

ASX : DNA

asx release



8 March 2016

Reclassification of Mega Bank Loan

Donaco International Limited (“**Donaco**” or “**the Company**”) refers to its December 2015 half-year accounts lodged with the ASX on 24 February 2016.

In the statement of financial position, the loan from Mega Bank of Taiwan (USD100 million, AUD 131.47 million) was classified as a current liability (refer to notes 8 and 9 to the accounts). This was overly conservative, because only some of the principal amount – not all of it – is repayable within the next 12 months.

As at 31 December 2015, the amount repayable within 12 months was USD25 million, consisting of USD10 million payable on 1 January 2016 (now paid), and USD15 million payable on 1 July 2016. A further USD15 million is payable on 1 January 2017.

In accordance with previous announcements, Donaco confirms that the loan has a three year term, from the date of draw down on 2 July 2015.

Following discussions with the auditors, the Board has decided to formally re-issue the December 2015 half year accounts, with the loan re-classified into the correct current and non-current portions. A copy of the restated accounts is attached.

The loan repayment schedule is not onerous, given the Company’s strong cash flow generation. Cash flow from operations in the December 2015 half was AUD43.98 million.

For further information:

Ben Reichel
Executive Director

(m) +61 412 060 281

ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure and entertainment businesses across the Asia Pacific region.

Our major business is the Star Vegas Resort and Club, a successful casino and hotel complex in Poipet, Cambodia, on the border with Thailand. Star Vegas was established in 1999, and is the largest and highest quality of the Poipet casino hotels. The property has more than 100 gaming tables, more than 1400 slot machines, and 385 hotel rooms.

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

To learn more about Donaco visit www.donacointernational.com

Donaco International Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Donaco International Limited
 ABN: 28 007 424 777
 Reporting period: For the half-year ended 31 December 2015
 Previous period: For the half-year ended 31 December 2014

2. Results for announcement to the market

| | | | \$ |
|--|----|--------------------|--------------------|
| Revenues from ordinary activities | up | 504.2% to | 68,872,040 |
| Profit from ordinary activities after tax attributable to the owners of Donaco International Limited | up | 1794.8% to | 14,133,999 |
| Profit for the half-year attributable to the owners of Donaco International Limited | up | 1794.8% to | 14,133,999 |
| | | 31 Dec 2015 | 31 Dec 2014 |
| | | Cents | Cents |
| Basic earnings per share | | 1.70 | 0.16 |
| Diluted earnings per share | | 1.69 | 0.15 |

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$14,133,999 (31 December 2014: \$745,927).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | 2.27 | 59.71 |

4. Control gained over entities

Name of entities (or group of entities) DNA Star Vegas Co Ltd
 Date control gained 1 July 2015

| | \$ |
|--|------------|
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | 36,921,001 |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material) | - |

5. Loss of control over entities

Name of entities (or group of entities) Not Applicable
 Date control lost

Donaco International Limited
Appendix 4D
Half-year report

\$

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)

Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

| Name of associate / joint venture | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|---|---------------------------------------|-------------------|--|--------------------|
| | Reporting period % | Previous period % | Reporting period \$ | Previous period \$ |
| Lao Cai International Hotel Joint Venture Company | 95.00% | 95.00% | 3,421,499 | 957,690 |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> | | | | |
| Profit/(loss) from ordinary activities before income tax | | | 3,421,499 | 957,690 |
| Income tax on operating activities | | | - | - |

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report .

11. Attachments

Details of attachments (if any):

The Half Year Report of Donaco International Limited for the half-year ended 31 December 2015 is attached.

Donaco International Limited
Appendix 4D
Half-year report

12. Signed

Signed _____



Mr Robert A Hines
Audit Committee Chairman
Sydney

Date: 8 March 2016

Donaco International Limited

ABN 28 007 424 777

Half Year Report - 31 December 2015

Donaco International Limited
Corporate directory
31 December 2015

Directors

Stuart James McGregor - Chairman
Joey Lim Keong Yew - Managing Director and CEO
Benedict Paul Reichel - Executive Director
Benjamin Lim Keong Hoe - Non-Executive Director
Robert Andrew Hines - Non-Executive Director
Ham Techatut Sukjaroenkraisri - Executive Director (appointed 1 July 2015)
Paul Porntat Amatavivadhana - Non-Executive Director (appointed 1 July 2015)

Company secretary

Benedict Paul Reichel

Registered office

Suite 2.02
55 Miller Street
Pyrmont NSW Australia
Telephone: (02) 9017 7000
Facsimile: (02) 9017 7001

Principal place of business

Suite 2.02
55 Miller Street
Pyrmont NSW Australia

Share register

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2009

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

Donaco International Limited

Directors' report

31 December 2015

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 half-year ended 31 December 2015.

