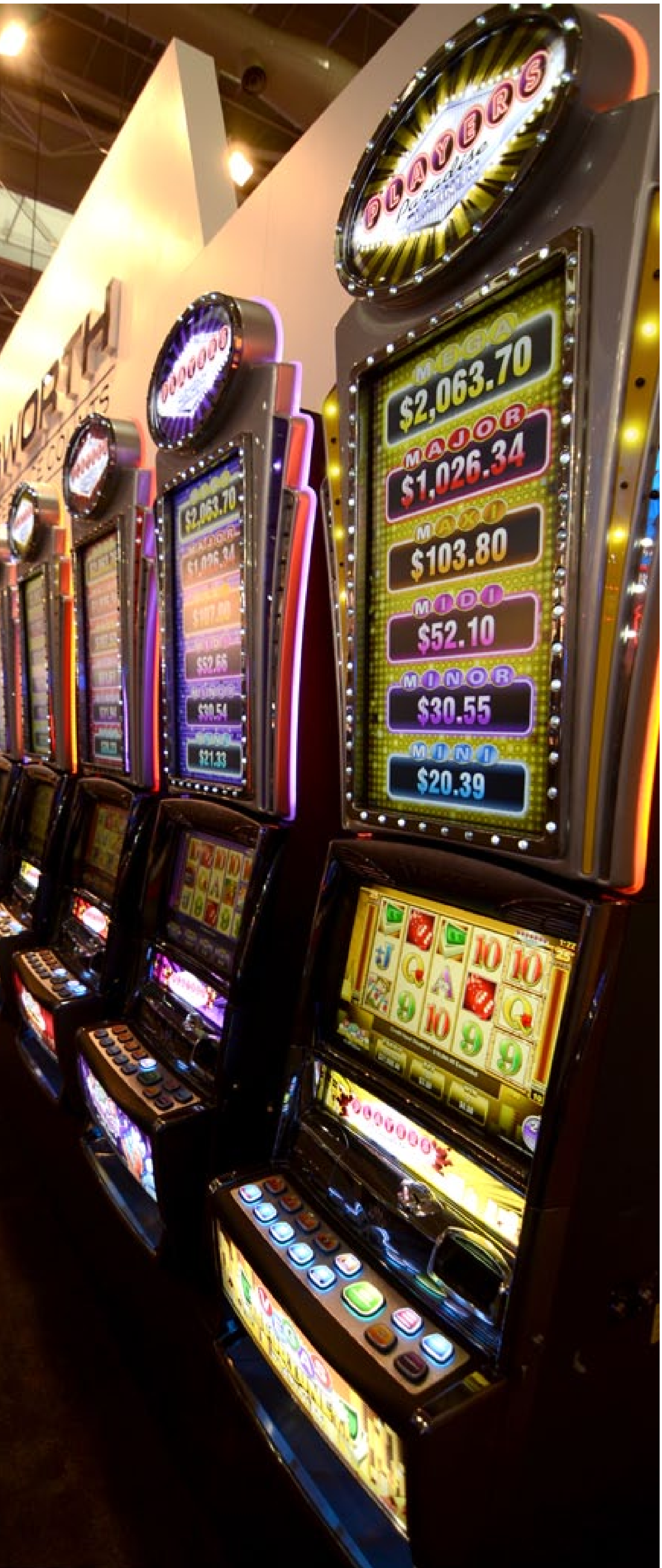
AINSWORTH GAME TECHNOLOGY

2011 ANNUAL REPORT

AINSWORTH
EXPERIENCE COUNTS™



Ainsworth's passion for product innovation through technology continues to deliver players a highly entertaining gaming experience. The A560™ range of cabinets and the GamePlus™ game library, couple technology advancement with creative, unique and industry leading performing game content.

Ainsworth is synonymous for its culture of innovation, quality and sustainable game performance. The Company's product range and customer service are now recognised as being at the forefront of expectation.

The Ainsworth A560™ and GamePlus™ range of game brands are a true reflection of the Company's core aspirational values, of **quality**, **innovation** and **excellence**.

KEY DATES

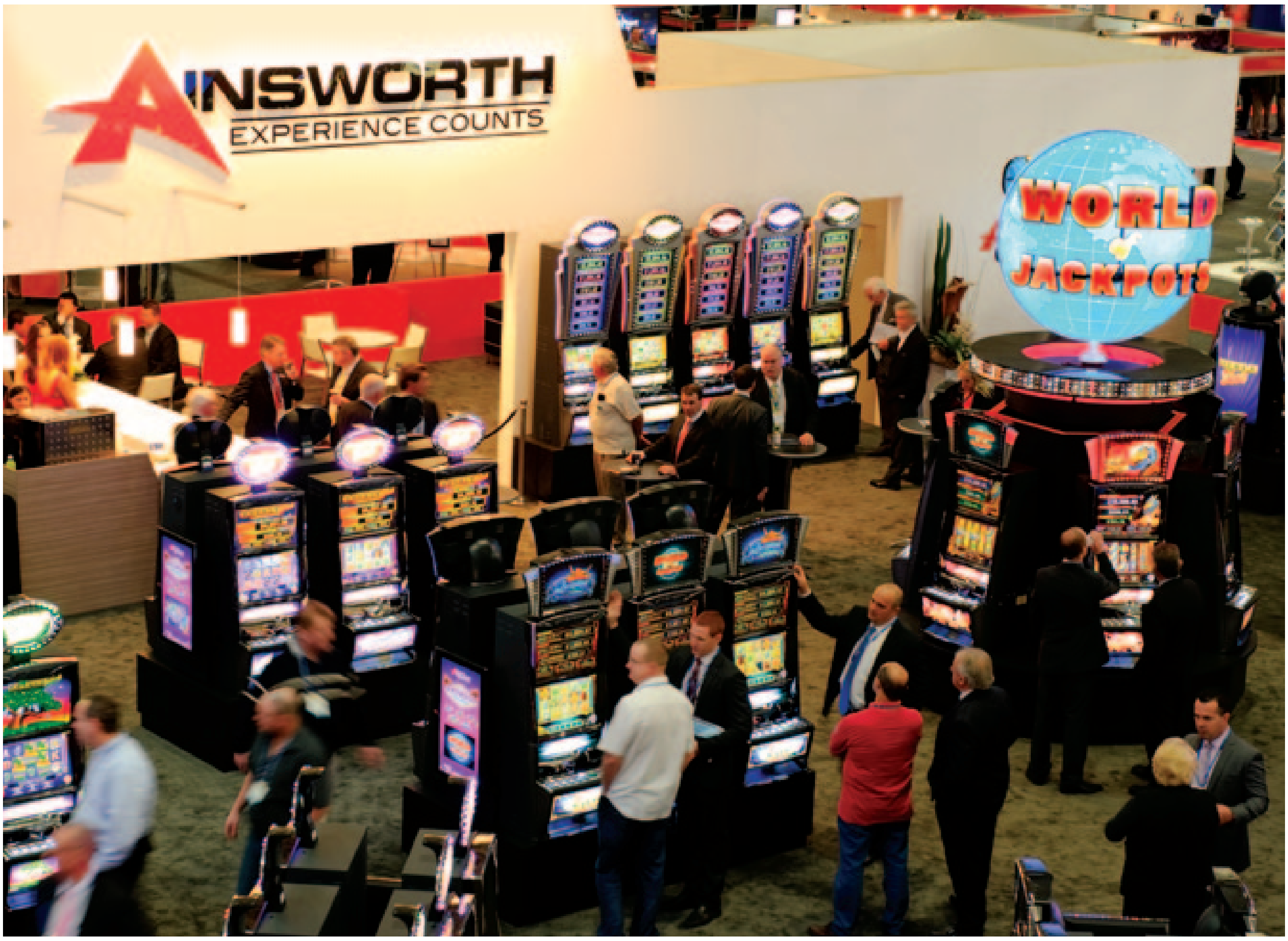
Annual General Meeting:
Wednesday 23 November 2011
Results announcement for six months
ending 31 December 2011:
Wednesday 22 February 2012
Results announcement for
year ending 30 June 2012:
Thursday 30 August 2012
Dates may be subject to change.

NOTICE OF ANNUAL GENERAL MEETING

Ainsworth Game Technology Limited
ABN 37 068 516 665

Notice is hereby given that the 2011 Annual General Meeting of the members of Ainsworth Game Technology Limited will be held at:

Bankstown Sports Club
"Boggabilla Room"
8 Greenfield Parade (Cnr Greenfield Pde and Mona St)
BANKSTOWN NSW 2200
on Wednesday 23 November 2011 at 11.00am.



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EXECUTIVE CHAIRMAN'S REPORT

"The reliability and flexibility of our extensive range of world-class products have secured AGT's position as a market leader domestically, while our international growth strategy is strengthening the Company's reputation as a leading gaming provider on a global scale."

Dear Shareholder,

It is with great pleasure that I am able to report that AGT achieved a profitable FY11 and that we are now seeing the initial signs of a significant financial turnaround for the Company. This turnaround is a direct result of previous investment and development initiatives.

The reliability and flexibility of our extensive range of world-class products have secured AGT's position as a market leader domestically, while our international growth strategy is strengthening the Company's reputation as a leading gaming provider on a global scale.

FY11 has been a year of important achievements. I am most pleased with the Company's increased domestic and international revenue results, production efficiency and product development as well as continuing expansion in the Americas with the recent establishment of our new headquarters in Las Vegas.

In particular, the gaming market perception of the Company has been enhanced by the release of the A560 product range in selected local and global markets, and by continued improvement in product performance, quality and reliability across the board.

The Company's continuing investment in research and development has allowed the progression of the product development strategy to further expand our game library and increase the popularity of our innovative range of products.

While global financial conditions remain difficult across international markets, and we face a degree of uncertainty surrounding the current local economic and political landscape, AGT is well positioned to further build on the success of previously implemented strategies for growth.

Within Australia much political commentary and public debate has occurred on the subject of the proposed introduction of mandatory pre-commitment. The Company shares the position of the gaming industry association and the licensed premises, and supports their stance.

Capital management initiatives including the successful buy-back of Convertible Notes occurred during the year and further strategies are being explored to reduce the Company's overall debt levels for the future.

I am very pleased with the Company's progress, which can be largely attributed to the hard work of the current executive team who, collectively, have more than 200 years experience in the gaming industry.

I wish to thank the Board, the executive team, our loyal and dedicated staff, and our shareholders for their ongoing support.

Under the leadership of Chief Executive Officer, Mr Danny Gladstone, we have brought together the best gaming know-how and experience in the industry to produce highly innovative and sought after products vital to our ongoing performance.

I am confident that AGT is well placed to further build on the success and profitability achieved to date, especially as market conditions develop.

LH Ainsworth
Executive Chairman

> "With progression of development strategies in all domestic markets and the establishment of a greater presence in North America, the Company is poised to build on the financial turnaround of recent years and we expect growth in profitability in 2012 and beyond."

Dear Shareholder,

I am very pleased to report that a profit after tax of $23.1 million was achieved in the full 2011 financial year. This has positioned the Company to become the number one supplier in Australia and provides a strong platform for our international expansion.

The Company's strong financial result illustrates the success of our planning strategies of previous years and is a reflection of the Company's progress as a premium game supplier.

As a sales driven company we are well placed for further expansion given the recent success of the A560 platform and its game library in both local and global markets. The results have been achieved by a team of professional and experienced managers with a focus on increasing revenue, improving gross profits and controlling costs.

Sales revenue achieved for FY11 was $98.0 million, an increase from 2010 of 41%. The increase was largely the result of increased sale of the Company's premium progressive range of products which were obtained on the back of industry leading product performance.

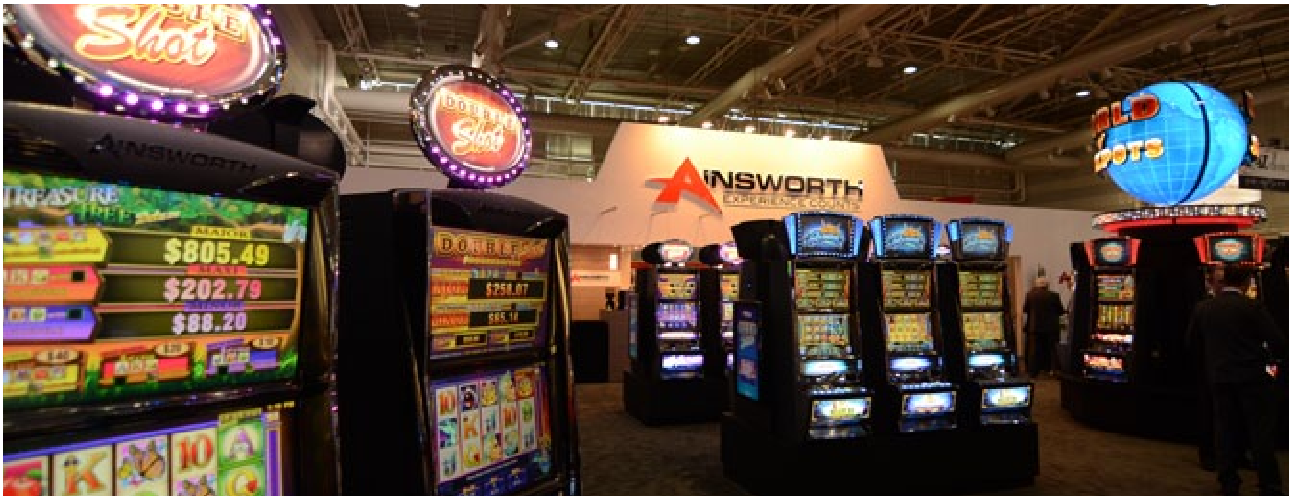
Domestic revenue was $74.7 million, representing an increase of 55%. AGT has significantly increased its share of the Australian market with a range of innovative and exciting games specialising in the low to mid denomination range, and the Company expects to grow its market share and achieve further revenue increases in the coming year. Particularly pleasing was the successful release of the A560 product family in New South Wales and Queensland, which saw these states account for 89% of domestic revenue.

While domestic results have been pleasing, the global financial situation continues to present challenges, especially in North America. International revenue was $23.3 million compared to $21.0 million in the previous corresponding period, representing an increase of 11%. Revenue increases in international markets of North America, New Zealand and Europe were achieved and assisted the Group to offset revenue reductions within South America and Asia.

The Company's investment and pursuit of expansion opportunities in North America are continuing as planned. The Las Vegas based manufacturing facility is expected to be operational in the latter part of the 2011 calendar year, providing a new international headquarters with sales, finance, marketing, service and support, compliance, product development and assembly functionality. Over the coming year the Company will work to leverage the Nevada license which was granted in 2009 and fast track the installation of machines into that key North American market.

Research and development investment increased 29% for the 2011 year. Continued investment in product development is aimed at achieving sustainable revenue growth and maintaining a leading edge in gaming technology and innovation. In particular AGT intends to expand the A560 product family in 2012 with additional hardware and software offerings to further increase the popularity of the product.

The A560 has achieved market acceptance in every region in which it has been released thus far. Recent figures from Macau are very encouraging and we are now experiencing reorders for products in Asia.



During FY11 improved gross margins of 65% were achieved, compared to 54% in 2010. This increase was primarily the result of increased sales of the Company's premium progressive range of products, combined with leading product performance, cost reductions and continued efficiencies in production processes.

Continued efforts are being made to achieve operating efficiencies and overhead cost reductions. Overheads, excluding research and development, of $27.4 million, represented 28% of turnover compared to 33% in the previous corresponding year. This reduction was largely attributable to continued cost control measures to effectively align overheads to short term revenue expectations. Costs are predicted to increase as the Company expands, however, we expect higher sales revenue will offset this.

Strong net cash from operating activities of $18.2 million, and ongoing initiatives to minimise investment in working capital, allowed the Company to continue its on-market buy-back of convertible notes. It is envisaged that the Company will explore the placement of gaming products on a participation basis as and when operating cash flows allow.

During FY11 AGT increased its staff incentive initiatives to reflect the improved performance of the Company and also announced new employee incentive plans for both Australian and American employees. Retaining the established executive team and key employees remains a focus for the Company, as does the implementation of ongoing training and development programs and performance management systems.

AGT's remuneration policy and various incentive initiatives have ensured the attraction and retention of key executives, management and staff, and will continue to provide a basis for further growth for the Company.

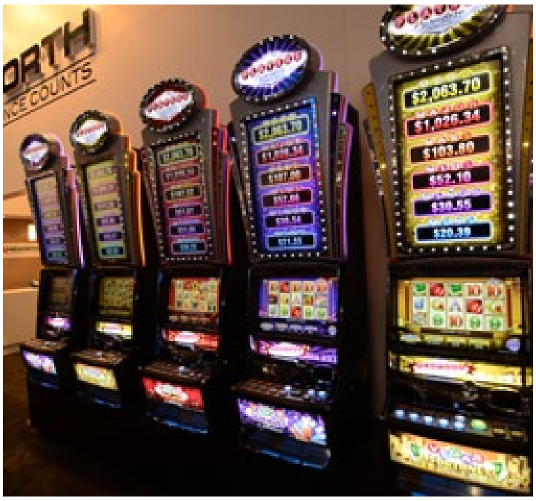
The Company has recently announced the emergence of two issues, the first being an initial denial of a Missouri license which AGT intends to strongly appeal, and the second being an intellectual property dispute which will be vigorously defended. It is believed that these issues will have a minimal effect on the results for FY12.

