014. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Donaco International Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Donaco International Limited for the year ended 30 June 2014 included on Donaco International Limited's web site. The company's directors are responsible for the integrity of the Donaco International Limited web site. We have not been engaged to report on the integrity of the Donaco International Limited web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt
Partner
Sydney, 29 September 2014

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2014.

Distribution of equitable securities

Analysis of the number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	501	238
1,001 to 5,000	886	98
5,001 to 10,000	493	29
10,001 to 100,000	930	58
100,001 and over	155	8
	2,965	431
Holding less than a marketable parcel	219	215

Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Convent Fine Limited	77,583,818	16.86
HSBC Custody Nominees (Australia) Limited	71,836,167	15.61
Slim Twinkle Limited	37,702,227	8.19
Keong Yew Lim	31,540,155	6.85
Citicorp Nominees Pty Limited	27,235,182	5.92
J.F. Morgan Nominees Australia Limited	23,074,498	5.01
National Nominees Limited	21,215,169	4.61
RBC Investor Services Australia Nominees Pty Limited	19,900,267	4.32
Convent Fine Limited	12,269,500	2.67
BNP Paribas Noms Pty Ltd	11,869,086	2.58
Slim Twinkle Limited	5,195,500	1.13
Warbont Nominees Pty Ltd	5,120,146	1.11
National Nominees Limited	5,109,079	1.11
Mr Gerald Nicholas Eng Hoe Tan	3,691,250	0.80
HSBC Custody Nominees (Australia) Limited – A/C 2	3,508,479	0.76
UOB Kay Hian Private Limited	3,508,068	0.76
Chun Wee Na	3,155,000	0.69
HSBC Custody Nominees (Australia) Limited-Gsco Eca	2,967,616	0.64
Holdex Nominees Pty Ltd	2,500,000	0.54
N2 Partners Sdn Bhd	2,300,000	0.50
	371,281,207	80.66

Shareholder Information

	Options over ordinary shares	
	Number held	% of total options issued
UBS Nominees Pty Ltd	472,125	11.71
Citicorp Nominees Pty Limited	407,489	10.10
HSBC Custody Nominees (Australia) Limited	370,684	9.19
DMG & Partners Securities Pte Ltd	240,000	5.95
Samuel Hewlings Chisholm	166,864	4.14
Family Pty Ltd	152,500	3.78
Screecree Pty Ltd	116,508	2.89
Mr Gerald Nicholas Eng Hoe Tan	109,375	2.71
Mrs Kerry Ann Ratsamee Nutt	75,000	1.86
Mr Michael Lynch	55,000	1.36
Dugdale Family Super Pty Ltd	51,750	1.28
Mr Stephen Henry Bell & Mrs Jane Kathleen Berveling	50,000	1.24
Chee Chiang Tee	47,500	1.18
ABN AMRO Clearing Sydney Nominees Pty Ltd	42,388	1.05
Mr Gerard Francis McMahon & Mrs Leslie Elizabeth McMahon	42,000	1.04
Topvale Investments Pty Ltd	40,025	0.99
Mr Clarke Dudley	40,000	0.99
Mr Michael Skitt & Mrs Robyn Kay Skitt	40,000	0.99
Bearfix Pty Ltd	37,500	0.93
Mr David Lipari & Mrs Paula Lipari & Mrs Janice Lipari	35,000	0.87
	2,591,708	64.25

Unquoted equity securities

	Number on issue	Number of holders
Employee options	4,010,511	7
Main Ace Investments Limited – 56 cent options expiring 17 January 2015	562,500	1
Main Ace Investments Limited – 56 cent options expiring 1 March 2015	125,000	1
Main Ace Investments Limited – 56 cent options expiring 17 May 2015	125,000	1

Shareholder Information

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Lim Keong Yew	207,281,355	45.03
Lim Keong Hoe	174,291,200	37.87
Perpetual Limited and subsidiaries	23,203,453	5.04

Voting rights

The voting rights attached to ordinary shares and options are set out 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.

There are no other classes of equity securities.



Corporate Directory for the year ended 30 June 2014

Directors

Stuart James McGregor – Chairman
Joey Lim Keong Yew
Benedict Paul Reichel
Benjamin Lim Keong Hoe
Robert Andrew Hines (appointed on 1 November 2013)
Gerald Nicholas Tan Eng Hoe (resigned on 6 September 2013)
Mak Siew Wei (resigned on 23 December 2013)

Company Secretary

Benedict Paul Reichel

Registered Office

Suite 2.02, 55 Miller Street
Pyrmont NSW 2009

Telephone: +61 2 9017 7000
Facsimile: +61 2 9017 7001

Principal Place of Business

Suite 2.02, 55 Miller Street
Pyrmont NSW 2009

Share Register

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: +61 2 9290 9600

Auditor

William Buck
Level 29, 66 Goulburn Street
Sydney NSW 2000

Stock Exchange Listing

Donaco International Limited shares are listed on the Australian Securities Exchange (ASX code: DNA)

Website

www.donacointernational.com

General Information

The financial statements cover Donaco International Limited as a consolidated entity consisting of Donaco International Limited and its subsidiaries. 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:

Suite 2.02
55 Miller Street
Pyrmont NSW 2009

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 29 September 2014. The directors have the power to amend and reissue the financial statements.

For personal use only



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