Directors

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

Stuart James McGregor - Chairman
Joey Lim Keong Yew - Managing Director and CEO
Benedict Paul Reichel - Executive Director
Benjamin Lim Keong Hoe - Non-Executive Director
Robert Andrew Hines - Non-Executive Director
Ham Techatut Sukjaroenkraisri - Executive Director (appointed 1 July 2015)
Paul Porntat Amatavivadhana - Non-Executive Director (appointed 1 July 2015)

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of the operation of leisure and hospitality businesses across the Asia Pacific region. This included:

- operation of a hotel and casino in Vietnam;
- operation of a hotel and casino in Cambodia; and
- acquisition and disposal of businesses.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$14,133,999 (31 December 2014: \$745,927).

Full details on the financial performance and activities of the consolidated entity are provided in the investor presentation released to the market on 24 February 2016.

Significant changes in the state of affairs

During the financial half year, the consolidated entity successfully completed the acquisition of the Star Vegas Resort and Club in Poipet, Cambodia. Full details are provided under "Control gained over entities", and in notes 8, 9, 14 and 15 to the accounts.

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

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.

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

On behalf of the directors



Mr Robert A Hines
Audit Committee Chairman

8 March 2016

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 half-year ended 31 December 2015 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.

A handwritten signature in black ink that reads 'William Buck' in a cursive script.

William Buck
ABN 16 021 300 521

A handwritten signature in black ink that reads 'Michele Nevill' in a cursive script.

Michele Nevill
Partner
Dated this 8th day of March, 2016

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Level 29, 66 Goulburn Street
Sydney NSW 2000
Telephone: +61 2 8263 4000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150
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Parramatta NSW 2124
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Donaco International Limited

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31 December 2015

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General information

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

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

Suite 2.02
55 Miller Street
Pyrmont NSW 2009
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 March 2016.

Donaco International Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

| | | Consolidated | |
|---|-------------|--------------------------|-------------------------|
| | Note | 31 Dec 2015 | 31 Dec 2014 |
| | | \$ | \$ |
| Revenue from continuing operations | 3 | 68,872,040 | 10,235,097 |
| Other income | | 253,026 | 93,660 |
| Total revenue | | <u>69,125,066</u> | <u>10,328,757</u> |
| Expenses | | | |
| Cost of sales | | (3,038,663) | (1,110,612) |
| Employee benefits expense | | (10,997,717) | (4,850,016) |
| Depreciation and amortisation expense | | (4,361,506) | (1,333,240) |
| Legal and compliance | | (442,696) | (253,132) |
| Marketing and promotions | | (2,427,292) | (139,566) |
| Gaming costs | | (3,133,071) | (127,828) |
| Professional and consulting fees | | (12,270,492) | (463,183) |
| Property costs | | (2,928,272) | (499,003) |
| Telecommunications and hosting | | (118,605) | (90,790) |
| Other expenses | | (6,061,440) | (2,119,593) |
| Finance costs | | (7,387,824) | (794,670) |
| Total expenses | | <u>(53,167,578)</u> | <u>(11,781,633)</u> |
| Profit/(loss) before income tax expense from continuing operations | | 15,957,488 | (1,452,876) |
| Income tax expense | | <u>(1,669,314)</u> | <u>(65,548)</u> |
| Profit/(loss) after income tax expense from continuing operations | | 14,288,174 | (1,518,424) |
| Profit after income tax expense from discontinued operations | 4 | <u>-</u> | <u>2,280,474</u> |
| Profit after income tax expense for the half-year | | 14,288,174 | 762,050 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>15,906,118</u> | <u>6,366,185</u> |
| Other comprehensive income for the half-year, net of tax | | <u>15,906,118</u> | <u>6,366,185</u> |
| Total comprehensive income for the half-year | | <u><u>30,194,292</u></u> | <u><u>7,128,235</u></u> |
| Profit for the half-year is attributable to: | | | |
| Non-controlling interest | | 154,175 | 16,123 |
| Owners of Donaco International Limited | 12 | <u>14,133,999</u> | <u>745,927</u> |
| | | <u><u>14,288,174</u></u> | <u><u>762,050</u></u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Continuing operations | | 154,175 | 16,123 |
| Discontinued operations | | - | - |
| Non-controlling interest | | <u>154,175</u> | <u>16,123</u> |
| Continuing operations | | 30,040,117 | 7,035,012 |
| Discontinued operations | | - | 77,100 |
| Owners of Donaco International Limited | | <u>30,040,117</u> | <u>7,112,112</u> |
| | | <u><u>30,194,292</u></u> | <u><u>7,128,235</u></u> |