I would like to thank the Chairman, Directors of the Board, the management team and staff for their continued dedication and commitment to the Company.

With progression of development strategies in all domestic markets and the establishment of a greater presence in North America, the Company is poised to build on the financial turnaround of recent years and we expect growth in profitability in 2012 and beyond.

D. Gladstone

Danny Gladstone
Chief Executive Officer / Executive Director



"The launch of the new A560™ platform during the year within NSW, Queensland and domestic casinos was instrumental in the achievement of the Company's results for FY11 and continuing increases in sales volumes."

Sales and Service

Domestic Markets:

During the FY11 reporting period, AGT achieved significant growth within Australia, with domestic revenue increasing 55% from $48.2 million during FY10 to $74.7 million for FY11.

Domestic revenue represented 76% of total revenue, with the largest contributors being the New South Wales and Queensland markets, which accounted for 89% of domestic revenue.

The launch of the new A560™ platform during the year within NSW, Queensland and domestic casinos was instrumental in the achievement of the Company's results for FY11 and continuing increases in sales volumes.

A revised sales structure incorporating additional experienced personnel within these two states resulted in increased coverage throughout these territories.

In NSW, increased product performance and sales efficiencies resulted in a 60% increase in sales volume from 928 units in FY10 to 1,487 units in FY11. Sales volumes in Queensland increased 64% from 666 units in FY10 to 1,091 units in FY11.

The Company's industry leading product performance resulted in AGT continuing to be the number one new game performer in 1, 2 and 5c denominations.

International Markets:

International revenue was $23.3 million, compared to $21.0 million for the previous corresponding period, representing an 11% increase.

The revenue increases achieved in the international markets of North America, New Zealand and Europe assisted the Company to offset revenue reductions experienced in South America and Asia.

Among the key highlights for the North American market was the successful launch of the A560™ platform in February 2011, with the installed base steadily growing. Installations of "Players Paradise" increased and the Company sold substantial units to Ontario Lottery and Gaming.

The establishment of the Company's Nevada operations will come to fruition in FY12 with a fully functional, self-sufficient manufacturing facility to service and support the North American market planned to open in October 2011.

The Company is being structured to take advantage of any turnaround in the American economy and the opportunities this will present.

The Company is currently progressing through the submission cycle in the markets of Nevada, New Zealand pubs and clubs, and other international markets, with approvals and release expected during FY12.

With the confirmed achievement of licensing, product approvals progressing steadily, game releases becoming regular and the planned appointment of additional sales representatives, AGT expects continuing increased sales success.

Product Development

AGT remains focused on product development initiatives aimed at increasing the spectrum of A560™ product brands, games and game configuration options produced for key domestic and international markets.

Aggressive extensions to the core game strategy to support A560™ platform approvals was achieved during FY11 with over 600 game approvals achieved worldwide.

New brands were released with the "World of Jackpots™" making its debut at the recent Sydney (AGE) and Las Vegas (G2E) trade events, with new linked progressive jackpot titles.

Ainsworth game performance continued to set industry benchmarks in domestic markets, with "Double Shot™", "Triple Shot™" and the "Double Shot Deluxe" game range, producing outstanding performance in the low to mid denomination segments.

Additional A560™ cabinet variants were also introduced with the "Super A560™ Triple Screen" LCD's and the "A560™ Mega Top" incorporating 32" LCD to support "Players Paradise Platinum", a six level link progressive jackpot game.

Over 50 new game titles were released during FY11 providing an extensive range of alternative games for global markets.

Research and Development (R&D) / Engineering

During the reporting period, the Research & Development (R&D) department was active in expediting new product development in line with the Company's targeted product and market segment plans.

Key milestones were achieved in the ongoing approval and rollout of the A560™ High Boy and Low Boy machines in the international markets of North America, South America, South East Asia, New Zealand casinos and locally in Crown, South Australian and Northern Territory casinos.

AGT continues to make a substantial commitment and investment in R&D with new, innovative products being actively developed to leverage off the current A560™ range and technology base.

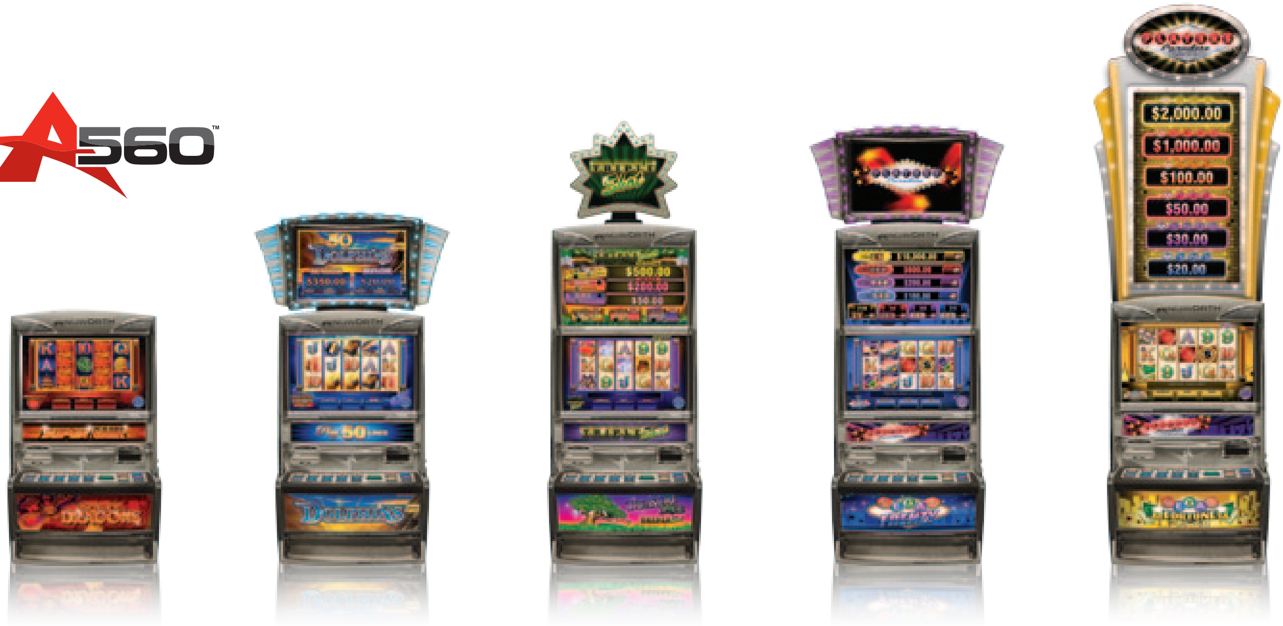
Investment has also been made in hiring additional staff in the key R&D areas of Industrial and Electrical Design and Software Engineering.

Compliance and Licensing

During the reporting period the Company received its manufacturer's licence in Greece and interim registration as a supplier in Manitoba, Canada.

Over the past twelve months the Company submitted 58 renewals (including the states of Oregon, Illinois, Maryland, California, Iowa, Minnesota, Missouri and West Virginia) and applied for new tribal licences in New Mexico, Minnesota and California. The Company is approved to conduct business in 19 US states and four provinces in Canada. In total, the Ainsworth Group has 75 tribal licences across California, Connecticut, Florida, Iowa, Michigan, Minnesota, New Mexico, New York, North Dakota, Oklahoma, Oregon and Wisconsin. The highlight of the year was the recent successful completion of the audit conducted by the Nevada authorities.

The Company continues to maintain a high level of regulatory compliance based on recognised Australian and international standards and accreditation (AS/NZ ISO 9001:2008). This was achieved through the successful annual audit of the Company's quality management system conducted by an external independent quality auditor.



Manufacturing

While a 35% increase in machine manufacture was achieved compared to the previous corresponding year, both raw material and staffing levels have remained constant reflecting production efficiencies achieved with the newly developed A560™ gaming products.

Further refinements and integration of the manufacturing process has enabled greater controls on purchasing of long lead-time items, whilst still meeting all sales requirements.

A major focus during the year was the upgrading of the Company's manufacturing operating systems and implementation of these within the newly created facility in Las Vegas. This will assist to ensure continuity of supply and reduced lead times to all international markets.

The establishment of a fully operative manufacturing facility in the Las Vegas facility is underway and is expected to be fully functional by the end of the calendar year to service and supply the Northern hemisphere markets.

Finance

As outlined in the enclosed Annual Financial Report, a significant financial turnaround was achieved in the FY11 period, including the following highlights:

- A profit after income tax of $23.1 million, compared to a loss of $2.7 million in the corresponding 2010 year;
- Sales revenue increased by 41% to $98 million for the year ended 30 June 2011;
- Gross margin was 65%, compared to 54% in 2010;
- Operating costs, excluding cost of sales and financing costs, as a percentage of sales were 17% down from 21% in 2010; and
- Operating cashflows were $18.2 million, compared to $10.6 million in 2010.

The profit after tax of $23.1 million included for the first time, recognition of previously unrecognised tax losses of $8.5 million following the assessment that it was probable the Company would generate future taxable profits.

The profit before tax for FY11 was $14.8 million compared to a loss of $2.4 million in 2010. Results from trading activities, before finance costs and income tax, were $23.1 million, compared to $4.6 million in 2010, a positive financial turnaround of $18.5 million.

Sales revenue of $98.0 million resulted in an increase of 41% in 2011 compared to 2010. This was the second consecutive year of strong revenue growth, following an increase of 53% in the 2010 year compared to the 2009 year.

Improved gross margins of 65% were achieved, compared to 54% in 2010. This increase was primarily the result of increased sales of the Company's premium progressive range of products, combined with leading product performance, cost reductions and continued efficiencies in production processes.

Continued efforts to achieve operating efficiencies and overhead cost reductions resulted in overheads, excluding research and development, of $27.4 million, an increase of 20% over the previous corresponding period. This increase was largely attributable to variable cost increases resulting from the sales growth and increased staff incentive initiatives reflecting the improved performance of the Company.

Further investment in research and development resulted in an increase of 29% in the current period over the previous period and represented 13% of revenue compared to 15% in the corresponding period in 2010. Continual investment in progressing new product development is expected to help ensure sustainable revenue growth and maintain the Group at the forefront of gaming technology and innovation.

For further commentary on the results refer to the "Operating and Financial Review" on page 29 of this report.

"AGT has in place an ongoing training and development program and has a comprehensive performance management system to support our people in providing for further growth and profit performance."

Human Resources

AGT has brought together a committed executive team who, collectively, have over 200 years experience in the gaming industry. The executive are supported by a dedicated management team and staff with the skills and knowledge that are vital to the Company's ongoing positive performance.

During FY11 the Company announced a number of employee incentive plans to assist in the retention of the established executive team, key employees and staff, as well as rewarding and incentivising all participants in a significant and meaningful way from the progress of the Company.

As announced in March 2011, AGT introduced a new long term incentive plan under which Mr LH Ainsworth granted options over 10 million of the ordinary shares he holds in the Company. These options were offered to all Australian employees and replace those previously granted.

The Company also established a similar long term incentive plan for its American employees under which it offered approximately 1.1 million share options over new shares subject to vesting conditions being met.

AGT has in place an ongoing training and development program and has a comprehensive performance management system to support our people in providing for further growth and profit performance.

Securityholder information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below:

SECURITY HOLDINGS (as at 14 September 2011)

Number of securityholders and securities on issue

The issued shares in the Company were 278,942,304 ordinary shares held by 3,103 shareholders.

The issued convertible notes in the Company were 17,163,457 held by 581 noteholders.

Substantial shareholders / noteholders

The number of shares and convertible notes held by substantial securityholders and their associates are set out below:

Shareholder / Noteholder	Number of Convertible Notes	Number of Ordinary Shares
Mr LH Ainsworth	10,385,282	174,044,331*
Votraint No. 1019 Pty Ltd (Braesyde Super Fund A/C)	1,898,286	30,185,528

* Mr LH Ainsworth granted share options over a portion of his existing personal shareholding to Australian employees, excluding directors. Share options outstanding as at 14 September 2011 were 9,777,500 (issued to 217 employees) and remain unexercised.

Voting rights

Ordinary shares

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy has one vote and upon a poll, each share shall have one vote.

Convertible notes

The convertible notes do not give their holders any voting rights at shareholders' meetings.

Options

Option holders have no voting rights.

Distribution of securityholders

	NUMBER OF CONVERTIBLE NOTE AND EQUITY SECURITYHOLDERS		
Category	**Convertible Notes**	**Ordinary Shares**	**Options**
1 - 1,000	276	291	-
1,001 - 5,000	201	1,453	-
5,001 - 10,000	36	567	-
10,001 - 100,000	58	698	25
100,001 and over	10	94	1
Total	**581**	**3,103**	**26**

The number of securityholders holding less than a marketable parcel of ordinary shares and convertible notes respectively is 326 (232,384 ordinary shares) and 121 (30,367 convertible notes).

On market buy-back

There is no current on market buy-back of ordinary shares. The Company has a current on market buy-back of its convertible notes (ASX Code: AGIG) whereby it was announced that a maximum number of 4,000,000 convertible notes were intended to be re-purchased on market. The Company at 14 September 2011 has re-purchased 2,551,260 convertible notes under this buy-back.

Unquoted equity securities

At 14 September 2011, 840,749 unlisted non-transferable options have been issued to 26 option holders and remain unexercised.

Regulatory considerations affecting shareholders

The Company is subject to a strict regulatory regime in regard to the gaming licences and operations within the gaming industry. It is necessary for the Company to regulate the holding of shares to protect the businesses of the Company in respect of which a gaming licence is held. By accepting shares, each potential investor acknowledges that having regard to the gaming laws, in order for the Company to maintain a gaming licence, the Company must ensure that certain persons do not become or remain a member of the Company. The Constitution of the Company contains provisions that may require shareholders to provide certain information to the Company and the Company has powers to require divesture of shares, suspend voting rights and suspend payments of certain amounts to shareholders.

INFORMATION ABOUT SHAREHOLDERS AND NOTEHOLDERS (continued)

SECURITY HOLDINGS (as at 14 September 2011) (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of total
Mr L H Ainsworth	167,131,473	59.92
Votraint No 1019 Pty Ltd (Braesyde Super Fund A/C)	30,185,528	10.82
Associated World Investments Pty Ltd	6,912,858	2.47
JP Morgan Nominees Australia Limited (Cash Income A/C)	4,351,885	1.56
Writeman Pty Limited (PLA Investment Fund A/C)	4,311,123	1.55
UBS Nominees Pty Ltd	4,060,228	1.46
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCust A/C)	2,620,000	0.94
JP Morgan Nominees Australia Ltd	2,100,054	0.75
Coastwide Poker Machine Sales & Services Pty Ltd (R&V Turner Superfund A/C)	1,438,644	0.52
Serioso Pty Limited (GGHA Trading Account)	1,103,186	0.40
Mr S A Aboud	1,000,000	0.36
HFT Nominees Pty Ltd (HFT Super Fund A/C)	1,000,000	0.36
Casola Holdings Pty Ltd (Nordiv Holdings S/Fund A/C)	1,000,000	0.36
Citicorp Nominees Pty Limited (CWLTH Bank Off Super A/C)	877,792	0.31
Mr Graeme John Campbell (Campbell Family Super A/C)	849,674	0.30
Mr A D Schneller and Mrs K U Schneller (A & K Super Fund A/C)	680,250	0.24
Hotel Bondi Pty Limited (Bondi Unit A/C)	660,000	0.24
Miss P Smarnkeo	659,999	0.24
Mr D Piliouras and Mrs K Piliouras (Energia Super Fund A/C)	650,000	0.23
Citcorp Nominees Pty Limited	641,475	0.23
Total	**232,234,169**	**83.26**

Twenty largest noteholders

Name	Number of convertible notes held	Percentage of total
Baclupas Pty Ltd (Valhalla A/C)	8,000,000	46.61
Associated World Investments Pty Ltd	2,252,382	13.12
Votraint No 1019 Pty Ltd (Braesyde Super Fund A/C)	1,898,286	11.06
Citadel Investments Limited (BVI)	800,287	4.67
JP Morgan Nominees Australia Limited	554,000	3.23
Ms D R Lowes	385,012	2.24
Casola Holdings Pty Ltd (Nordiv Holdings Super Fund A/C)	230,000	1.34
Mr K Arculli	153,846	0.90
Kjerulf David Pty Limited	132,900	0.77
Mr D Gordon (Gordon Superannuation A/C)	128,500	0.75
Mr R Burow	100,000	0.58
JP Morgan Nominees Australia Limited (Cash income A/C)	99,569	0.58
Wing Sing Capital Pty Ltd (Wing Sing Capital A/C)	85,384	0.50
Mr D M Fite	80,225	0.47
Mr W P McBride & Mrs K M McBride	77,927	0.45
Mr D J Le Cornu and Mrs B L Le Cornu (Meegan Hotel P/L Super A/C)	70,000	0.41
Scipio Nominees Pty Limited	61,166	0.36
Mr M R Kean	56,542	0.33
ASB Nominees Limited (290331 A/C)	50,000	0.29
Global Marketing Trading Pty Ltd	50,000	0.29
Total	**15,266,026**	**88.95**

THE COMPANY'S APPROACH TO CORPORATE GOVERNANCE

The Company's Board of Directors and management strongly support the principles of good corporate governance to create long-term value for shareholders and maintaining the Company's strong reputation for integrity. This is particularly important given the highly regulated nature of the industry within which the Company operates and is essential for securing new gaming licences and protection of current licences.

On 30 June 2010, the ASX Corporate Governance Council released amendments to its "Corporate Governance Principles and Recommendations, 2nd edition". While the changes in the reporting requirements for each of the amendments to the Principles and Recommendations does not take effect until the first financial year beginning on or after 1 January 2011, the Company has taken the approach to make an early transition to adopt these changes. Statements to this corporate governance section have been referenced to the applicable ASX Recommendations and compliance is indicated by ☑.

Principle 1

Lay solid foundations for management and oversight

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Company, including guiding its strategic direction, approving and monitoring capital expenditure, monitoring financial performance, setting remuneration and reviewing the performance of the Chief Executive Officer. The Board is responsible for ensuring appointments, removals and succession plans for directors and where necessary, seeking shareholder approval. In addition, the Board is responsible for appointing, removing and creating succession polices for the Chief Executive Officer and senior executives. The Board establishes and monitors the achievement of management's goals, ensuring the integrity of internal control and management information systems and approves and monitors financial and other business related reporting.

In his role as Executive Chairman, Mr LH Ainsworth provides input into technical design, strategic guidance and overview of the Company with the responsibility for management of the day to day operations delegated to the Chief Executive Officer. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established three Board Sub-Committees namely the Remuneration and Nomination Committee, the Regulatory and Compliance Committee and the Audit Committee. Each Committee has a Charter which includes a more detailed description of their duties and responsibilities. These Charters are regularly reviewed and approved by the Board and are available in the Corporate Governance section of the Company's website. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds monthly scheduled meetings throughout the year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for the Board meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and the Chief Financial Officer/Company Secretary. Standing items include declaration of interests or conflicts, the Chief Executive Officer's report, financial reports and any issues relating to strategic matters, governance and compliance requirements of the Company. Board papers and submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have the opportunity for contact with a wider group of employees and other stakeholders.

During the year under review, the Board met eleven times and the Board members' attendance record is disclosed in the table of directors' meetings on page 21 of this Report.

Performance of Key Executives

The non-executive directors of the Remuneration and Nomination Committee review the performance of the Company's Chief Executive Officer and senior executives who directly report to the Chief Executive Officer. Their findings are reported to the Board. A performance management review process is undertaken which involves self-assessment and review against previously established goals and objectives set by the Board. The performance of the Company's senior executives has been assessed this year in accordance with this process. Key aspects of the review process are described below.

The Chief Executive Officer annually presents a self-assessment to the Non-Executive Directors of the Remuneration and Nomination Committee, who formally review the performance of the Chief Executive Officer. The key aspects of the assessment include financial performance measures, strategic initiatives, staff and human relations indicators and compliance performance. The Remuneration and Nomination Committee reports on the performance of the Chief Executive Officer to the Board.

The Chief Executive Officer evaluates, at least annually, the performance of the following key executives:

Chief Financial Officer/Company Secretary, Group General Manager of Strategy and Development, General Manager of Research and Development, General Manager of Manufacturing, Group Compliance Manager and Divisional Sales Managers. Both qualitative and quantitative measures are used that vary according to an individual's role. Factors that are taken into consideration when accessing performance include relative contributions to profit, how business is conducted, people leadership and adherence to the Company's Code of Conduct and compliance policies. These performance assessments are reviewed by the non-executive directors of the Remuneration and Nomination Committee and reported to the Board.

☑ ASX Corporate Governance Council's Recommendations 1.1, 1.2, 1.3

Principle 2

Structure the Board to add value (continued)

Composition of the Board

The names and details of the directors of the Company in office at the date of signing the Financial Report are set out on page 20 of this Report.

The composition of the Board is evaluated and reviewed to ensure it provides a broad range of skills, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge its responsibilities. Provision of such skills and experience is aimed to assist the Company to achieve its objectives and continual development. The Remuneration and Nomination Committee assists the Board in regularly evaluating the effectiveness, size and composition of the Board. It identifies and evaluates suitability qualified candidates as directors and makes recommendations to the Board for consideration.

An objective of the Company is to ensure that the majority of the Board should comprise independent, non-executive directors with no other significant business or other links to the Company. An independent director is a director who is not a member of the management (i.e. a non-executive director) team and who:

- holds less than five percent of the voting shares of the Company and is not an officer of the Company, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or has been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member;
- is not a material* supplier or customer of the Company or another group member, or an officer of the Company or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

* the Board considers, "material", in this context to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% of the relevant segment's or the director-related business's revenue. The Board has considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

The majority of the Board comprises independent non executive directors with the roles of the Chairperson and Chief Executive Officer not being exercised by the same individual. Each director has the right of access to all Company information and to the Company's executives. Further, subject to informing the Board, a director may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the director is made available to all other members of the Board.

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge.

Board Performance Review

The Chairman of the Board is responsible for evaluating the performance of the Board, its committees and individual directors. The performance of the Board is currently under assessment in accordance with the process described below.

The process for conducting the Board's performance review consists of individual interviews with each director. The review includes an assessment of the individual contribution of each Board member as well as the performance of the Board as a whole. The performance criteria that is taken into account include each director's contribution to setting the direction, strategy and financial objectives of the group and monitoring compliance with regulatory requirements and ethical standards. A written report discussing the results, issues for discussion and recommendations is to be presented to the Board and discussed at a Board Meeting. Each of the Board Committees undertakes a periodic review of their performance in accordance with their Charters. The results of these reviews are then presented and discussed at a Board meeting.

Sub-Committees of the Board

1. Audit comittee

Details regarding the composition of the Committee, its role and responsibilities are provided under Principle 4 of this statement.

2. Remuneration and Nomination Committee

Details regarding the composition of the Committee and its role and responsibilities are provided under Principle 8 of this statement.

3. Regulatory and Compliance Committee

The members of the Committee during the year are set out below:

Composition of Regulatory and Compliance Committee	
Chairman:	Mr SL Wallis AO (Independent Non-Executive Director)
Members:	Mr GJ Campbell (Independent Non-Executive Director)
	Mr DE Gladstone (Executive Director / Chief Executive Officer)
	Mr SM Cohn (Independent Member)
	Mr JF O'Reilly (Independent Member)

Due to the highly regulated nature of the gaming industry within which the Company operates, the securing of new gaming licences and protection of current licences is an ongoing process which is of great importance to the Company. The Regulatory and Compliance Committee Charter, which is reviewed regularly and has been approved by the Board, outlines responsibilities to monitor, review, advise and assist the Board to ensure all compliance related matters and procedures have been established and are operating effectively. The Charter is available on the website of the Company. A majority of members are independent, including two non-executive directors and the chairman is not the Chairman of the Board.

The Regulatory and Compliance Committee monitors probity related matters, technical compliance issues and compliance conduct and issues, systems and procedural requirements to ensure that the Company maintains a high standard of compliance with all of its gaming regulatory and licence obligations.

In addition, the Regulatory and Compliance Committee advises and makes recommendations to the Board regarding regulatory compliance matters, including the suitability of key employees and other persons or entities with whom the Company has or intends to have an association or affiliation, in line with gaming regulations.

The Group Compliance Manager and the Technical Compliance Manager are invited to the Regulatory and Compliance Committee meetings to present and discuss their reports and recommendations. The Regulatory and Compliance Committee met five times during the year and the directors' attendance record is disclosed in the table of directors' meetings on page 21 of this Report. Due to the importance of the regulatory environment within which the Company operates, and to ensure the commitment by the Board within this important area, the Committee is scheduled to meet at least four times each financial year and as required to address any specific issues that may arise.The main responsibilities of the Regulatory and Compliance Committee are to:

- oversees activities of the compliance, licencing and technical compliance functions;
- regularly review the application of compliance to ensure that the Company meets all requirements outlined in its Compliance Policy;
- deal with and investigate any breaches, complaints and derogatory information of which it becomes aware;
- provide assistance and advice to the Board on matters pertaining to the Company's continuing suitability to obtain and maintain gaming licences;
- review operational policies and recommendations relating to compliance issues; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Regulatory and Compliance Committee may seek independent professional advice, at the Company's expense, in carrying out these duties, subject to informing the Board. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and is provided with the right to direct access to any person within the Company.

☑ ASX Corporate Governance Council's Recommendations 2.1, 2.3, 2.4, 2.5, 2.6

Non-compliance to the ASX Corporate Governance Council's Recommendations is as below:

Principle 2.2 The chair should be an independent director	Given that the Chairman, Mr LH Ainsworth, is a substantial shareholder of the Company, he is not considered to be an independent director. Mr SL Wallis AO has been appointed as the lead independent director to ensure that any conflicts which may arise are dealt with in line with ASX Corporate Governance Principles and Recommendations.

Principle 3

Promote ethical and responsible decision-making

Diversity and Inclusion

The Company recognizes that a diverse and inclusive workforce is important in attracting and retaining talented employees, inspiring greater innovation, and embracing the Company business objectives. The Company is supportive of the ASX new diversity recommendations and will continually be committed to promote and achieve diversity across the Company. In addition to the Company's Equal Employment Opportunity Policy that was issued on 15 October 2008, the Company has established a Diversity Policy which is available on the Company's website. The Board will develop measureable objectives for key diversity categories in line with the Diversity Policy. The Remuneration and Nomination Committee will review the progress of the objectives annually and will report the outcomes and make recommendations as appropriate to the Board.

As at 30 June 2011, the proportion of the women to men employees in the whole Group is 1:5. There is currently no woman in senior executive and board positions.

Ethical Standards

All directors, managers and employees are expected to act with complete integrity and objectivity in all their activities related to the Company, striving at all times to enhance the reputation and performance of the Company. Every employee has a nominated supervisor to whom they may refer any issues or complaints arising from their employment. To further promote a culture within the Company where ethical standards are maintained in accordance with Company policy, the Company has established a "Whistleblower" Policy which ensures protection of individuals reporting any incidents of misconduct or unethical behaviour.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to ensure that directors disclose any potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not participate in any discussion and voting on the applicable matter and, if considered appropriate, the director is requested not to be present whilst the matter is considered. Details of director related transactions with the Company are set out in Note 27 in the financial statements.

Code of Conduct

The Company has established a Code of Conduct that embraces high standards of personal and corporate conduct. Each director, manager and employee has been advised that they must comply with this Code. The full Code may be viewed on the Company's website and it requires all directors and officers to:

- conduct all dealings with internal and external stakeholders in a truthful, honest and trustworthy manner;
- value and maintain professionalism;
- treat all persons with whom they interact, with respect and dignity;
- respect the rights of individuals;
- act towards others without discrimination;
- comply with the Company's internal policies and procedures;
- report unethical behaviour or wrongdoing;
- use authority in a fair and unbiased way;
- comply with all applicable laws, regulations and licensing conditions; and
- not knowingly make a misleading statement.

A copy of the Code of Conduct is made available to all staff. The Code is reviewed regularly by the Board and processes are in place to communicate any amendments to the Code to all staff. New employees are issued with an employee handbook containing the Code of Conduct and prior to commencing their respective employment, they are required to certify that they have read and understood the requirements contained within it. The Company has established procedures to monitor compliance with the Code of Conduct.

In addition to the Code of Conduct and the Whistleblower policy, the Company also has policies which govern:

- Occupational Health and Safety; and
- Dealing in Company's securities.

All employees are required to complete the harassment, discrimination and compliance training conducted by the Company.

☑ ASX Corporate Governance Council's Recommendations 3.1, 3.2, 3.4, 3.5

Non-compliance to the ASX Corporate Governance Council's Recommendations is as below:

Principle 3.3 The Company should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Board is in the process of setting measureable objectives for achieving gender diversity and will be reporting these objectives and the progress towards achieving them in the FY 2012 Annual Report.

Principle 4

Safeguard integrity in financial reporting

Audit Committee

The members of the Committee during the year are set out below:

Composition of the Audit Committee	
Chairman:	Mr GJ Campbell (Independent Non-Executive Director)
Members:	Mr SL Wallis AO (Independent Non-Executive Director)
	Mr MB Yates (Independent Non-Executive Director)

The Audit Committee has a documented Charter, which is regularly reviewed and approved by the Board. All members are currently independent non-executive directors. The chairman of the Committee is not the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal financial control for the management of the Company.

The external auditors, the Chief Executive Officer and Chief Financial Officer/Company Secretary, are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 21 of this Report. The external auditor met with the Audit Committee and the Board during the year, without management being present.

The Chief Executive Officer and the Chief Financial Officer/Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2011 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required for the full year and half year reporting periods.

The main responsibilities of the Audit Committee are to:

- assist the Board to discharge its fiduciary responsibilities with regard to the Company's accounting, control and reporting practices by monitoring the risk and internal control environment and management over corporate assets;
- review internal controls and any changes thereto approved and submitted by the Company's Chief Financial Officer/Company Secretary;
- provide assurance regarding the quality and reliability of financial information used by the Board;
- oversee the activities of the internal audit function and external audit staff of the Company and to review the Company's risk management policies and internal control processes;
- review and recommend to the Board the adoption of the Company's half year and annual financial statements;
- liaise with and review the performance of the external auditor;
- consider whether non-audit services provided by the external auditor are consistent with maintaining the external auditors' independence; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit and internal audit plan;
- identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final reports and any significant adjustments required as a result of the auditor's findings prior to lodgment with the ASX;
- review the results and findings of the auditor and monitor the implementation of any recommendations made; and
- organize, review and report as required on any special reviews or investigations deemed necessary by the Board subject to the engagement not impairing audit independence.

The Audit Committee's Charter is available on the Company's website. The Audit Committee also considers the selection and appointment of external auditors and the rotation of external audit engagement partners.

Principle 5

Make timely and balanced disclosure

The Company is listed on the ASX and is committed to ensuring that information which is expected to have a material effect of the price or value of its shares is notified to the ASX in a timely and balanced manner, with regard to the Corporations Act 2001 and ASX Listing Rules outlining continuous disclosure requirements for listed companies.

All senior executives must follow a process which involves monitoring all areas of the Company's internal and external environment to identify and communicate significant matters in a timely manner to the Chief Financial Officer/Company Secretary. The Chief Executive Officer and Chief Financial Officer/Company Secretary are responsible for determining whether matters are required to be disclosed in accordance with the above continuous disclosure requirements and for informing the Board accordingly.

The Chief Financial Officer/Company Secretary is responsible for co-ordinating disclosure to the ASX and ensuring that such information is not released to any person until the ASX has confirmed its release to the market. Such matters are advised to the ASX on the day they are identified as being material.

☑ ASX Corporate Governance Council's Recommendations 5.1, 5.2

Principle 6

Respect the rights of shareholders

The Company is committed to keeping shareholders fully informed of significant developments and activities of the Company. This commitment is fulfilled as follows:

- all announcements made to the market and related information (including investor presentations, information provided to analysts or the media during briefings), are placed on the Company's website after lodgment with the ASX;
- the Annual Report (including relevant information about the operations of the Company during the year and changes in the state of affairs) is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- the half yearly report contains summarized financial information and a review of the operations of the Company during the period. The half year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX and sent to any shareholder who requests it;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the Board encourages full participation of shareholders at the AGM, to ensure a high level of accountability and identification with the Company's strategy and goals;
- important issues are presented to shareholders as single resolutions;
- shareholders are requested to vote on the appointment and aggregate remuneration of directors as well as changes to the Constitution. The Constitution is available on the website of the Company and copies are also given to shareholders who request for the same; and
- the external auditor is requested to attend the AGM to answer any questions concerning the audit and the content of the Auditor's report.

☑ ASX Corporate Governance Council's Recommendations 6.1, 6.2

Principle 7

Recognise and manage risk

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented the risk management system for identifying, assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The Chief Executive Officer and the Chief Financial Officer/Company Secretary have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company and material associates.

Risk profile and the Audit Committee

The Audit Committee reports to the Board on the status of risks through integrated risk management processes and programs aimed at ensuring that risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the risk management system.

The major risks that the Company faces are allocated to individual executives and are reviewed to determine progress and to provide updates as to the individual status and to ensure the identification of any further risks.

Risk management and compliance and control

The Company has implemented a compliance program which complies with the Australian Standard for Compliance Programs AS 3806. This Standard was prepared by the Standards Australia Committee following a request by the Australian Competition and Consumer Commission and details the essential elements of an effective compliance program. The Standard provides principles for the development, implementation and maintenance of an effective compliance program, whilst emphasizing the need for continuous improvement. The use of these principles will enable the Company to identify risks and to develop processes to ensure compliance with relevant laws and regulations, including gaming regulatory and licence obligations.

Following the successful re-certification audit in June 2010, the Company confirmed that its quality management system complies with the AS/NZ ISO 9001:2008 standard *Quality Management System-Requirements*, published by the Internal Organisation for Standardisation (ISO). Furthermore, due to the maturity of the Company's systems, the requirement for the independent surveillance audits has been reduced from six monthly to yearly. The recent annual surveillance audit conducted in June 2011 further demonstrated the Company's commitment to continuous improvement.

In addition to the above, the Company continually reviews internal controls and operating procedures, to enable compliance with Gaming Machine National Standards and the Company's Control System Manual.

To ensure that these standards are maintained, there are a number of internal reporting measures including monthly Compliance Reports from all department managers and monthly Continuous Disclosure Reports from all senior executives. The Regulatory and Compliance Committee receives details from the above reports and reviews the Company's reporting and processes on all these matters.