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

Donaco International Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

| | | Consolidated | |
|---|-------------|---------------------|--------------------|
| | Note | 31 Dec 2015 | 31 Dec 2014 |
| | | \$ | \$ |
| | | Cents | Cents |
| Earnings per share for profit/(loss) from continuing operations attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 17 | 1.70 | (0.33) |
| Diluted earnings per share | 17 | 1.69 | (0.32) |
| Earnings per share for profit from discontinued operations attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 17 | - | 0.49 |
| Diluted earnings per share | 17 | - | 0.47 |
| Earnings per share for profit attributable to the owners of Donaco International Limited | | | |
| Basic earnings per share | 17 | 1.70 | 0.16 |
| Diluted earnings per share | 17 | 1.69 | 0.15 |

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

Donaco International Limited
Statement of financial position
As at 31 December 2015

| | | Consolidated | |
|---|-------------|---------------------------|---------------------------|
| | Note | 31 Dec 2015 | 30 June 2015 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 83,229,840 | 210,175,119 |
| Trade and other receivables | | 5,273,934 | 2,064,923 |
| Inventories | | 1,130,067 | 700,866 |
| Prepaid construction costs | | 25,541 | 273,207 |
| Other | 5 | <u>1,690,760</u> | <u>11,883,206</u> |
| Total current assets | | <u>91,350,142</u> | <u>225,097,321</u> |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 131,009,681 | 82,017,909 |
| Intangibles | 7 | 443,322,751 | 2,464,577 |
| Construction in progress | | 1,406,909 | 205,737 |
| Other | | <u>4,043,673</u> | <u>533,765</u> |
| Total non-current assets | | <u>579,783,014</u> | <u>85,221,988</u> |
| Total assets | | <u>671,133,156</u> | <u>310,319,309</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 34,408,288 | 16,016,059 |
| Borrowings | 8 | 31,784,872 | 2,962,712 |
| Income tax | | 1,152,837 | 427,505 |
| Employee benefits | | <u>366,547</u> | <u>315,879</u> |
| Total current liabilities | | <u>67,712,544</u> | <u>19,722,155</u> |
| Non-current liabilities | | | |
| Borrowings | 9 | 141,232,908 | 13,217,093 |
| Employee benefits | | <u>12,939</u> | <u>9,011</u> |
| Total non-current liabilities | | <u>141,245,847</u> | <u>13,226,104</u> |
| Total liabilities | | <u>208,958,391</u> | <u>32,948,259</u> |
| Net assets | | <u>462,174,765</u> | <u>277,371,050</u> |
| Equity | | | |
| Issued capital | 10 | 400,441,791 | 246,719,609 |
| Reserves | 11 | 32,550,881 | 15,757,526 |
| Retained profits | 12 | <u>28,041,456</u> | <u>13,907,453</u> |
| Equity attributable to the owners of Donaco International Limited | | 461,034,128 | 276,384,588 |
| Non-controlling interest | | <u>1,140,637</u> | <u>986,462</u> |
| Total equity | | <u>462,174,765</u> | <u>277,371,050</u> |

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

Donaco International Limited
Statement of changes in equity
For the half-year ended 31 December 2015

| Consolidated | Issued capital \$ | Employee option reserve \$ | Reserves \$ | Retained profits \$ | Non-controlling interest \$ | Total equity \$ |
|--|------------------------------------|---|------------------------------|--------------------------------------|--|----------------------------------|
| Balance at 1 July 2014 | 129,964,909 | - | (478,093) | 18,690,859 | 1,058,788 | 149,236,463 |
| Profit after income tax expense for the half-year | - | - | - | 745,927 | 16,123 | 762,050 |
| Other comprehensive income for the half-year, net of tax | - | - | 6,366,185 | - | - | 6,366,185 |
| Total comprehensive income for the half-year | - | - | 6,366,185 | 745,927 | 16,123 | 7,128,235 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs | 566,643 | - | - | - | - | 566,643 |
| Share buy back | (825,113) | - | - | - | - | (825,113) |
| Return of capital on iSentric sale | (8,500,000) | - | - | - | - | (8,500,000) |
| Employee share options | - | 1,218,038 | - | - | - | 1,218,038 |
| Balance at 31 December 2014 | <u>121,206,439</u> | <u>1,218,038</u> | <u>5,888,092</u> | <u>19,436,786</u> | <u>1,074,911</u> | <u>148,824,266</u> |