The Board is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is continually under review to ensure it keeps pace with internal and external changes. The Board oversees the Company's internal compliance and control systems, including:

Operating unit controls - Operating units confirm compliance with financial controls and procedures, including information systems controls detailed in procedures manuals;

Functional specialty reporting - Key areas subject to regular reporting to the Board include Treasury and Risk Management, Environmental, Legal and Insurance matters; and

Investment appraisal - Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size, obtain prior Board approval;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorized and executed;
- the quality and integrity of personnel is maintained (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Quality and integrity of personnel

Written confirmation of compliance with policies of the Company is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan has been established to ensure competent and knowledgeable employees fill senior positions, as and when retirements or resignations occur.

Financial reporting

The Chief Executive Officer and the Chief Financial Officer/Company Secretary have declared, in writing to the Board, that the Company's financial reports are founded on a sound system of risk management and internal compliance and control. Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Company's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breaches of those environmental requirements as they apply to the Company.

Assessment of effectiveness of risk management

Internal audit

To further assist the Board in ensuring compliance with these internal controls and risk management programs, the Company allocated the responsibilities of the Internal Audit function to a key employee within the Company's compliance department. This role is to oversee and regularly review the effectiveness of the abovementioned compliance and control systems and conduct regular audits against the International and Australian Standards as well as against all operating policies and procedures. The Audit Committee is responsible for approving the internal audit plan to be undertaken during the year and for the scope of the work to be performed.

☑ ASX Corporate Governance Council's Recommendations 7.1, 7.2, 7.3, 7.4

Principle 8

Remunerate fairly and responsibly

Remuneration and Nomination Committee

The members of the Committee during the year are set out below:

Composition of the Audit Committee	
Chairman:	Mr SL Wallis AO (Independent Non-Executive Director)
Members:	Mr GJ Campbell (Independent Non-Executive Director)
	Mr ML Ludski (Chief Financial Officer/Company Secretary)

The Remuneration and Nomination Committee has a documented Charter which is regularly reviewed and approved by the Board. A majority of members are independent non-executive directors and the chairman of the Committee is not the Chairman of the Board.

The Chief Executive Officer and Human Resources/Payroll Manager are invited to attend the Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages. The Chief Executive Officer and Chief Financial Officer/Company Secretary are not involved in matters pertaining to their own remuneration. During the year under review, the Committee met four times and the directors' attendance record is disclosed in the table of directors' meetings on page 21 of this Report.

The main responsibilities of the Remuneration and Nomination Committee are to:

- review the composition of the Board and make evaluations and recommendations thereon;
- identify and evaluate potential candidates as non-executive directors and report findings to the Board;
- recommend the selection, appointment, induction process and succession planning process for the Chief Executive Officer, the Chief Financial Officer/Company Secretary and other senior executives;
- recommend to the Board ways in which the skills, experience and expertise levels of existing directors and senior executives can be enhanced and developed;
- conducts an annual review of performance of the Chief Executive Officer, the Chief Financial Officer/Company Secretary and the senior executives reporting directly to them, and report findings to the Board;
- review and make recommendations to the Board on remuneration packages and incentive policies applicable to the Chief Executive Officer, Chief Financial Officer/Company Secretary, senior executives and directors themselves; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

Further details of the Remuneration and Nomination Committee's responsibilities are outlined in its Charter, which is available on the Company's website. The policy and procedure for appointment of directors also forms a part of the Committee's Charter.

Remuneration Report

The Remuneration Report is set out on pages 21 to 28 of this Report.

Remuneration policies

Remuneration levels for key personnel of the Company are competitively set to attract and retain appropriately qualified and experienced executives and directors. The Remuneration and Nomination Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of key management personnel;
- management performance against key performance indicators (KPIs) and individual contributions to the Company's performance;
- the Company's performance includes;
  - revenue and earnings;
  - growth in share price and delivering increased returns to shareholders wealth; and
  - the amount of incentives within each key management person's compensation.

Remuneration packages include a mix of fixed and variable remuneration and short-term and long-term performance-based incentives. In addition to salaries, the Company also provides non-cash benefits to its key management personnel and contributes to defined contribution superannuation plans on their behalf.

Senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the Company's and each relevant segment's result. In the year under review, the Company exceeded the minimum performance targets, with most segments exceeding operational budgeted targets which resulted in short-term incentives being earned during 2011 and was approved by the Board for payment, after release of the Group's annual results.

Total remuneration for all non-executive directors, last voted upon by shareholders is not to exceed $500,000 per annum. The base fee for individual non-executive directors for the financial year under review was $70,000 per annum, excluding superannuation and covers all main Board activities. Membership of Committees is remunerated in addition to the base fee as outlined in the Remuneration Report on page 23 of this Report. Non-executive directors do not receive any performance related remuneration or bonuses or retirement benefits other than statutory superannuation payments.

☑ ASX Corporate Governance Council's Recommendations 8.1, 8.2, 8.3, 8.4

Annual Financial Report

For the year ended 30 June 2011

CONTENTS PAGE

DIRECTORS' REPORT (continued)

For the year ended 30 June 2011

The directors present their report together with the financial statements of the Group comprising of Ainsworth Game Technology Limited (the Company) and its subsidiaries (the Group) for the financial year ended 30 June 2011 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Current		
Mr Leonard Hastings Ainsworth Executive Chairman	88 yrs	• Fifty-seven years gaming industry experience • Founder and former Managing Director of Aristocrat • Fellow of the Institute of Company Directors in Australia and the Australian Institute of Management • Life member – Clubs N.S.W • Inducted into the Australian Gaming Hall of Fame and U.S Gaming Hall of Fame in 1994 and 1995, respectively • Recognition as export hero in 2002 by Australian Institute of Export • G2E Asia Gaming Visionary Award Recipient in 2010 • Recipient of Clubs NSW award for outstanding contribution to the club industry in 2011 • Director and Chairperson since 1995 – Executive Chairperson since 2003
Mr Stewart Laurence Wallis AO, BCE (Hon), FIE Aust Lead Independent Non-Executive Director	77 yrs	• Fellow of the Institute of Engineers, Australia • Former Chief Executive and Director of Leighton Holdings Limited • Director since 2002 • Chairperson of Remuneration and Nomination Committee • Chairperson of Regulatory and Compliance Committee • Member of Audit Committee
Mr Graeme John Campbell Independent Non-Executive Director	54 yrs	• Graeme has specialised in the area of liquor and hospitality for over 28 years in corporate consultancy services with particular emphasis on hotels and registered clubs • Chairman of Harness Racing NSW • Director of Central Coast Stadium • Director of Blue Pyrenees Wines • Chairman of Operational Committee of Panthers Group/ING Entertainment Fund Joint Venture • Director since 2007 • Chairperson of Audit Committee • Member of Regulatory and Compliance Committee and Remuneration and Nomination Committee
Mr Michael Bruce Yates B.Com (with merit), LLB Independent Non-Executive Director	57 yrs	• Michael has extensive commercial and corporate law experience in a career spanning over 31 years • He is a former senior corporate partner of Sydney Law practices Holding Redlich and Dunhill Madden Butler and has acted for a number of clients involved in the gaming industry • Director since 2009 • Member of Audit Committee
Mr Daniel Eric Gladstone Executive Director and Chief Executive Officer	56 yrs	• Danny has held senior positions within the gaming industry over a successful career spaning 37 years • Inducted into the Club Managers Association Australia Hall of Fame in 2000 • Chairman of Gaming Technologies Association since January 2011 • Chief Executive Officer since 2007 - Executive Director since 2010 • Member of Regulatory and Compliance Committee
Former		
Mr John Malcolm Levee FCA Independent Non-Executive Director	58 yrs	• John has 33 years experience as a chartered accountant gained in private practice representing numerous high profile individuals, large corporations, clubs and associations • Fellow member of the Institute of Chartered Accountants in Australia • Appointed Director (subject to regulatory approval) on 24 February 2011, resigned on 29 June 2011

2. Company secretary

Mr Mark L Ludski has held the position of Company Secretary since 2000. Mr ML Ludski previously held the role of Finance Manager with another listed public company for ten years and prior to that held successive positions in two leading accounting firms where he was employed in each of their respective audit, taxation and business advisory divisions.

Mr ML Ludski is a Chartered Accountant holding a Bachelor of Business degree, majoring in accounting and sub-majoring in economics.

3. Directors' attendance at Board and Committee meetings during 2011

The attendance of directors of the Board and committee meetings of which they are members is set out below:

Director	Board	Committees		
(Meetings attended / held)		Audit	Remuneration & Nomination	Regulatory & Compliance
Mr LH Ainsworth	10/11	-	-	-
Mr SL Wallis	11/11	2/2	4/4	4/5
Mr GJ Campbell	11/11	2/2	4/4	5/5
Mr MB Yates	10/11	2/2	-	-
Mr DE Gladstone	11/11	-	-	5/5
Mr JM Levee[1]	4/4	-	-	-

[1] Mr JM Levee was appointed (subject to regulatory approval) and resigned from the Board on 24 February 2011 and 29 June 2011, respectively.

4. Remuneration report - audited

4.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel and secretaries of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration and nomination committee reviews market surveys on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's performance against Key Performance Indicators (KPIs) and individual contributions to the Group's performance;
- the Group's performance including:
  - revenue and earnings;
  - growth in share price and delivering returns on shareholder wealth; and
  - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to post-employment defined contribution superannuation plans on their behalf.

Fixed compensation
Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration and nomination committee through a process that considers individual, segment and overall performance of the Group. In addition market surveys are obtained to provide further analysis so as to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion and performance.

Performance-linked compensation
Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plans (see note 21 to financial statements).

In addition to their salaries, selected key sales management personnel receive commission on sales within their specific business segments as part of their service contracts.

4. Remuneration report - audited (continued)

4.1 Principles of compensation (continued)

Short-term incentive bonus

Each year the remuneration and nomination committee sets the KPIs for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objective is 'profit after tax' excluding foreign currency gains / (losses) and the recognition of previously unrecognised tax losses, compared to budgeted amounts which is designed to reward key management personnel for the Group's performance and not simply the achievement of individual segment results. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year the remuneration and nomination committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. A pre-determined maximum amount is awarded depending on results with an additional amount for stretch performance. No bonus is awarded where performance falls below the minimum performance established. The performance evaluation in respect of the year ended 30 June 2011 has taken place in accordance with this process.

The remuneration and nomination committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the Committee with an objective assessment of the individual's performance.

In the current year the Group exceeded the minimum performance targets, with most segments exceeding operational budgeted targets which resulted in short-term incentives being earned during 2011 and was approved by the Board for payment, after release of the Group's annual results. Currently, the performance linked component of compensation comprises approximately 23% of total payments to key management personnel.

Long-term incentive

There are two options schemes in place. Options for new shares are issued under an Employee Share Option Trust (ESOT). Additionally, there is an option scheme entitling personnel to options over a number of existing shares personally held by the Company's Executive Chairman, Mr LH Ainsworth under the LH Ainsworth Share Option Trust (ASOT). These share option plans provide for employees to receive options over new or existing ordinary shares for no consideration. The ability to exercise the options is conditional on continuation of employment.

The Group does not currently have a policy that prohibits employees that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. As a result of amendments to the Corporations Act 2001 relating to Director and Executive Remuneration disclosures, this will become mandatory for annual financial reporting periods ending after 1 July 2011.

Short-term and long-term incentive structure

The remuneration and nomination committee considers that the above performance-linked remuneration structure is appropriate because the key management personnel have the ability to reach a level of performance which qualifies them for the maximum bonus and options.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration and nomination committee have regard to the following indices in respect of the current financial year and the previous four financial years.

In thousands of dollars	2011	2010	2009	2008	2007
Profit/(loss) attributable to owners of the company	23,121	(2,721)	(12,542)	(19,357)	(49,445)
Dividends paid	-	-	-	-	-
Change in share price	**$0.27**	**$0.02**	**($0.02)**	**($0.31)**	**$0.06**
Return on capital employed	-	-	-	-	-

Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. Profit/(loss) amounts for 2007 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

Other benefits
Key management personnel can receive additional benefits such as non-monetary benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of club memberships and motor vehicles. The Company pays fringe benefits tax on these benefits.

Service contracts
It is the Group's policy that service contracts for Australian key management personnel and key employees be unlimited in term but capable of termination by either party on 12 months' notice and that the Group retains the right to terminate the contracts immediately, by making payment equal to 12 months' pay in lieu of notice.

The Group has entered into service contracts with each Australian key management person that provide for the payment of benefits where the contract is terminated by the Group. The key management persons are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive, retention of key personnel and any changes required to meet the principles of the remuneration policy.

Mr Danny Gladstone, Executive Director and Chief Executive Officer (CEO), has a contract of employment dated 5 February 2007 and amended on 7 December 2010 with the Company. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the board and CEO will early in each financial year, consult and agree objectives for achievement during that year.

The CEO has no entitlement to termination payment in the event of removal for misconduct as specified in his service contract.

Refer to note 26 of the financial statements for details on the financial impact in future periods resulting from the Group's commitments arising from non-cancellable contracts for services with key management personnel.

Non-executive directors
The fees paid to non-executive directors reflect the demands and responsibilities associated with their roles and the global nature of the operations within the highly regulated environment within which the Group operates. Fees incorporate an allowance for the onerous probity requirements placed on non-executive directors by regulators of the jurisdictions in which the Group operates or proposes to operate in.

The Group's non-executive directors only receive fees, including superannuation, for their services as compensation. In addition to these fees the cost of reasonable expenses are reimbursed as incurred.

Non-executive directors do not currently receive or participate in any performance related compensation. The level of fees paid to non-executive directors has been established based on the demands and responsibilities of their positions and have been set with reference to fees paid to other non-executive directors of comparable companies.

Current fees for directors effective 1 July 2006, excluding superannuation, are set out below. The Executive Chairman, CEO and Company Secretary do not receive any additional fees for undertaking Board or Committee responsibilities. Other non-executive directors who also chair or are a member of a committee receive a supplementary fee in addition to their annual remuneration.

POSITION	**$ (per annum)**
Australian resident non-executive director	70,000
Chair of Audit Committee	10,000
Chair of Regulatory and Compliance Committee	10,000
Chair of Remuneration and Nomination Committee	6,000
Member of Audit Committee	6,000
Member of Regulatory and Compliance Committee	6,000
Member of Remuneration and Nomination Committee	4,000

Total compensation for all non-executive directors, last voted upon by shareholders at the 2000 AGM, is not to exceed $500,000 per annum.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2011

4. Remuneration report - audited (continued)

4.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

		Short-term					Post-employment		Share-based payments			
In dollars		Salary & fees $	Sales commission $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
DIRECTORS												
Non-executive directors												
Mr SL Wallis	2011	100,280	-	-	-	100,280	-	-	-	100,280	-	-
	2010	92,000	-	-	-	92,000	8,280	-	-	100,280	-	-
Mr GJ Campbell	2011	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
	2010	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
Mr MB Yates	2011	76,000	-	-	-	76,000	6,840	-	-	82,840	-	-
	2010	41,539	-	-	-	41,539	3,739	-	-	45,278	-	-
Mr JM Levee (appointed 24 February 2011, resigned 29 June 2011)	2011	24,404	-	-	-	24,404	2,196	-	-	26,600	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2011	290,684	-	-	-	290,684	17,136	-	-	307,820	-	-
	2010	223,539	-	-	-	223,539	20,119	-	-	243,658	-	-
Executive directors												
Mr LH Ainsworth (Executive Chairman)	2011	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
	2010	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
Mr DE Gladstone [(1)] (Chief Executive Officer)	2011	538,460	-	263,372	88,586	890,418	68,703	-	12,876	971,997	30%	1%
	2010	185,879	-	-	27,491	213,370	15,534	-	-	228,904	-	-
Total directors' remuneration	2011	1,029,144	-	263,372	118,586	1,411,102	85,839	-	12,876	1,509,817	19%	1%
	2010	609,418	-	-	57,491	666,909	35,653	-	-	702,562	-	-

In dollars		Short-term					Post-employment		Share-based payments			
		Salary & fees $	Sales commission $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
EXECUTIVES												
Mr DE Gladstone [1]	2011	-	-	-	-	-	-	-	-	-	-	-
Chief Executive Officer	2010	352,580	-	-	52,145	404,725	29,466	-	-	434,191	-	-
Mr ML Ludski	2011	273,911	-	126,355	94,088	494,354	33,914	-	7,433	535,701	26%	1%
Chief Financial Officer / Company Secretary	2010	273,911	-	-	98,607	372,518	22,542	-	-	395,060	-	-
Mr V Bruzzese	2011	253,576	-	104,221	24,000	381,797	30,572	-	7,726	420,095	27%	1%
General Manager - Technical Services	2010	253,576	-	-	24,000	277,576	21,192	-	-	298,768	-	-
Mr I Cooper	2011	231,538	-	95,164	31,617	358,319	27,915	-	7,726	393,960	26%	1%
General Manager Manufacturing	2010	228,846	-	-	42,550	271,396	19,125	-	-	290,521	-	-
Mr M Cuadros [2]	2011	225,606	67,054	-	35,717	328,377	18,854	-	2,489	349,720	19%	-
VP Operations, Finance & HR - Americas	2010	41,770	5,925	-	6,603	54,298	3,491	-	367	58,156	-	1%
Mr S Clarebrough [3]	2011	235,308	-	193,426	20,000	448,734	37,073	-	10,301	496,108	42%	1%
Group General Manager Strategy and Development	2010	-	-	-	-	-	-	-	-	-	-	-
Former												
Mr R Meitzler	2011	-	-	-	-	-	-	-	-	-	-	-
Senior VP Sales and Operations (North America) (resigned 30 April 2010)	2010	153,212	227,732	-	22,675	403,619	4,280	1,348	-	409,247	-	-
Total executives remuneration	2011	1,219,940	67,054	519,166	205,422	2,011,581	148,328	-	35,675	2,195,584	26%	2%
	2010	1,303,895	233,657	-	246,580	1,784,132	100,096	1,348	367	1,885,943	12%	-
Total directors' and executive officers' remuneration	2011	2,249,084	67,054	782,538	324,008	3,422,683	234,167	-	48,551	3,705,401	23%	1%
	2010	1,913,312	233,657	-	304,071	2,451,040	135,749	1,348	367	2,588,504	9%	-

(1) Mr D Gladstone was an executive up until his appointment as an Executive Director on 25 February 2010 and the above relates to the periods up to this appointment.
(2) Mr M Cuadros was classified as a Key Management officer effective 1 May 2010 following the resignation of Mr R Meitzler.
(3) Mr S Clarebrough was appointed to a Key Management role on 1 January 2011 and the remuneration relates to the period from this appointment.

4. Remuneration report - audited (continued)

4.2 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers' remuneration

A. The short-term incentive bonus is for performance during the 30 June 2011 financial year using the criteria set out on page 22. The amount was considered on 30 June 2011 by the remuneration and nomination committee who recommended that bonuses be paid for the current period, subject to the completion and signing of the audited financial statements.

B. The fair value of the options is calculated at the date of grant using the Black Scholes Merton option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	1 March 2016	$0.079	$0.225	$0.225	51%	5.25%	-

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 21. Short term incentive bonuses have been provided for in the year ended 30 June 2011.

4.2.1 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, each of the five named Company executives and relevant Group Executives and other key management personnel are detailed below.

	Short term incentives		
	Included in remuneration $ (A)	% vested in year	% Forfeited in year (B)
DIRECTOR			
Mr DE Gladstone	263,372	100%	0%
EXECUTIVES			
Mr ML Ludski	126,355	100%	0%
Mr V Bruzzese	104,221	100%	0%
Mr I Cooper	95,164	100%	0%
Mr S Clarebrough	193,426	100%	0%

A. Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2011 financial year.

B. The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

4.3 Equity instruments

All options refer to options over ordinary shares of Ainsworth Game Technology Limited, unless otherwise stated, which are exercisable on a one-for-one basis under the ESOT.

4.3.1 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2011	Grant date	Number of options vested during 2011	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
DIRECTOR						
Mr DE Gladstone	1,000,000*	01/03/2011	-	0.079	0.225	01/03/2016
EXECUTIVES						
Mr ML Ludski	577,255*	01/03/2011	-	0.079	0.225	01/03/2016
Mr V Bruzzese	600,000*	01/03/2011	-	0.079	0.225	01/03/2016
Mr I Cooper	600,000*	01/03/2011	-	0.079	0.225	01/03/2016
Mr M Cuadros	200,000	01/03/2011	-	0.079	0.225	01/03/2016
Mr S Clarebrough	800,000*	01/03/2011	-	0.079	0.225	01/03/2016

* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr LH Ainsworth.

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options issued expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable on an annual basis over a three year period from grant date. Further details, including grant dates and exercise dates regarding options granted to executives under ESOT and ASOT are in note 21 to the financial statements.

4.3.2 Modification of terms of equity-settled share-based payment transactions

On 1 March 2011 the Company and the Company's majority shareholder issued share options to employees under newly established share option plans. A condition of accepting the new share options was that previously issued share options issued were cancelled. The granting of the new share options was treated as a modification as the new share options were replacements of the cancelled share options. The increase in the fair value was determined by reference to the difference in the fair value of the new share options granted as at 1 March 2011 and the fair value of the cancelled options valued at this date. The fair value of the cancelled options on the grant date of the replaced options was determined based on the following factors and assumptions:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
2 July 2007	2 July 2012	$0.01	$0.50	$0.38	51%	5.25%	-

As the fair value of the newly issued options was $0.079 per option, the incremental fair value of $0.069 will be recognised as an expense over the vesting period.

No other terms of equity-settled share-based payment transactions (including options and rights granted as remuneration to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period apart from the above.

4.3.3 Exercise of options granted as compensation

During the reporting period or the prior period no shares were issued on the exercise of options previously granted as compensation.

4. Remuneration report - audited (continued)

4.3 Equity instruments (continued)

4.3.4 Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each director of the Group and each of the five named Company executives and Group executives are detailed below.

	Options granted				
	Number	Date	% Vested in year	% Forfeited in year (A)	Financial years in which grant vests
DIRECTOR					
Mr DE Gladstone	1,000,000*	01/03/2011	-	-	01/03/2012 - 01/03/2014
EXECUTIVES					
Mr ML Ludski	577,255*	01/03/2011	-	-	01/03/2012 - 01/03/2014
Mr V Bruzzese	600,000*	01/03/2011	-	-	01/03/2012 - 01/03/2014
Mr I Cooper	600,000*	01/03/2011	-	-	01/03/2012 - 01/03/2014
Mr M Cuadros	200,000	02/07/2007	-	100%	02/07/2008 - 02/07/2010
	200,000	01/03/2011	-	-	01/03/2012 - 01/03/2014
Mr S Clarebrough	800,000*	01/03/2011	-	-	01/03/2012 - 01/03/2014

* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth.

A. The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

4.3.5 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and Group executives is detailed below:

	Granted in year ($)	Exercised in year (A) ($)	Fortified in year (B) ($)	Total option value in year ($)
DIRECTOR				
Mr DE Gladstone	1,000,000*	-	-	12,876
EXECUTIVES				
Mr ML Ludski	577,255*	-	-	7,433
Mr V Bruzzese	600,000*	-	-	7,726
Mr I Cooper	600,000*	-	-	7,726
Mr M Cuadros	200,000	-	(11,480)	2,489
Mr S Clarebrough	800,000*	-	-	10,301

* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth.

A. No options were exercised during the year.

B. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes Merton model with no adjustments for whether the performance criteria have or have not been achieved.

5. Principal activities

The principal activity of the Group during the course of the financial year was the design, development, production, sale and servicing of gaming machines and other related equipment and services.

There were no significant changes in the nature of the activities of the Group during the year.

Objectives

The Group's objectives are to:

- focus on geographical markets which are expected to achieve the greatest contributions to the Group's financial results and creation of sustained revenue growth;
- provide quality market leading products that are innovative and entertaining providing increased player satisfaction and therefore greater venue profitability through continued investment in product research and developments;
- provide a positive return on equity through profitability and share price growth;
- prudently manage levels of investment in working capital and continue to achieve positive cash flow from operations in the ensuing financial year; and
- establish and build greater presence within North America.

In order to meet these objectives the following action priorities will continue to apply in future financial years:

- grow market share for existing business and increase revenue and operating activities, particularly in both domestic and North American markets;
- continual investment in research and development;
- further reduce product and overhead costs through improved efficiencies in supply chain and inventory management;
- continue to improve management of working capital;
- to maintain best practice compliance policies and procedures and increase stakeholder awareness of the Group's regulatory environment; and
- ensure retention and development of key employees.

6. Operating and financial review

Overview of the Group

The profit after income tax for the year ended 30 June 2011 was $23.1 million, compared to a loss of $2.7 million in the corresponding 2010 year. This result included the recognition of previously unrecognised tax losses, resulting in deferred tax assets of $8.5 million included in the full year profit.

The above profit, excluding the impact of previously unrecognised tax losses, resulted in a second half profit of $11.2 million compared to the reported profit of $3.4 million for the six month period ended 31 December 2010. Progression of development strategies in all domestic markets together with building a greater presence in North America is expected to provide a strong foundation for growth in the future.

Sales revenue achieved was $98.0 million compared to $69.3 million in the corresponding period in 2010, an increase of 41%.

Domestic revenue contributed 76% of total revenue representing an increase of 55% on the previous corresponding period. Further strong product performance and increased market share was achieved following the introduction of the A560™ product family which was launched within New South Wales, Queensland and selected international markets during the year.

International revenue was $23.3 million compared to $21.0 million in the corresponding 2010 year, representing an increase of 11%. Revenue increases in international markets of North America, New Zealand and Europe were achieved in the current period and assisted the Group to offset revenue reductions experienced within South America and Asia.

Review of financial conditions

Capital structure and treasury policy

The Company currently has on issue 278,942,304 ordinary shares and 17,261,787 convertible notes. As at 30 June 2011 17,486,219 convertible notes were on issue with a further 224,432 notes purchased since the reporting date under the Company's buy-back program. Mr LH Ainsworth and his spouse (including entities they control) who collectively own 12,283,568 notes on issue have agreed to extend the maturity of their convertible notes until 31 December 2014. All other registered noteholders are given a right to extend their notes prior to redemption for the same period should they elect to do so.

The Company has the right to redeem all convertible notes that are extended, including those held by Mr LH Ainsworth and his spouse on 31 December 2011 or at the end of every six months until the maturity date of 31 December 2014. The current interest rate payable on the convertible notes is 10% per annum.

The Group is exposed to foreign currency risks on sales and purchases that are denominated in currencies other than AUD. The Group continually monitors and reviews the financial impact of currency variations and should facilities be available looks at establishing call options to minimise the volatility of changes in foreign currency exchange rates. No call options were placed in the current period due to the expectation of a reduction in the Group's net asset exposure and the favourable reversal of previous translational impacts.

6. Operating and financial review (continued)

Review of financial conditions (continued)

Liquidity and funding

The Company currently has a loan facility in place of $40.0 million with an entity controlled by the Executive Chairman, Mr LH Ainsworth, of which $26.9 million is unutilised at the reporting date. The maturity date of this facility is 4 years from the will of Mr LH Ainsworth coming into effect and does not call for repayment of interest accrued until this maturity date.

In addition to the above an additional $6.5 million trade finance facility has been established with an entity controlled by the Executive Chairman, Mr LH Ainsworth of which $0.6 million is unutilised at the reporting date.

Cash flows from operations

The cash inflow from operations for the period under review was $18.2 million compared to $10.6 million in the corresponding period in 2010. The Group continues to monitor closely its working capital requirements and continues to monitor the extent of credit offered on sales made in all jurisdictions.

Impact of legislation and other external requirements

The Group continues to work with regulatory authorities to ensure that the necessary product approvals to support its operations within global markets are granted on a timely and cost effective basis. The granting of such licences will allow the Group to expand its operations.

Review of principal businesses

Revenue

Sales revenue of $98.0 million was recorded in the period under review compared to $69.3 million in the corresponding period in 2010, an increase of 41%. Within domestic markets revenue achieved was $74.7 million, an increase of 55% over the corresponding period in 2010. This increase was predominately in the New South Wales and Queensland markets which represented 89% of domestic revenue. The success of the A560™ gaming machine and continued leading product performance resulted in the Group further increasing its market share in these markets. The increased revenue within Australia was primarily due to the product development strategies previously introduced providing improved game performance and a greater range of cabinet variants within the A560™ product family.

International revenue was $23.3 million compared to $21.0 million in the corresponding 2010 year, representing an increase of 11%. The key market of North America contributed 48% of total international revenue, an increase on the proceeding 2010 year of 24%. The Group expects to achieve higher international revenue in FY12, arising from substantially increased investment and a planned build-up in resources in the Americas. This will include establishing an operational base for North America in Las Vegas, Nevada, the ongoing release of newly developed product initiatives and the commencement of local product development and assembly based in Las Vegas.

Increases in other international markets of New Zealand and Europe assisted the Group to offset revenue reductions within South America and Asia in the period.

Operating costs

Cost of sales in the period were $34.5 million resulting in improved gross margins of 65% compared to 54% in the previous period in 2010. This increase is attributable to increased sales of the Group's premium progressive range of products combined with leading product performance, cost reductions and continued efficiencies in production processes. It is expected that further improvements in margin will continue once the Group fully transitions in all markets to the A560™ product range.

Operating costs, excluding cost of sales and financing costs, were $40.5 million compared to $33.1 million in the corresponding period in 2010. Included in operating costs were sales, service and marketing costs of $17.0 million, an increase of 20% compared to 2010. As a percentage of sales these costs fell from 21% to 17% and were attributable to the 41% increase in revenue in the current period.

Further investment in product development strategies resulted in research and development costs of $13.1 million, an increase of 29% in the period. These costs represented 13% of revenue compared to 15% in the corresponding period in 2010. Continual investment in progressing product development is expected to assist the Group in maintaining itself at the forefront of gaming technology and innovation.

Administration costs were $10.3 million, an increase of $1.6 million compared to the corresponding period in 2010. This increase was attributable to staff incentive initiatives reflecting the improved performance of the Company and $0.6 million of impairment losses on assets written down.

Financing costs

Net financing costs were $8.2 million in the period, an increase of $1.3 million on the corresponding period in 2010. This increase was primarily a result of net foreign exchange losses of $2.7 million in the current period compared to currency losses of $0.5 million in the corresponding period in 2010, an adverse variance of $2.2 million.

Significant changes in the state of affairs

Investment in research and development continues to ensure development initiatives positively affect product performance. Further investment is envisaged in 2012 within the Americas to ensure the Group is positioned to capitalise on the significant opportunities within this region as market conditions improve from the impact of the Global Financial Crisis (GFC).

The development and recent release of new product in selected markets has enabled the Group to continue to grow revenue and improve financial performance.

Other than the matters noted above, there were no significant changes in the state of affairs of the Group during the financial year.

7. Dividends

No dividends were paid or declared by the Company since the end of the previous financial year. The directors do not recommend that any dividends be paid in respect of the 2011 financial year.

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

The Group will continue to evaluate and pursue further product approvals of the Group's products to help ensure sustainable revenue growth and continued improvement in results is achieved in future periods. This strategy is aimed at achieving increased market share in selected geographical business sectors so as to positively contribute to Group results in future financial years.

The difficult market conditions caused by the GFC are expected to continue to impact international revenue opportunities in the short term. The planned building of an increased presence in the Americas and release of new product initiatives is however expected to help ensure sustainable revenue growth.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. Directors' interests

The relevant interest of each director in the shares, convertible notes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ainsworth Game Technology Limited		
	Ordinary shares	**Convertible notes**	**Options over ordinary shares**
Current			
Mr Leonard H Ainsworth	174,044,331	10,385,282	-
Mr Stewart L Wallis	1,016,703	232,000	-
Mr Graeme J Campbell	799,674	-	-
Mr Michael B Yates	108,400	-	-
Mr Daniel E Gladstone	100,000	-	1,000.000*

* The options issued to Mr DE Gladstone are over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

11. Share options

Options granted to directors and officers of the Company
During or since the end of the financial year, share options were granted for no consideration over unissued ordinary shares in the Company under the ESOT and over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth under the ASOT, to the following of the five most highly remunerated officers of the Group as part of their remuneration:

	Number of options granted	Exercise price ($)	Expiry date
DIRECTOR			
Mr DE Gladstone	1,000,000*	$0.225	01/03/2016
EXECUTIVES			
Mr ML Ludski	577,255*	$0.225	01/03/2016
Mr V Bruzzese	600,000*	$0.225	01/03/2016
Mr I Cooper	600,000*	$0.225	01/03/2016
Mr MC Cuadros	200,000	$0.225	01/03/2016
Mr S Clarebrough	800,000*	$0.225	01/03/2016

* Share options granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

Unissued shares under options
At the date of this report unissued ordinary shares of the Group under option are:

Expiry date	Exercise price ($)	Number of shares
1 March 2016	0.225	1,024,749

In addition to the share options issued by the Company, an incentive plan was introduced whereby share options were granted under the ASOT to Australian employees, excluding directors. The share options granted on 1 March 2011 to Australian employees totalled 9,969,718 and was granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

As the new share options were granted as replacement for the cancelled share options, the new share options were treated as a modification to the cancelled share options and the increase in the fair value was determined by reference to the difference in the fair value of the new share options granted on 1 March 2011 and the fair value of the cancelled share options valued as at that date.

During or since the end of the financial year 70,536 options forfeited due to cessation of employment leaving a balance of 9,898,182 share options under issue. The share options under this incentive plan issued to key management personnel totalled 3,577,255 share options.

The options above have vesting conditions, which must be satisfied prior to the options being exercised. The vesting conditions are set with reference to the anniversary of the issue date of the option. All options expire on the earlier of their expiry date or termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options
During or since the end of the financial year, the Company issued no ordinary shares as a result of the exercise of options.

12. Indemnification and insurance of officers

Indemnification
The Group has agreed to indemnify current and former directors of the Group against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums
Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executive officers of the Company and directors, senior executive and secretaries of its controlled entities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses contracts, as such disclosure is prohibited under the terms of the contract.

13. Non-audit services

During the year KPMG, the Group's auditor, has performed no other services in addition to its statutory duties.

Details of the amounts paid to the auditor of the Group, KPMG, for audit services provided during the year are set out below.

Audit services:	**2011** **$**	**2010** **$**
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	212,000	179,750

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 75 and forms part of the directors' report for the financial year ended 30 June 2011.

15. Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.