*Pursuant to the sale of iSentric Sdn Bhd to OMI which took effect on 8th September 2014, the shareholders of Donaco voted at a special general meeting on 25 August 2014 to approve an ordinary resolution under section 256C of the Corporations Act 2001, to reduce the share capital of Donaco by \$8,500,000. This equated to \$0.0185 per Donaco ordinary share.

| Consolidated | Issued capital \$ | Employee option reserve \$ | Reserves \$ | Retained profits \$ | Non-controlling interest \$ | Total equity \$ |
|--|------------------------------------|---|------------------------------|--------------------------------------|--|----------------------------------|
| Balance at 1 July 2015 | 246,719,609 | 1,967,750 | 13,789,772 | 13,907,457 | 986,462 | 277,371,050 |
| Profit after income tax expense for the half-year | - | - | - | 14,133,999 | 154,175 | 14,288,174 |
| Other comprehensive income for the half-year, net of tax | - | - | 15,906,118 | - | - | 15,906,118 |
| Total comprehensive income for the half-year | - | - | 15,906,118 | 14,133,999 | 154,175 | 30,194,292 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs | 153,722,182 | - | - | - | - | 153,722,182 |
| Employee options | - | 887,241 | - | - | - | 887,241 |
| Balance at 31 December 2015 | <u>400,441,791</u> | <u>2,854,991</u> | <u>29,695,890</u> | <u>28,041,456</u> | <u>1,140,637</u> | <u>462,174,765</u> |

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

Donaco International Limited
Statement of cash flows
For the half-year ended 31 December 2015

| | | Consolidated | |
|---|-------------|--------------------------|--------------------------|
| | Note | 31 Dec 2015 | 31 Dec 2014 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 184,234,595 | 9,932,626 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(133,343,843)</u> | <u>(16,888,934)</u> |
| | | 50,890,752 | (6,956,308) |
| Interest received | | 26,757 | 1,561,845 |
| Other revenue | | - | 164,441 |
| Interest and other finance costs paid | | (3,523,427) | (794,670) |
| Government levies, gaming taxes and gst | | <u>(3,411,360)</u> | <u>(1,482,228)</u> |
| Net cash from/(used in) operating activities | | <u>43,982,722</u> | <u>(7,506,920)</u> |
| Cash flows from investing activities | | | |
| Payment for purchase of business, net of cash acquired | 15 | (310,507,783) | - |
| Payment for expenses relating to acquisitions | | (14,371,077) | - |
| Payments for property, plant and equipment | 6 | (1,320,127) | (16,040,271) |
| Payments for Prepaid construction costs | | - | 18,745,406 |
| Proceeds from disposal of business | | <u>-</u> | <u>450,000</u> |
| Net cash from/(used in) investing activities | | <u>(326,198,987)</u> | <u>3,155,135</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 10 | - | 568,459 |
| Proceeds from borrowings | | 162,126,345 | 4,633,363 |
| Payments for share buy-backs | | - | (825,113) |
| Share issue transaction costs | | <u>(5,968,003)</u> | <u>(1,816)</u> |
| Net cash from financing activities | | <u>156,158,342</u> | <u>4,374,893</u> |
| Net increase/(decrease) in cash and cash equivalents | | (126,057,923) | 23,108 |
| Cash and cash equivalents at the beginning of the financial half-year | | 210,175,119 | 99,496,165 |
| Effects of exchange rate changes on cash and cash equivalents | | <u>(887,356)</u> | <u>93,660</u> |
| Cash and cash equivalents at the end of the financial half-year | | <u><u>83,229,840</u></u> | <u><u>99,612,933</u></u> |

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Revised Financial Report

The financial statements as issued on 24 February 2016 have been superseded and revised to reclassify the non-current component of the Megabank Loan. Please refer to Note 8 and Note 9 for the revised balances.

The revised financial statements were authorised for issue by the directors on 8 March 2016.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: Casino operations and Corporate 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 Aristo International Hotel and the Star Vegas Resort and Club (which was acquired on 1 July 2015), operating in Cambodia and Vietnam. These operations include hotel accommodation and gaming and leisure facilities. |
| Corporate Operations | Comprises of the development and implementation of corporate strategy, commercial negotiations, corporate finance, treasury, management accounting, corporate governance and investor relations functions. |

The Corporate Operations segment at 31 December 2014 included the gaming operations of iSentric Sdn Bhd, Way2Bet Pty Ltd and Donaco Australia Pty Ltd which are discontinued operations as at 31 December 2015.

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

Intersegment transactions

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

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 2. Operating segments (continued)

Operating segment information

| | Casino Operations | Corporate Operations | Total |
|--|----------------------|-------------------------|--------------------|
| | \$ | \$ | \$ |
| Consolidated - 31 Dec 2015 | | | |
| Revenue | | | |
| Sales to external customers | 68,848,745 | 169 | 68,848,914 |
| Interest | 2,559 | 20,567 | 23,126 |
| Total revenue | 68,851,304 | 20,736 | 68,872,040 |
| EBITDA | | | |
| Depreciation and amortisation | 45,576,037 | (6,455,173) | 39,120,864 |
| Interest revenue | (4,295,347) | (66,157) | (4,361,504) |
| Finance costs | 2,559 | 20,567 | 23,126 |
| Acquisition costs | (1,160,266) | (6,227,559) | (7,387,825) |
| Net exchange gain (loss) | - | (11,844,375) | (11,844,375) |
| Non-controlling interest | (441,694) | 694,720 | 253,026 |
| | 154,176 | - | 154,176 |
| Profit/(loss) before income tax expense | 39,835,465 | (23,877,977) | 15,957,488 |
| Income tax expense | | | (1,669,314) |
| Profit after income tax expense | | | 14,288,174 |
| Consolidated - 31 Dec 2014 | | | |
| Revenue | | | |
| Sales to external customers | 8,622,137 | 1,375,276 | 9,997,413 |
| Interest | 107,941 | 1,293,274 | 1,401,215 |
| Total revenue | 8,730,078 | 2,668,550 | 11,398,628 |
| EBITDA | | | |
| Depreciation and amortisation | 1,695,966 | (2,452,087) | (756,121) |
| Interest revenue | (1,333,240) | (2,743) | (1,335,983) |
| Finance costs | 107,941 | 1,293,274 | 1,401,215 |
| Net exchange gains | (794,670) | - | (794,670) |
| Non-controlling interest | 82,721 | 10,939 | 93,660 |
| Sale of discontinued operations | 16,123 | - | 16,123 |
| | - | 2,203,374 | 2,203,374 |
| Profit/(loss) before income tax expense | (225,159) | 1,052,757 | 827,598 |
| Income tax expense | | | (65,548) |
| Profit after income tax expense | | | 762,050 |
| Consolidated - 30 June 2015 | | | |
| Assets | | | |
| Segment assets | 96,330,444 | 213,988,865 | 310,319,309 |
| Total assets | | | 310,319,309 |
| Liabilities | | | |
| Segment liabilities | 52,459,098 | (19,510,839) | 32,948,259 |
| Total liabilities | | | 32,948,259 |

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 3. Revenue

| | Consolidated | |
|------------------------------------|--------------------------|--------------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| From continuing operations | | |
| <i>Sales revenue</i> | | |
| Casino | 67,873,773 | 8,622,137 |
| Games | 168 | 143,470 |
| | <u>67,873,941</u> | <u>8,765,607</u> |
| <i>Other revenue</i> | | |
| Management fees | - | 70,781 |
| Interest | 23,126 | 1,398,709 |
| Other revenue | 974,973 | - |
| | <u>998,099</u> | <u>1,469,490</u> |
| Revenue from continuing operations | <u><u>68,872,040</u></u> | <u><u>10,235,097</u></u> |

Note 4. Discontinued operations

Description

On 26 February 2014, the company announced that it planned to spin off its mobile technology business, 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 agreed value for the sale being \$12,000,000 or ordinary fully paid shares in OMI which were returned to Donaco shareholders as an in specie distribution.

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 had their entitlements sold, and received the proceeds of sale (less costs), in cash. No impairment loss was recognised on the reclassification of iSentric to a discontinued operation.

On the 31 October 2014, Way2Bet Pty Ltd, which managed the Groups online wagering and odds comparison business, was sold to Punters Paradise.

No business disposals occurred in the current financial period.

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 4. Discontinued operations (continued)

Financial performance information

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| Sales | - | 1,161,025 |
| Interest | - | 2,506 |
| Total revenue | <u>-</u> | <u>1,163,531</u> |
| Cost of sales | - | (746,309) |
| Employee benefits | - | (182,504) |
| Depreciation | - | (2,743) |
| Advertising | - | (64,606) |
| Professional fees | - | (26,769) |
| Property costs | - | (6,972) |
| Telephone | - | (2,857) |
| Other expenses | - | (53,671) |
| Total expenses | <u>-</u> | <u>(1,086,431)</u> |
| Profit before income tax expense | - | 77,100 |
| Income tax expense | - | - |
| Profit after income tax expense | <u>-</u> | <u>77,100</u> |
| Gain on disposal iSentric Sdn Bhd | - | 1,753,464 |
| Gain on disposal Way2Bet Pty Ltd | - | 449,910 |
| Income tax expense | - | - |
| Gain on disposal after income tax expense | <u>-</u> | <u>2,203,374</u> |
| Profit after income tax expense from discontinued operations | <u>-</u> | <u>2,280,474</u> |

Note 5. Current assets - other

| | Consolidated | |
|----------------------|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Security deposits | 8,167 | 8,167 |
| Tax Receivable | - | 546 |
| Other current assets | <u>1,682,593</u> | <u>11,874,493</u> |
| | <u>1,690,760</u> | <u>11,883,206</u> |

Other current assets at 30 June 2015 included prepaid acquisition costs of \$11,844,375 relating to DNA Star Vegas, that were expensed in the current financial period under "Professional and consulting fees".