LH Ainsworth
Executive Chairman

Dated at Sydney this 31st day of August 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

In thousands of dollars	*Note*	2011	2010
Assets			
Cash and cash equivalents	*16*	15,377	6,144
Receivables and other assets	*15*	25,372	18,703
Inventories	*14*	13,392	11,491
Prepayments		573	980
Total current assets		**54,714**	**37,318**
Receivables and other assets	*15*	11,724	10,325
Deferred tax assets	*13*	8,509	-
Property, plant and equipment	*11*	23,539	24,655
Intangible assets	*12*	14,615	12,966
Total non-current assets		**58,387**	**47,946**
Total assets		**113,101**	**85,264**
Current Liabilities			
Trade and other payables	*23*	8,692	6,875
Loans and borrowings	*19*	13,726	6,162
Employee benefits	*20*	4,432	2,287
Provisions	*22*	171	140
Total current liabilities		**27,021**	**15,464**
Loans and borrowings	*19*	46,991	54,242
Employee benefits	*20*	397	425
Total non-current liabilities		**47,388**	**54,667**
Total liabilities		**74,409**	**70,131**
Net assets		**38,692**	**15,133**
Equity			
Share capital		122,373	122,373
Reserves		12,048	11,626
Accumulated losses		(95,729)	(118,866)
Total equity		**38,692**	**15,133**

The notes on pages 38 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

In thousands of dollars	***Note***	**2011**	**2010**
Revenue	*7*	97,963	69,278
Cost of sales		(34,508)	(31,784)
Gross profit		**63,455**	**37,494**
Other income		100	198
Sales, service and marketing expenses		(17,042)	(14,192)
Research and development expenses		(13,121)	(10,213)
Administrative expenses		(10,336)	(8,699)
Results from operating activities		**23,056**	**4,588**
Financial income	*9*	1,037	798
Financial expenses	*9*	(9,259)	(7,752)
Net finance costs		**(8,222)**	**(6,954)**
Profit/(loss) before income tax		**14,834**	**(2,366)**
Income tax benefit / (expense)	*10*	8,287	(355)
Profit/(loss) for the year		**23,121**	**(2,721)**
Other comprehensive income			
Foreign currency translation reserve		(206)	(29)
Total comprehensive income for the period		**22,915**	**(2,750)**
Profit/(loss) attributable to owners of the Company		**23,121**	**(2,721)**
Total comprehensive income attributable to the owners of the Company		**22,915**	**(2,750)**
Earnings per share:			
Basic earnings per share (dollars)	*18*	$0.08	($0.01)
Diluted earnings per share (dollars)	*18*	$0.08	($0.01)

The notes on pages 38 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Attributable to equity holders of the Company					
In thousands of dollars	**Issued capital**	**Equity compensation reserve**	**Fair value reserve**	**Translation reserve**	**Accumulated losses**	**Total equity**
Balance at 1 July 2009	122,373	1,012	10,044	226	(116,580)	17,075
Total comprehensive income for the period						
Loss	-	-	-	-	(2,721)	(2,721)
Other comprehensive income						
Foreign currency translation reserve	-	-	-	(29)	-	(29)
Total other comprehensive income	-	-	-	(29)	-	(29)
Total comprehensive income for the year	-	-	-	(29)	(2,721)	(2,750)
Transactions with owners, recorded directly in equity						
Equity component of related party borrowings	-	-	720	-	-	720
Share based payment transactions	-	88	-	-	-	88
Share based payment adjustment on non-vesting options	-	(435)	-	-	435	-
Total transactions with owners	-	(347)	720	-	435	808
Balance at 30 June 2010	**122,373**	**665**	**10,764**	**197**	**(118,866)**	**15,133**
Balance at 1 July 2010	**122,373**	**665**	**10,764**	**197**	**(118,866)**	**15,133**
Total comprehensive income for the period						
Profit	-	-	-	-	23,121	23,121
Other comprehensive income						
Foreign currency translation reserve	-	-	-	(206)	-	(206)
Total other comprehensive income	-	-	-	(206)	-	(206)
Total comprehensive income for the year	-	-	-	(206)	23,121	22,915
Transactions with owners, recorded directly in equity						
Equity component of related party borrowings	-	-	523	-	-	523
Equity component of re-purchase of convertible note	-	(13)	-	-	-	(13)
Share based payment transactions	-	134	-	-	-	134
Share based payment adjustment on non-vesting options	-	(16)	-	-	-	-
Total transactions with owners	-	105	523	-	16	644
Balance at 30 June 2011	**122,373**	**770**	**11,287**	**(9)**	**(95,729)**	**38,692**

The notes on pages 38 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

In thousands of dollars	***Note***	**2011**	**2010**
Cash flows from operating activities			
Cash receipts from customers		93,198	73,640
Cash paid to suppliers and employees		(71,723)	(59,801)
Cash generated from operations		**21,475**	**13,839**
Income taxes paid		(229)	(355)
Borrowing costs paid		(3,093)	(2,863)
Net cash from operating activities	*16b*	**18,153**	**10,621**
Cash flows from / (used in) investing activities			
Proceeds from sale of property, plant and equipment		17	188
Interest received		993	750
Acquisitions of property, plant and equipment		(995)	(932)
Development expenditure	*12*	(3,987)	(3,517)
Acquisition of other intangibles	*12*	(23)	(542)
Net cash used in investing activities		**(3,995)**	**(4,053)**
Cash flows from / (used in) financing activities			
Proceeds from borrowings		-	500
Repayment of borrowings		(424)	(500)
Re-purchase of convertible notes		(2,855)	-
Payment of finance lease liabilities		(1,317)	(1,285)
Net cash used in financing activities		**(4,596)**	**(1,285)**
Net increase in cash and cash equivalents		9,562	5,283
Cash and cash equivalents at 1 July		6,144	958
Effect of exchange rate fluctuations on cash held		(329)	(97)
Cash and cash equivalents at 30 June	*16a*	**15,377**	**6,144**

The notes on pages 38 to 72 are an integral part of these consolidated financial statements.

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

INDEX TO SIGNIFICANT ACCOUNTING POLICIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Reporting entity

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for loans and borrowings with a Director related entity, which are measured initially at fair value and then subsequently carried at amortised cost.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ to these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in note 12 - Intangible assets, note 13 – Deferred tax assets.

(e) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 31.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation, including a re-classification of gaming machines previously recorded as inventory to property, plant and equipment, see note 11.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Acquisitions prior to 1 July 2004

As part of its transition to AASBs, the Group elected to restate only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the Group's previous accounting framework, Australian GAAP.

(iv) Acquisitions on or after 1 July 2004

For acquisitions on or after 1 July 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the Translation Reserve in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the Translation Reserve related to that foreign operation is transferred to the profit or loss, as part of gain or loss on disposal.

When the Group disposes of only a part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant portion of cumulative amounts is re-attributed to non-controlling interest.

(c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

Trade and other receivables are recognised on the date that they are originated. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables.

Debt securities issued and subordinated liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and borrowings and trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Where the terms and conditions of borrowings are modified, the carrying amount is remeasured to fair value. Any difference between the carrying amount and fair value is recognised in equity.

3. Significant accounting policies (continued)

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is re-classified to equity. No gain or loss is recognised on conversion.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Machines previously held as inventory are transferred to property, plant and equipment when a rental or participation agreement is entered into. When the rental or participation agreements cease and the machines become held for sale, they are transferred to inventory at their carrying amount. The proceeds of the sale of the machine is then recognised as revenue in accordance with the accounting policy described in note (l) (i) Goods sold.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" in profit and loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	40 years
• leasehold improvements	10 years
• plant and equipment	2.5 - 20 years
• machines under rental or participation agreements	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(iii) and (iv).

(ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(iii) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Other intangible assets
Other intangible assets, which include service contracts, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(vi) Amortisation
Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefit embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

• capitalised development costs	2 – 5 years
• service contracts	8 years
• intellectual property	10 years

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

(f) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(g) Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor will enter bankruptcy.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, CGU or group of CGUs. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU or group of CGUs"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to CGUs or group of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs or group of CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU or group of CGUs to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the CGU or group of CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution superannuation funds
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long term employee benefits
The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield rate at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short term benefits
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers remuneration insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

(k) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(l) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue is recognised when persuasive evidence exists usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The consideration from a revenue arrangement is based on the relative fair values of each separate unit.

(ii) Services

Revenue from services rendered is recognised in profit or loss when the services are performed.

(iii) Rental and participation

Revenue from rental of gaming machines is recognised in profit or loss on a straight line basis over the term of the rental agreement. Participation revenue is recognised in accordance with the terms of the participation agreement.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance income and finance costs

Finance income comprises interest income and foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, see note 13.

3. Significant accounting policies (continued)

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

(r) New standard and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets

The fair value of customer contracts acquired in a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of these contracts. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(ii) Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The fair value of all other receivables / payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(iv) Loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(v) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

(vi) Share-based payment transactions

The fair value of employee stock options is measured using the Black Scholes Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established processes through the Group Audit Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, including the default risk of the industry and country in which customers operate. The Group's most significant receivable amount is represented by a customer within South America, which accounts for 18% (2010: 35%) of the trade receivables carrying amount as at 30 June 2011.

Credit policy guidelines have been introduced under which each new customer is assessed by the compliance division as to suitability and analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes investigations, external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's creditworthiness criteria may only transact with the Group within established limits unless Board approval is received or otherwise only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a distributor, operator or customer, geographic location, aging profile, maturity and existence of previous financial difficulties.

The Group's trade and other receivables relate mainly to the Group's direct customers, operators and established distributors. Customers that are graded as "high risk" require future sales to be made on a prepayment basis with approval of the Chief Executive Officer and Chief Financial Officer up to approved limits and thereafter only with Board approval.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries. At 30 June 2011 no guarantees were outstanding (2010: none).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has access to sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- $40.0 million facility that can be drawn down to meet short-term financing needs; and
- $6.5 million trade facility.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the US dollar (USD). The currencies in which these transactions primarily are denominated are AUD, USD, Euro and New Zealand dollar (NZD). The Group regularly monitors and reviews, dependant on available facilities, the hedging of net assets denominated in a foreign currency. The Group has at various times utilised currency call options to hedge its currency risk, most with a maturity of less than six months. No currency call options were utilised throughout the reporting period.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group monitors its net exposure to address short-term imbalances.

Interest rate risk

The Group's borrowing rates are fixed and no interest rate risk exists.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Financial risk management (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board continues to monitor group performance so as to ensure an acceptable return on capital is achieved and that dividends will be provided to ordinary shareholders in the medium term.

The Board continues to review alternatives to ensure present employees will hold at least 5% of the Company's ordinary shares. This is expected to be achieved assuming all outstanding share options issued vest and/or are exercised. These share options were issued to all Australian employees over a portion of the Executive Chairman's shareholding under a share option incentive plan provided on 1 March 2011, see note 21.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

6. Operating segments

The Group has nine reportable segments as identified below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer (CEO) reviews internal management reports on a monthly basis. The Group's corporate head office is located in New South Wales, Australia where all design and development is undertaken and manufacturing facilities are operated. Sales offices are operated in New South Wales, Queensland and the Americas (Florida) and Nevada.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment revenue relates to service charges between Group entities and pricing is determined on an arm's length basis.

Information about reportable segments

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers.

For the period ended 30 June 2011

	Australia				Americas							
In thousands of dollars	NSW	QLD	VIC	SA	North America	South America	Asia	New Zealand	Europe / Other	Total	Elimination of inter-segment transactions	Consolidated
External revenue	45,198	23,834	4,077	1,575	17,540	6,447	1,461	2,099	2,028	104,259	(6,296)	97,963
Inter-segment revenue	-	-	-	-	6,296	-	-	-	-	6,296	-	6,296
Interest revenue	342	-	-	-	695	-	-	-	-	1,037	-	1,037
Interest expense	(6,522)	(21)	-	-	-	-	-	-	-	(6,543)	-	(6,543)
Depreciation and amortisation	(4,309)	(57)	(2)	(1)	(975)	-	-	-	-	(5,344)	-	(5,344)
Reportable segment profit / (loss) before tax	6,681	9,120	1,433	338	2,293	(438)	336	839	528	21,130	(6,296)	14,834
Material non-cash items:												
Impairment losses	(607)	-	-	-	-	-	-	-	-	(607)	-	(607)
Non current assets, excluding Deferred tax assets	48,736	252	-	-	2,134	-	-	-	-	51,122	(1,244)	49,878

For the period ended 30 June 2010

In thousands of dollars	Australia				Americas							
	NSW	**QLD**	**VIC**	**SA**	**North America**	**South America**	**Asia**	**New Zealand**	**Europe / Other**	**Total**	**Elimination of inter-segment transactions**	**Consolidated**
External revenue	28,414	11,662	6,364	1,796	16,333	10,247	2,027	714	143	77,700	(8,422)	69,278
Inter-segment revenue	-	-	-	-	8,422	-	-	-	-	8,422	-	8,422
Interest revenue	117	40	-	-	641	-	-	-	-	798	-	798
Interest expense	(7,236)	(16)	-	-	-	-	-	-	-	(7,252)	-	(7,252)
Depreciation and amortisation	(3,902)	(41)	-	-	(57)	-	-	-	-	(4,000)	-	(4,000)
Reportable segment profit / (loss) before tax	(3,778)	2,446	1,761	149	6,575	(1,179)	(94)	163	13	6,056	(8,422)	(2,366)
Material non-cash items:												
Impairment losses	(172)	-	-	-	-	-	-	-	-	(172)	-	(172)
Non current assets	46,068	182	-	-	1,972	-	-	-	-	48,222	(276)	47,946

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Revenue

In thousands of dollars

	Note	2011	2010
Sale of goods		90,577	62,409
Rendering of services		5,102	5,227
Rental and participation revenue		2,284	1,642
		97,963	69,278

8. Personnel expenses

In thousands of dollars

	Note	2011	2010
Wages and salaries		22,740	20,030
Short term incentive		1,327	-
Contributions to defined contribution superannuation funds		1,869	1,466
Increase in liability for annual leave	*20*	240	281
Increase in liability for long service leave	*20*	260	208
Termination benefits		249	29
Equity settled share-based payment transactions		134	88
		26,819	22,102

9. Finance income and finance costs

In thousands of dollars

	2011	2010
Interest income on trade receivables	696	739
Interest income on bank deposits	341	59
Finance income	1,037	798
Interest expense on financial liabilities	(6,545)	(7,252)
Net foreign exchange loss	(2,714)	(500)
Finance costs	(9,259)	(7,752)
Net financing costs recognised in profit or loss	(8,222)	(6,954)

10. Income tax (benefit) / expense

In thousands of dollars

Recognised in the income statement

	2011	2010
Current tax expense		
Current year	2,653	355
Utilisation of previously unrecognised tax losses and timing differences	(2,431)	-
	222	355
Deferred tax benefit		
Recognition of previously unrecognised tax losses	(8,509)	-
	(8,509)	-
Total income tax (benefit) / expense	(8,287)	355

Numerical reconciliation between tax expense / (benefit) and pre-tax net profit/(loss)

	2011	2010
Profit/(loss) for the year	23,121	(2,721)
Total income tax (benefit)/expense	(8,287)	355
Profit/(loss) excluding income tax	14,834	(2,366)
Income tax using the Company's domestic tax rate of 30% (2010 30%)	4,450	(710)
Non-deductible expenses	4,556	3,593
Deferred tax not recognised	-	2,141
Non-assessable income and concessions	(6,353)	(4,669)
Utilisation of previously unrecognised tax losses	(2,431)	-
Recognition of previously unrecognised tax losses and timing differences	(8,509)	-
	(8,287)	355

11. Property, plant and equipment

In thousands of dollars	Land and buildings	Plant and equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2009	20,016	13,283	107	33,406
Re-classification of inventory to plant and equipment	-	1,600	-	1,600
Additions	-	2,365	-	2,365
Disposals	-	(1,166)	-	(1,166)
Effect of movements in foreign exchange	-	(20)	(5)	(25)
Balance at 30 June 2010	20,016	16,062	102	36,180
Balance at 1 July 2010	20,016	16,062	102	36,180
Re-classification of inventory to plant and equipment	-	844	-	844
Additions	226	1,488	-	1,714
Disposals	-	(148)	-	(148)
Effect of movements in foreign exchange	-	(56)	(19)	(75)
Balance at 30 June 2011	20,242	18,190	83	38,515
Depreciation and impairment losses				
Balance at 1 July 2009	1,651	8,259	50	9,960
Depreciation charge for the year	353	2,059	31	2,443
Impairment loss	-	-	-	-
Disposals	-	(860)	-	(860)
Effect of movements in foreign exchange	-	(16)	(2)	(18)
Balance at 30 June 2010	2,004	9,442	79	11,525
Balance at 1 July 2010	2,004	9,442	79	11,525
Re-classification of inventory to plant and equipment	358	2,652	19	3,029
Additions	-	607	-	607
Disposals	-	(129)	-	(129)
Effect of movements in foreign exchange	-	(41)	(15)	(56)
Balance at 30 June 2011	2,362	12,531	83	14,976
Carrying amounts				
At 1 July 2009	18,365	5,024	57	23,446
At 30 June 2010	18,012	6,620	23	24,655
At 30 June 2011	17,880	5,659	-	23,539

Impairment losses

The Group realised an impairment loss on plant and equipment with a written down value of $607,000 (2010: Nil). This equipment was replaced during the year or determined to have no value as it was previously used to produce parts which are now sourced externally.

Re-classification

A re-classification from inventory to property, plant and equipment in the current year of $844,000 and the prior 2010 year of $1,600,000 was recorded to reflect gaming products under rental and participation agreements.

Leased plant and equipment

The Group leases plant and equipment and motor vehicles under hire purchase agreements. At the end of each of these agreements the Group has the option to purchase the equipment at a beneficial price. The leased equipment and guarantees by the Group secure lease obligations. Acquisition of plant and equipment including computer equipment and motor vehicles, by means of hire purchase agreements amounted to $564,000 (2010: $919,000). At 30 June 2011, the net carrying amount of leased plant and equipment was $2,112,000 (2010: $2,141,000).