Donaco International Limited
Notes to the financial statements
31 December 2015

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

| | Consolidated | |
|---------------------------------|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Land and buildings - at cost | 109,086,286 | 62,808,775 |
| Less: Accumulated depreciation | <u>(6,254,352)</u> | <u>(2,099,485)</u> |
| | <u>102,831,934</u> | <u>60,709,290</u> |
| Plant and equipment - at cost | 34,600,384 | 17,491,217 |
| Less: Accumulated depreciation | <u>(14,258,367)</u> | <u>(3,224,294)</u> |
| | <u>20,342,017</u> | <u>14,266,923</u> |
| Fixtures and fittings - at cost | 4,627,401 | - |
| Less: Accumulated depreciation | <u>(3,434,323)</u> | <u>-</u> |
| | <u>1,193,078</u> | <u>-</u> |
| Motor vehicles - at cost | 1,716,922 | 627,077 |
| Less: Accumulated depreciation | <u>(1,130,245)</u> | <u>(233,519)</u> |
| | <u>586,677</u> | <u>393,558</u> |
| Office equipment - at cost | 3,545,207 | 1,797,220 |
| Less: Accumulated depreciation | <u>(2,167,497)</u> | <u>(486,099)</u> |
| | <u>1,377,710</u> | <u>1,311,121</u> |
| Consumables | 7,417,906 | 7,058,663 |
| Less: Accumulated depreciation | <u>(2,739,641)</u> | <u>(1,721,646)</u> |
| | <u>4,678,265</u> | <u>5,337,017</u> |
| | <u>131,009,681</u> | <u>82,017,909</u> |

Note 7. Non-current assets - intangibles

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Goodwill | <u>2,426,187</u> | <u>2,426,187</u> |
| Land right | 70,859 | 69,474 |
| Less: Accumulated amortisation | <u>(33,032)</u> | <u>(31,084)</u> |
| | <u>37,827</u> | <u>38,390</u> |
| Casino Licence | 440,858,737 | - |
| | <u>443,322,751</u> | <u>2,464,577</u> |

Donaco International Limited
Notes to the financial statements
31 December 2015

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

Reconciliations

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

| | Goodwill | Land use right | Casino Licence Cambodia | Total |
|---|------------------|----------------|----------------------------|--------------------|
| Consolidated | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 2,426,187 | 38,390 | - | 2,464,577 |
| Additions through business combinations (note 15) | - | - | 444,096,088 | 444,096,088 |
| Exchange differences | - | (563) | (3,237,351) | (3,237,914) |
| Balance at 31 December 2015 | <u>2,426,187</u> | <u>37,827</u> | <u>440,858,737</u> | <u>443,322,751</u> |

Note 8. Current liabilities - borrowings

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Joint Stock Commercial Ocean Bank | 2,968,452 | 2,916,691 |
| Joint Stock Commercial Bank for Foreign Trade of Vietnam | - | 46,021 |
| Mega International Commercial Bank Co Ltd | <u>28,816,420</u> | <u>-</u> |
| | <u>31,784,872</u> | <u>2,962,712</u> |

Refer to note 9 for further information on assets pledged as security and financing arrangements.

Assets pledged as security

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

Note 9. Non-current liabilities - borrowings

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Joint Stock Commercial Ocean Bank | 11,873,808 | 13,125,107 |
| Joint Stock Commercial Bank for Foreign Trade of Vietnam | - | 91,986 |
| OL Master Ltd | 26,706,600 | - |
| Mega International Commercial Bank Co Ltd | <u>102,652,500</u> | <u>-</u> |
| | <u>141,232,908</u> | <u>13,217,093</u> |

Total secured liabilities

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

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Joint Stock Commercial Ocean Bank | 14,842,260 | 16,041,798 |
| Joint Stock Commercial Bank for Foreign Trade of Vietnam | - | 138,007 |
| OL Master Ltd | 26,706,600 | - |
| Mega International Commercial Bank Co Ltd | <u>131,468,920</u> | <u>-</u> |
| | <u>173,017,780</u> | <u>16,179,805</u> |

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 9. Non-current liabilities - borrowings (continued)

The acquisition of the Star Vegas Resort & Club was successfully completed on 1 July 2015, for total consideration of USD360 million, consisting of USD240 million cash, and 147,199,529 ordinary shares in the Company, with an agreed value of USD120 million.

As part payment for the acquisition, a term loan of USD100 million from Mega International Commercial Bank Co, Ltd of Taiwan was drawn down on 2 July 2015, and the proceeds paid to the vendor.

In order to provide working capital for the consolidated entity, a new term loan facility in the amount of USD20 million from OL Master Limited was drawn down on 7 July 2015.

Assets pledged as security

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

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

Financing arrangements

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

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Total facilities | | |
| Bank Loans | 186,311,431 | 21,808,808 |
| Used at the reporting date | | |
| Bank Loans | 178,418,859 | 16,179,805 |
| Unused at the reporting date | | |
| Bank Loans | 7,892,572 | 5,629,003 |

Note 10. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 | 31 Dec 2015 | 30 June 2015 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 831,211,424 | 460,434,022 | 400,441,791 | 246,719,609 |

Movements in ordinary share capital

| Details | Date | Shares | \$ |
|--|------------------|---------------|-------------|
| Balance | 1 July 2015 | 683,524,102 | 246,719,609 |
| Issued share - consideration for DNA Star Vegas Co Ltd | 1 July 2015 | 147,199,529 | 155,442,708 |
| Employee short term incentive FY16 | 1 October 2015 | 487,793 | - |
| Less: transaction costs arising on share issue | | - | (1,720,526) |
| Balance | 31 December 2015 | 831,211,424 | 400,441,791 |

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.

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 10. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Note 11. Equity - reserves

| | Consolidated | |
|-----------------------------|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Revaluation surplus reserve | 1,855,329 | 1,855,329 |
| Foreign currency reserve | 27,840,561 | 11,934,447 |
| Employee options reserve | 2,854,991 | 1,967,750 |
| | <u>32,550,881</u> | <u>15,757,526</u> |

Movements in reserves

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

| Consolidated | Revaluation surplus reserve \$ | Employee share option reserve \$ | Foreign currency reserve \$ | Total \$ |
|------------------------------|--------------------------------------|--|--------------------------------------|-------------------|
| Balance at 1 July 2015 | 1,855,329 | 1,967,750 | 11,934,447 | 15,757,526 |
| Foreign currency translation | - | - | 15,906,114 | 15,906,114 |
| Employee share options | - | 887,241 | - | 887,241 |
| | <u>1,855,329</u> | <u>2,854,991</u> | <u>27,840,561</u> | <u>32,550,881</u> |

Note 12. Equity - retained profits

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2015 | 30 June 2015 |
| | \$ | \$ |
| Retained profits at the beginning of the financial half-year | 13,907,457 | 18,690,859 |
| Profit/(loss) after income tax expense for the half-year | 14,133,999 | (2,928,079) |
| Transfer from revaluation surplus reserve | - | (2,978,285) |
| Transfer (to) from other reserves | - | 1,122,958 |
| | <u>28,041,456</u> | <u>13,907,453</u> |
| Retained profits at the end of the financial half-year | <u>28,041,456</u> | <u>13,907,453</u> |

Note 13. Fair value measurement

The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Note 14. Contingent liabilities

As part of the agreement for the purchase of the Star Vegas Resort & Club, the vendor of the business will manage the business for two full years following completion on 1 July 2015. The vendor also provided a guarantee that the earnings before interest, tax depreciation and amortisation ("EBITDA") of the business would be not less than USD 60 million per year for the two full years following the acquisition, being FY16 and FY17.

Note 14. Contingent liabilities (continued)

If the target EBITDA of USD60 million is not met, the vendor will top up the shortfall in cash. However if the target is met, the vendor will receive a management fee in return for the management services provided, in the sum of 25% of the net profit after tax ("NPAT") of the business. No other management fee is payable for the management services.

These arrangements are set out in a Share Sale Agreement and Management Agreement dated on 23 January 2015, a Supplemental Share Sale Agreement dated 22 May 2015, and an Amending and Restating Deed dated 18 June 2015.

For the six months ending on 31 December 2015, the EBITDA of the Star Vegas business was USD27,113,959. On this basis, the business is not currently on track to reach the EBITDA target of USD60 million for the full financial year 2016. Accordingly, the obligation to pay the management fee is inherently uncertain, as it will depend on whether or not the business reaches the target for the full year.