Security

At 30 June 2011 a property with a carrying amount of $17,880,000 (2010: $18,012,000) is subject to a debenture mortgage to secure loans and borrowings, see note 19.

12. Intangible assets

In thousands of dollars	Goodwill	Development costs*	Intellectual property	Nevada Licence Costs	Service Contracts	Total
Cost						
Balance at 1 July 2009	2,778	15,707	836	1,018	1,223	21,562
Development costs fully amortised and written off	-	(1,065)	-	-	-	(1,065)
Acquisition - at cost	-	-	-	542	-	542
Development costs capitalised during the year	-	3,517	-	-	-	3,517
Balance at 30 June 2010	2,778	18,159	836	1,560	1,223	24,556
Balance at 1 July 2010	2,778	18,159	836	1,560	1,223	24,556
Development costs fully amortised and written off	(342)	(1,048)	-	-	-	(1,390)
Acquisition - at cost	-	-	-	23	-	23
Development costs capitalised during the year	-	3,987	-	-	-	3,987
Balance at 30 June 2011	2,436	21,098	836	1,583	1,223	27,176
Amortisation and impairment losses						
Balance at 1 July 2009	171	9,594	167	-	688	10,620
Development costs fully amortised and written off	-	(1,065)	-	-	-	(1,065)
Amortisation for the year	-	1,628	84	-	152	1,864
Impairment losses	171	-	-	-	-	171
Balance at 30 June 2010	342	10,157	251	-	840	11,590
Balance at 1 July 2010	342	10,157	251	-	840	11,590
Development costs fully amortised and written off	(342)	(1,048)	-	-	-	(1,390)
Amortisation for the year	-	2,123	84	-	154	2,361
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2011	-	11,232	335	-	994	12,561
Carrying amounts						
At 1 July 2009	2,607	6,113	669	1,018	535	10,942
At 30 June 2010	2,436	8,002	585	1,560	383	12,966
At 30 June 2011	2,436	9,866	501	1,583	229	14,615

* These relate to development of new products

Amortisation charge and impairment loss

The amortisation charge is recognised in the following line items in the income statement:

In thousands of dollars	2011	2010
Cost of sales	84	84
Other operating expenses	2,277	1,780
	2,361	1,864

Impairment testing for Development costs

The carrying amount of the Group's development costs amounts to $9,866,000 (2010: $8,002,000).

Development costs include product development costs relating to products that are not yet available for sale and as such the recoverable amount is assessed at the end of the reporting date.

Development costs include product development costs relating to products that are not yet available for sale and as such the recoverable amount is assessed at the end of the reporting date. Development costs contribute to sales of products in multiple geographic regions and across multiple cash generating units (CGUs) and are therefore allocated to the group of CGUs ('CGU group') to which they relate. The recoverable amount of the CGU group was estimated based on its value in use.

The carrying amount of the CGU group was $16,308,000, comprising $9,866,000 of development costs, $4,859,000 of property, plant and equipment and $1,583,000 of Nevada licence costs. The value in use for the CGU group was estimated by discounting the forecast future cash flows expected to be generated from the sales of machines and products, based on the following key assumptions:

- Cash inflows in the years 2012 to 2014 from the sale of the group's products, estimated based on forecast revenue, having regard to Board approved budgets, the Group's 3 year business plan and supporting strategic actions, historical experience and actual operating results;
- Annual revenue growth forecasts in the years after the Group's 3 year business plan of 5% for the years 2015 and 2016;
- The development will generate cash flows for 5 years; and
- A discount rate of 11% based on the weighted average cost adjusted for uncertainty of regulatory conditions.

As the recoverable amount of the CGU group tested was estimated to be higher than the carrying amount of the group, no impairment was considered necessary.

Impairment testing for Nevada licence costs
The Nevada licence costs capitalised are classified as an intangible asset with an indefinite life, and as such the recoverable amount is assessed at each reporting date.

The carrying amount of $1,583,000 (2010: $1,560,000) was allocated to the Nevada CGU without corporate assets in a 'bottom-up test' under the key assumptions noted below. The Nevada licence costs were also included in the impairment assessment for the minimum collection of CGUs to which corporate assets can be allocated reasonably and consistently ('top-down test') under the key assumptions noted above (refer Impairment testing for Development Costs above).

The value in use for the Nevada CGU was estimated by discounting the forecasted future cash flows to be generated from the sale of machines and products in Nevada, and was based on the following key assumptions:

- Cash inflows in the years 2012 to 2014 from the sale of the group's products, estimated based on forecast sales revenue, having regard to Board approved budgets, the Group's 3 year business plan and supporting strategic actions;
- Annual revenue growth forecasts in the years after the Group's 3 year business plan of 5% for the year 2015 and 10% for the year 2016;
- The Nevada license will generate cash flows for 5 years; and
- A discount rate of 11% based on the weighted average cost of capital adjusted for volatility of regulatory conditions.

As the recoverable amount of the CGUs tested under both the bottom-up test and the top-down test were estimated to be higher than the carrying amount of the asset, no impairment was considered necessary.

Impairment testing for goodwill
Goodwill relates to acquired service businesses and entities in Australia. The recoverable amount is assessed using calculation methodologies based on value-in-use calculations which utilise projected cashflows from financial budgets approved by the Board of Directors. The cashflow models consider growth over the medium term, being five years, discounted to present value using a discount rate determined by reference to its weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each entity. A capitalisation multiple is then applied to this medium term cumulative discounted cashflow and an acceptable valuation range is formulated and tested against the carrying value of goodwill associated with each business and entity.

The recoverable amount of the Australian service cash-generating unit was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the service unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results over a projected four year period. Cash flows for a further 10 year period were extrapolated using a constant growth rate of 5 percent, which does not exceed the long term average growth rate for the industry. Management believes that this forecast period was justified due to the long term nature of the service business; and
- Revenue was projected at $6,199,420 in the 2012 year with anticipated annual revenue growth included in the cash flow projections of 5 percent for the years 2013 to 2015. Management has forecast to achieve annual revenue of $7,189,438 in the fourth year.

  The values assigned to the key assumptions represent management's assessment of future trends in the service industry and are based on internal sources via historical data.

  The above estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have reduced the recoverable amount of the cash generating unit by $157,000 and no impairment would have resulted; and
- A 5 percent decrease in future planned revenues would have resulted in an impairment loss of $2,009,000.

13. Deferred tax assets

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

In thousands of dollars	**2011**	**2010**
Deductible temporary differences	-	1,955
Tax losses	28,835	37,389
	28,835	39,344

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from.

In 2011, $8,509 thousand of previously unrecognised tax losses and deductible temporary differences were recognised as management considered it probable that future taxable profits would be available against which they can be utilised. Management revised its estimates following the improved financial performance in the current period and the recent release of new gaming products. Management has assessed that the recoverability of the balance of tax losses of $28,835 thousand is not probable because a history of profitability and trend of profitable growth in the Company is not yet fully established. The carrying amount of the Deferred tax asset will be reassessed after each reporting period and, if appropriate, the asset recognised will be adjusted.

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

In thousands of dollars	**Assets**	
	2011	**2010**
Employee benefits	726	-
Provisions	646	-
Other items	102	-
Tax loss carry-forwards	7,035	-
Tax assets	8,509	-
Set off of tax	-	-
Net tax assets	8,509	-

14. Inventories

In thousands of dollars	**2011**	**2010**
Raw materials and consumables	7,375	6,749
Finished goods	4,369	4,441
Stock in transit	1,648	301
Inventories stated at the lower of cost and net realisable value	13,392	14,491

During the year ended 30 June 2011 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $32,371 thousand (2010: $26,951 thousand). During the year ended 30 June 2011 the write-down of inventories to net realisable value amounted to $1,661 thousand (2010: $350 thousand). The write-down is included in cost of sales.

A re-classification from inventory to property, plant and equipment in the current year of $844,000 and the prior 2010 year of $1,600,000 was recorded to reflect gaming products under rental and participation agreements.

15. Receivables and other assets

In thousands of dollars	2011	2010
Current		
Trade receivables	25,539	18,967
Less impairment losses	(286)	(351)
	25,253	18,616
Other assets	119	87
	25,372	18,703
Non-current		
Term receivables	11,724	10,230
Other	-	95
	11,724	10,325

The Group realised impairment losses of $286 thousand (2010: $351 thousand) for the year ended 30 June 2011.

Receivables denominated in currencies other than the functional currency comprise $17,754 thousand of trade receivables denominated in US dollars (2010: $20,116 thousand) and $419 thousand in New Zealand Dollars (2010: $560 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 24.

16a. Cash and cash equivalents

In thousands of AUD	2011	2010
Bank balances	2,423	2,493
Call deposits	12,954	3,651
Cash and cash equivalents in the statement of cash flows	15,377	6,144

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

16b. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	2011	2010
Cash flows from operating activities			
Profit/(Loss) for the period		23,121	(2,721)
Adjustments for:			
Depreciation	*11*	3,029	2,443
Impairment of property, plant and equipment		607	-
Amortisation of intangible assets	*12*	2,361	1,864
Impairment of intangible assets	*12*	-	171
Net finance costs	*9*	8,222	6,954
(Gain)/loss on sale of property, plant and equipment		(12)	30
Equity-settled share-based payment transactions	*8*	134	88
Income tax (benefit) / expense	*10*	(8,287)	355
Operating profit before changes in working capital and provisions		**29,175**	**9,184**
Change in trade and other receivables		(10,722)	2,760
Change in inventories		(2,545)	4,276
Change in other assets		470	(95)
Change in trade and other payables		2,720	734
Change in provisions and employee benefits		2,148	(3,375)
		21,246	13,484
Interest paid		(3,093)	(2,863)
Net cash from operating activities		18,153	10,621

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Capital and reserves

Share capital

In thousands of shares	2011	2010
On issue at 1 July	278,942	278,942
On issue at 30 June – fully paid	278,942	278,942

The Group has also issued share options (see note 21).

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Equity compensation reserve
The equity compensation reserve represents the cost of share options issued to employees.

Fair value reserve
The fair value reserve comprises the cumulative net change in fair value of related party loans and borrowings where interest is charged at below market value.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Dividends
No dividends were recommended or paid during or since the end of the financial year (2010 Nil).

18. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $23,121,000 (2010: loss of $2,721,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 278,942,000 (2010: 278,942,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

In thousands of dollars	***Note***	2011	2010
Profit/(Loss) for the period		23,121	(2,721)
Profit/(loss) attributable to ordinary shareholders		23,121	(2,721)

Weighted average number of ordinary shares

In thousands of shares			
Issued ordinary shares at 1 July	*17*	278,942	278,492
Weighted average number of ordinary shares at 30 June		278,942	278,492

Diluted earnings per share
The calculation of diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $23,121,000 (2010: loss of $2,721,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 278,942,000 (2010: 278,942,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders (diluted)

In thousands of dollars	***Note***	**2011**	**2010**
Profit/(loss) attributable to ordinary shareholders		23,121	(2,721)
Interest expense on convertible notes, net of tax	*(a)*	-	-
Profit/(loss) attributable to ordinary shareholders (diluted)		23,121	(2,721)

Weighted average number of ordinary shares (diluted)

In thousands of shares			
Weighted average number of ordinary shares at 30 June		278,942	278,942
Effect of conversion of convertible notes	*(a)*	-	-
Effect of share options on issue	*(a)*	-	-
Weighted average number of ordinary shares (diluted) at 30 June		278,942	278,942

(a) For the years ended 30 June 2011 and 2010 the effect of the convertible notes was anti-dilutive as the convertible note interest per ordinary share (which would be obtained on conversion) exceeds basic earnings per share.

For the year ended 30 June 2011, the calculation of profit attributable to ordinary shareholders (diluted) and weighted average number of ordinary shares (diluted) also excludes the after-tax effect of interest on convertible notes (see note 19) and the effect of conversion of convertible notes, respectively, as the effect would be anti-dilutive.

The outstanding share options on issue were not considered to be potential ordinary shares for the years ended 30 June 2011 or 2010 as they were anti-dilutive due to the average share price exceeding the exercise price.

19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 24.

In thousands of dollars	**2011**	**2010**
Current		
Current portion of finance lease liabilities	616	820
Amount payable to director/shareholder controlled entities	5,941	4,992
Loan from director / shareholder controlled entity – unsecured	350	350
Convertible notes	6,819	-
	13,726	6,162
Non-current		
Finance lease liabilities	812	882
Amount payable to director / shareholder controlled entity	15,306	12,970
Loan from director / shareholder controlled entity – unsecured	3,587	3,380
Loan from director / shareholder controlled entity – secured	11,558	11,667
Convertible notes	15,728	25,343
	46,991	54,242

19. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2011		2010	
In thousands of AUD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Amount payable to director / shareholder	AUD	8%	2011	6,090	5,941	5,173	4,992
Amount payable to director / shareholder	AUD	8%	2015	15,306	15,306	12,970	12,970
Loans from director / shareholder controlled entity	AUD	8%	2015	17,927	15,495	18,507	15,397
Convertible notes	AUD	10%	2011-2014	22,732	22,547	25,629	25,343
Finance lease liabilities	AUD	7.43% -15.18%	2011-2015	1,428	1,428	1,702	1,702
Total interest-bearing liabilities				63,483	60,717	63,981	60,404

Financing facilities

In thousands of dollars	**2011**	**2010**
Trade/credit facility	6,500	6,000
Loan from director / shareholder controlled entity	40,000	40,000
	46,500	46,000
Facilities utilised at reporting date		
Trade/credit facility	6,090	5,036
Loan from director / shareholder controlled entity	13,127	13,706
	19,217	18,742
Facilities not utilised at reporting date		
Trade/credit facility	410	964
Loan from director / shareholder controlled entity	26,873	26,294
	27,283	27,258

Trade/credit facility

A trade facility of $6,500,000 has been established from a director / shareholder controlled entity under more favourable terms than those that could be achieved from the Company's bankers or at arms length in the open market, see note 27.

Loans from director/shareholder controlled entity

The loan facility is provided by an entity controlled by Mr LH Ainsworth, a director and shareholder of the Company. This facility is secured by a debenture mortgage over the Group's freehold land and buildings at 10 Holker Street, Newington, NSW and a fixed and floating charge over the Company. The maturity date of this facility is 4 years from the date the will of Mr LH Ainsworth comes into effect. The facility does not call for repayment of interest accrued until this maturity date. The facilities of $13,127,000 utilised at the reporting date exclude accrued interest payable of $15,306,000.

A further unsecured loan of $4,801,000 was provided to expand the Group's Sydney facility. This loan is under similar terms and conditions to the above facility with interest accruing from an agreed date at the rate of 8.0% per annum.

The terms of repayment are that a principal amount of $350,000 will be repaid monthly in arrears or as mutually agreed, with the full repayment of the remaining balance and all accrued interest not required to be paid until the Company has both sufficient operating cashflows to do so and all amounts owing on the $40,000,000 facility have been repaid.

Convertible notes	**2011**	**2010**
In thousands of dollars		
Proceeds from issue of 19,714,717 convertible notes on 20 December 2004	25,629	25,629
Transaction costs	(1,085)	(1,085)
Net proceeds	24,544	24,544
Amount classified as equity	(2,842)	(2,842)
Transaction costs classified as equity	121	121
Accreted interest capitalised	3,566	3,520
Re-purchase of convertible notes	(2,855)	-
Equity component of convertible notes repurchased	13	-
Carrying amount of liability at 30 June	22,547	25,343
Current	6,819	-
Non-current	15,728	25,343
	22,547	25,343

In December 2011 note holders have the option to extend their notes for a further 3 years to 31 December 2014. Convertible notes held by Mr LH Ainsworth and his spouse including entities controlled by them have agreed to extend the maturity date until 31 December 2014. The Company has the right to redeem the convertible notes on 31 December 2011 or at the end of every six months from 31 December 2011 until the final maturity date of 31 December 2014. If the Company notifies a holder of convertible notes of its intention to redeem their convertible notes, the noteholder may elect to convert their notes on the proposed redemption date. Notes that are not converted to ordinary shares will be redeemed at face value on either 31 December 2011 or 2014, subject to any early redemption by the Company.

Loans – secured

This loan was initially recorded at fair value and is subsequently carried at amortised cost, as the interest rate applied to the facility is lower than that which could be obtained commercially. At the end of each reporting period, the earliest expected repayment date of the loan is reviewed and the effective interest rate is amended accordingly.

In thousands of dollars	**2011**	**2010**
Fair value of the loan at 1 July	11,667	10,917
Additional borrowings	-	500
Repayment of borrowings	-	(500)
Set-off arrangement *	(579)	-
Net proceeds	11,088	10,917
Amount classified as equity	-	(97)
Accreted interest capitalised	470	847
Carrying amount of liability at 30 June	11,558	11,667

*Amounts owing to the Group by a company controlled by the Executive Chairman, Mr LH Ainsworth were set-off against principal amounts owed in the current year.

19. Loans and borrowings (continued)

Loans – unsecured

These loans are recorded at fair value, as the interest rate applied is lower than that which could be obtained commercially. Subsequently these loans will be carried at amortised cost, see note 3(c).