The Directors have decided to treat the possible obligation to pay a management fee in respect of the December 2015 half year as a contingent liability. Pursuant to International Accounting Standards IAS37, a contingent liability is "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."

The amount of the contingent liability for the December 2015 half year is USD 6,480,405.

Note 15. Business combinations

The acquisition of the Star Vegas Resort & Club was successfully completed on 1 July 2015, for total consideration of USD360 million (AUD471,841,466), consisting of USD240 million cash, and 147,199,529 ordinary shares in the Company, with an agreed value of USD120 million.

Pursuant to a detailed valuation report and purchase price allocation report dated 22 January 2015 prepared by Colliers International Hong Kong Limited and its related party, Colliers International Thailand, the fair value of the business acquired by DNA was USD411.2 million. Since the price paid was USD360 million, this valuation would require the acquisition to be treated as a bargain purchase, which would require the excess of USD51.2 million to be recorded as a positive income amount in the Company's income statement.

However the Directors have decided to take a more conservative approach to the valuation, and will continue to evaluate the business and the assets acquired in more detail over the 12 months ending on 30 June 2016 pursuant to the requirements of AASB 3 *Business Combinations*, before deciding whether to treat the acquisition as a bargain purchase.

Details of the acquisition are as follows:

| | Fair value |
|--|--------------------|
| | \$ |
| Equity | 25,254,361 |
| Casino Licence - at fair value | 444,096,088 |
| Buildings | 2,022,714 |
| Plant and equipment | 69,936 |
| Motor vehicles | 34,185 |
| Slot Machines | 343,958 |
| Furniture and fittings | 20,224 |
| | <hr/> |
| Net assets acquired | 471,841,466 |
| Goodwill | - |
| | <hr/> |
| Acquisition-date fair value of the total consideration transferred | <u>471,841,466</u> |
| Representing: | |
| Cash paid or payable to vendor | 316,398,757 |
| Donaco International Limited shares issued to vendor | 155,442,709 |
| | <hr/> |
| | <u>471,841,466</u> |
| | <hr/> |
| Acquisition costs expensed to profit or loss | <u>11,844,375</u> |

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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 17. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| <i>Earnings per share for profit/(loss) from continuing operations</i> | | |
| Profit/(loss) after income tax | 14,288,174 | (1,518,424) |
| Non-controlling interest | (154,175) | (16,123) |
| | <u>14,133,999</u> | <u>(1,534,547)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 830,164,882 | 460,763,655 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>7,582,061</u> | <u>23,860,078</u> |
| | <u>837,746,943</u> | <u>484,623,733</u> |
| | Cents | Cents |
| Basic earnings per share | 1.70 | (0.33) |
| Diluted earnings per share | 1.69 | (0.32) |
| | Consolidated | |
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| <i>Earnings per share for profit from discontinued operations</i> | | |
| Profit after income tax attributable to the owners of Donaco International Limited | - | <u>2,280,474</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | - | 460,763,655 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>-</u> | <u>23,860,078</u> |
| | <u>-</u> | <u>484,623,733</u> |
| | Cents | Cents |
| Basic earnings per share | - | 0.49 |
| Diluted earnings per share | - | 0.47 |

Donaco International Limited
Notes to the financial statements
31 December 2015

Note 17. Earnings per share (continued)

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| <i>Earnings per share for profit</i> | | |
| Profit after income tax | 14,288,174 | 762,050 |
| Non-controlling interest | <u>(154,175)</u> | <u>(16,123)</u> |
| Profit after income tax attributable to the owners of Donaco International Limited | <u>14,133,999</u> | <u>745,927</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 830,164,882 | 460,763,655 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>7,582,061</u> | <u>23,860,078</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>837,746,943</u> | <u>484,623,733</u> |
| | Cents | Cents |
| Basic earnings per share | 1.70 | 0.16 |
| Diluted earnings per share | 1.69 | 0.15 |

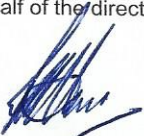
Donaco International Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-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.

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

On behalf of the directors



Mr Robert A Hines
Audit Committee Chairman

8 March 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Donaco International Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 5 to 21, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Donaco International Limited on pages 5 to 21 is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Revised Financial Report

We want to draw attention to the following matter. As highlighted in Note 1, the attached financial report for Donaco International Limited for the half-year ended 31 December 2015 is a "re-issued" financial report and supersedes the financial report signed by the directors on 24 February 2016.

A handwritten signature in black ink that reads 'William Buck' in a cursive script.

William Buck Audit [NSW] Pty Ltd
ABN 16 021 300 521

A handwritten signature in black ink that reads 'M.A. Nevill' in a cursive script.

M.A. Nevill
Partner

Dated this 8th day of March, 2016