In thousands of dollars		**2011**	**2010**
Fair value of the loan at 1 July		8,701	5,435
Borrowings under trade facility established		10,645	7,320
Repayment on borrowings		(8,314)	(4,373)
Foreign currency movement		(988)	266
Net borrowings		10,044	8,648
Amount classified as equity	*(a)*	(523)	(623)
Accreted interest capitalised		335	676
Carrying amount of liability at 30 June		9,856	8,701

(a) Amount classified as equity relates to the recognition of borrowings to fair value.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

In thousands of dollars	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
	2011	**2011**	**2011**	**2010**	**2010**	**2010**
Less than one year	734	118	616	938	118	820
Between one and five years	872	60	812	977	95	882
	1,606	178	1,428	1,915	213	1,702

The Group leases plant and equipment under finance leases with terms expiring from three to five years. At the end of the lease term, there is the option to purchase the equipment at a discount to market value, a price deemed to be a bargain purchase option.

20. Employee benefits

In thousands of dollars	**2011**	**2010**
Current		
Accrual for salaries and wages	136	40
Accrual for short term incentive plan	1,521	-
Liability for annual leave	2,003	1,763
Liability for long service leave	772	484
	4,432	2,287
Non-current		
Liability for long service leave	397	425
	397	425

21. Share-based payments

The Group has in place newly established share option plans – Employee Share Option Trust (ESOT) and LH Ainsworth Share Option Trust (ASOT) which are replacements to the employee share option plans previously approved on 30 July 2001.

The ESOT granted share options over ordinary new shares to all American employees on 1 March 2011. The ASOT granted share options to all Australian employees, excluding directors, over a portion of the personal share holding of the Company's Executive Chairman Mr LH Ainsworth.

The terms and conditions of the grants under the ESOT and ASOT are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 1 March 2011	200,000	Three years of service as per ESOT below	5 years
Option grant to senior and other employees at 1 March 2011	824,749	Three years of service as per ESOT below	5 years
Total share options ESOT	**1,024,749**		
Option grant to key management at 1 March 2011	3,577,255	Three years of service as per ASOT below	5 years
Option grant to senior and other employees at 1 March 2011	6,321,927	Three years of service as per ASOT below	5 years
Total share options ASOT	**9,899,182**		

To be eligible to participate in the ESOT and ASOT the employee must be selected by the directors and reviewed by the remuneration and nomination committee. Options may be exercised within a five-year period, starting on the first anniversary of the issue of the options, subject to earlier exercise where a takeover offer or takeover announcement is made, or a person becomes the holder of a relevant interest in 50% or more of the Company's voting shares.

Both the ESOT and ASOT provide for employees to receive options for no consideration. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The exercise price of the options is determined in accordance with the rules of the ESOT and ASOT. The ability to exercise the options is conditional on the continuing employment of the participating employee.

The vesting conditions of the share options issued on 1 March 2011 under the ESOT and ASOT are as follows:

Date	Vesting Condition (% of Options vesting)
First Anniversary of Grant Date	25%
Second Anniversary of Grant Date	25%
Third Anniversary of Grant Date	50%

ESOT plan

The number and weighted average exercise prices of Group issued share options under ESOT is as follows:

In thousands of options	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the period	$0.50	531	$0.56	1,156
Forfeited during the period	$0.50	(110)	$0.61	(625)
Cancelled during the period	$0.50	(421)	-	-
Exercised during the period	-	-	-	-
Granted during the period	$0.225	1,025	-	-
Outstanding at the end of the period	$0.225	1,025	$0.50	531
Exercisable at the end of the period		-		-

The options outstanding at 30 June 2011 have an exercise price of $0.225 and a remaining life of 4.67 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Share-based payments (continued)

ASOT plan

The share options granted under the ASOT to Australian employees on 1 March 2011 totalled 9,899,182 and were granted on the condition that previously issued share options were cancelled. This new grant was a modification as the new share options were granted as replacement for the cancelled share options. During the year 7,281,379 previously granted share options were cancelled with 9,899,182 share options outstanding as at 30 June 2011.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	1 March 2016	$0.079	$0.225	$0.225	51%	5.25%	-

The estimate of the fair value of the services received is measured based on the Black Scholes Merton model. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into these models. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Where new share options were issued in respect of cancelled share options these new share options were treated as a modification to the cancelled share options and the increase in the fair value was determined by reference to the difference in the fair value of the new share options granted on 1 March 2011 ($0.079) and the fair value of the cancelled share options valued as at that date ($0.01) of $0.069.

The fair value of the cancelled options on the grant date of the replaced options was determined based on the following factors and assumptions:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	2 July 2012	$0.01	$0.50	$0.225	51%	5.25%	-

22. Provisions

In thousands of dollars	Service / Warranties	Legal	Total
Balance at 1 July 2010	-	140	140
Provisions made during the year	48	21	69
Provisions used during the year	(18)	(20)	(38)
Balance at 30 June 2011	30	141	171

23. Trade and other payables

In thousands of dollars	2011	2010
Current		
Trade payables	2,885	2,682
Other payables and accrued expenses	5,786	4,094
Amount payable to director/shareholder controlled entities	21	99
	8,692	6,875

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

Payables denominated in currencies other than the functional currency comprise $2,381 thousand of payables denominated in US Dollars (2010: $2,688 thousand), $18 thousand of payables denominated in Euro (2010: $14 thousand), and $41 thousand of payables denominated in NZD (2010: $2 thousand).

24. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of dollars	***Note***	**2011**	**2010**
Receivables	*14*	36,977	28,846
		36,977	28,846

The Group's maximum exposure to credit risk at the reporting date was $36,977 thousand (2010: $28,846 thousand) for receivables.

The Group's gross maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
In thousands of dollars	**2011**	**2010**
Australia	18,945	8,488
Americas	17,504	20,116
Europe	31	-
New Zealand	524	560
Asia	259	33
	37,263	29,197

The Group's gross maximum exposure to credit risk for receivables at the reporting date by geographic region was $17,504 thousand (2010: $20,116 thousand) for the Americas, $18,945 thousand (2010: $8,488 thousand) for Australia, $31 thousand (2010: $Nil) for Europe, $259 thousand (2010: $33 thousand) for Asia and $524 thousand (2010: $560 thousand) for New Zealand, totalling $37,263 thousand (2010: $29,197 thousand).

The Group's most significant receivable amount is represented by a customer within South America, which accounts for $6,752 thousand of the trade receivables carrying amount at 30 June 2011 (2010: $10,239 thousand).

Impairment losses

The aging of the Group's trade receivables at the reporting date was:

In thousands of dollars	**Gross 2011**	**Impairment 2011**	**Gross 2010**	**Impairment 2010**
Not past due	34,971	-	26,711	-
Past due 0-30 days	562	-	736	-
Past due 31-120 days	701	-	125	-
Past due 121 days to one year	384	57	91	-
More than one year	645	229	1,534	351
	37,263	286	29,197	351

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of dollars	**2011**	**2010**
Balance at 1 July	351	4,268
Impairment loss	-	(4,638)
Provision during the year	-	292
Effect of exchange rate fluctuations	(65)	429
Balance at 30 June	286	351

24. Financial instruments (continued)

Credit risk (continued)

Impairment losses (continued)

The impairment loss of Nil (2010: $4,638,000) was recognised in sales, service and marketing expenses in the income statement.

Based on historic default rates and current repayment plans in place, the Group believes that apart from the above, no impairment is necessary in respect of trade receivables not past due or on amounts past due up to 120 days as these relate to known circumstances that are not considered to impact collectability.

An impairment allowance of $286,000 has been provided for amounts past due more than 121 days and relates to a customer where the Group has assessed potential collectability issues. The remaining balance where no impairment allowance has been provided relates to negotiated repayment plans from long standing customers and distributors who have met or had their obligations previously re-negotiated.

The allowance for impairment losses in respect of receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2011

In thousands of dollars	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
- Payable to director/shareholder controlled entities	15,728	(21,558)	-	(2,395)	(1,597)	(17,566)	-
- Other note holders	6,819	(7,102)	-	(7,102)	-	-	-
Finance lease liabilities	1,428	(1,606)	(383)	(352)	(659)	(212)	-
Amounts payable to director/shareholder controlled entities	21,247	(21,396)	(6,090)	-	-	(15,306)	-
Loans from director/shareholder controlled entity	15,495	(17,927)	(175)	(175)	(700)	(16,877)	-
Trade and other payables	8,692	(8,692)	(8,692)	-	-	-	-
	69,409	(78,281)	(15,340)	(10,024)	(2,956)	(49,961)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

30 June 2010

In thousands of dollars	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
- Payable to director/shareholder controlled entities	15,687	(23,001)	(790)	(790)	(1,580)	(19,841)	-
- Other note holders	9,656	(11,214)	(492)	(492)	(10,230)	-	-
Finance lease liabilities	1,702	(1,915)	(675)	(263)	(476)	(501)	-
Amounts payable to director/shareholder controlled entities	17,962	(18,143)	(5,173)	-	-	(12,970)	-
Loans from director/shareholder controlled entity	15,397	(18,507)	(175)	(175)	-	(18,157)	-
Trade and other payables	6,875	(6,875)	(6,875)	-	-	-	-
	67,279	(79,655)	(14,180)	(1,720)	(12,286)	(51,469)	-

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD.

The Group monitors and assesses under its Treasury Risk policy and facilities available whether hedging of all trade receivables and trade payables denominated in a foreign currency from time to time is considered appropriate. The Group uses foreign currency call options to hedge its foreign currency risk. No foreign currency call options were in place at the reporting date.

Exposure to currency risk

The Group's significant exposures to foreign currency risk at balance date were as follows, based on notional amounts:

	2011			2010		
In thousands of dollars	**USD**	**Euro**	**NZD**	**USD**	**Euro**	**NZD**
Trade receivables	17,754	-	419	20,116	-	560
Trade payables	(2,381)	(18)	(41)	(2,688)	(14)	(2)
Net exposure in statement of financial position	15,373	(18)	378	17,428	(14)	558

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2011**	**2010**	**2011**	**2010**
USD	0.9881	0.8895	1.0739	0.8567
Euro	0.7245	0.6526	0.7405	0.7019
NZD	1.3044	1.2770	1.2953	1.2309
GBP	0.6208	0.5697	0.6667	0.5686

Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group earnings. Over the longer-term, however, permanent changes in foreign exchange will have an impact on profit/(loss).

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis is performed on the same basis for 2010.

Effect in thousands of dollars	**Equity**	**Profit or (loss)**
30 June 2011		
USD	(1,167)	(1,180)
Euro	1	1
NZD	(35)	(35)
30 June 2010		
USD	(1,591)	(1,585)
Euro	1	1
NZD	(51)	(51)

A 10 percent weakening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis is performed on the same basis for 2010.

Effect in thousands of dollars	**Equity**	**Profit or (loss)**
30 June 2011		
USD	1,284	1,298
Euro	(1)	(1)
NZD	38	38
30 June 2010		
USD	1,750	1,743
Euro	(1)	(1)
NZD	56	56

24. Financial instruments (continued)

Currency risk (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of dollars	*Note*	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Assets carried at amortised cost					
Receivables and other assets	*15*	37,090	37,090	28,933	28,933
Cash and cash equivalents	*16*	15,377	15,377	6,144	6,144
		52,467	52,467	35,077	35,077

		Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Liabilities carried at amortised cost					
Trade and other payables	*23*	8,692	8,692	6,875	6,875
Finance liabilities	*19*	1,428	1,428	1,702	1,702
Convertible Notes	*19*	22,547	22,547	25,343	25,343
Amount payable to director / shareholder controlled entity	*19*	21,247	21,247	17,962	17,962
Loans from director / shareholder controlled entity - secured	*19*	3,937	3,937	3,730	3,730
Loans from director / shareholder controlled entity - unsecured	*19*	11,558	11,558	11,667	11,667
		69,409	69,409	67,279	67,279

Estimates of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve as of 30 June 2011 plus an adequate constant credit spread and are as follows:

	2011	2010
Loans and borrowings	11.7% - 22.3%	11.7% - 22.3%
Receivables	6.3%	4.7%
Leases	7.43% - 15.18%	4.4% - 12.8%

Interest rate risk

The Group's borrowing rates are fixed and no interest rate risk exists.

25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of dollars	2011	2010
Less than one year	156	187
Between one and five years	429	510
	585	697

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. None of the leases includes contingent rentals.

During the year $452,000 was recognised as an expense in profit or loss in respect of operating leases (2010: $455,000).

The warehouse and office leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord for the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

26. Capital and other commitments

In thousands of dollars	2011	2010
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	855	-
Employee compensation commitments		
Key management personnel		
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	2,052	376

27. Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors	***Executives***
Mr SL Wallis Mr GJ Campbell Mr MB Yates Mr JM Levee (Appointed 24 February 2011, resigned 29 June 2011) ***Executive directors*** Mr LH Ainsworth (Executive Chairperson) Mr DE Gladstone (Executive Director and Chief Executive Officer, Ainsworth Game Technology Limited), appointed Executive Director in 2010	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited) Mr V Bruzzese (General Manager Technical Services Ainsworth Game Technology Limited) Mr I Cooper (General Manager Manufacturing Ainsworth Game Technology Limited) Mr M Cuadros (Vice President Operations Finance & HR Americas, Ainsworth Game Technology Inc) Mr S Clarebrough (Group General Manager Strategy and Development, Ainsworth Game Technology Limited) - appointed 1 January 2011

Key management personnel compensation
The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

In dollars	2011	2010
Short-term employee benefits	3,422,683	2,451,040
Post-employment benefits	234,167	135,749
Termination benefits	-	1,348
Share based payments	48,551	367
	3,705,401	2,588,504

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

Individual directors and executives compensation disclosures
Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

27. Related parties (continued)

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities and a number of those entities transacted with the Group in the reporting period. Other than as described below the terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

In dollars			Transactions value year ended 30 June		Balance receivable/ (payable) as at 30 June	
		Note	**2011**	**2010**	**2011**	**2010**
Key management persons	**Transaction**					
Mr LH Ainsworth	Leased plant and equipment and other costs	(i)	87,400	87,400	(6,250)	(6,250)
Mr LH Ainsworth	Sales revenue	(ii)	1,468,623	73,676	-	26,085
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	(ii)	175,252	99,066	(39,757)	(99,066)
Mr LH Ainsworth	Interest paid/payable on financing facilities	(iii)	2,714,034	2,542,007	(15,347,900)	(13,129,507)
Mr LH Ainsworth	Convertible note interest	(iv)	1,350,087	1,214,708	(3,699)	(3,699)
Mr SL Wallis	Convertible note interest	(iv)	30,160	26,543	(83)	(83)

(i) The Company leased associated plant and equipment and reimbursed financial consultancy costs incurred from and to an entity controlled by Mr LH Ainsworth on normal commercial terms and conditions.

(ii) Transactions were with Ainsworth (UK) Ltd, an entity controlled by Mr LH Ainsworth. These sales and purchases/charges were on normal commercial terms and conditions.

(iii) As disclosed in note 19 a company controlled by Mr LH Ainsworth has extended a loan and facilities to the Group. The terms of this loan and facilities provided are more favourable to the Group than could be obtained from the Group's bankers or at arms length in the open market.

(iv) Interest paid/payable during the financial year to Mr LH Ainsworth and Mr SL Wallis and entities controlled by them for convertible notes held. This interest was under the same terms and conditions as all convertible note holders.

Amounts receivable from and payable to key management personnel at reporting date arising from these transactions were as follows:

In dollars	**2011**	**2010**
Assets and liabilities arising from the above transactions		
Current trade and other payables		
Amount payable to director/shareholder controlled entities	20,653	98,735
Current loans and borrowings		
Amount payable to director/shareholder controlled entities	5,940,286	4,993,444
Loan from director / shareholder controlled entity - unsecured	350,000	350,000
Convertible notes	301,600	-
Non-current loans and borrowings		
Amount payable to director/shareholder controlled entity	15,305,669	12,970,273
Loan from director/shareholder controlled entity - unsecured	3,587,016	3,380,000
Loan from director/shareholder controlled entity - secured	11,558,002	11,666,785
Convertible notes	13,500,867	13,802,467

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Ainsworth Game Technology Limited held directly, indirectly or beneficially, by each key management person including their related parties, is as follows:

	Held at 1 July 2010	Granted as remuneration	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
		(A)		(B)			
Current							
Director							
Mr DE Gladstone	-	1,000,000	-	-	1,000,000	-	-
Executives							
Mr ML Ludski	-	577,255	-	-	577,255	-	-
Mr V Bruzzese	-	600,000	-	-	600,000	-	-
Mr I Cooper	-	600,000	-	-	600,000	-	-
Mr M Cuadros	200,000	200,000	-	(200,000)	200,000	-	-
Mr S Clarebrough	-	800,000	-	-	800,000	-	-

	Held at 1 July 2009	Granted as remuneration	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Executives							
Current							
Mr ML Ludski	50,000	-	-	(50,000)	-	-	-
Mr M Cuadros	200,000	-	-	-	200,000	-	-
Former							
Mr R Meitzler (resigned 30/04/10)	200,000	-	-	(200,000)	-	-	-

A Share options granted during the year (excluding Mr M Cuadros) were over a portion of the personal shareholding of Mr LH Ainsworth. Mr M Cuadros was granted options over unissued ordinary shares.

B Other changes represent options that were cancelled during the year.

No options held by key management personnel are exercisable at 30 June 2011 (2010: nil) as vesting conditions have not occurred. No options were held by key management person related parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related parties (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Ainsworth Game Technology Limited held directly, indirectly or beneficially, by each key management person including their related parties, is as follows:

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
Directors					
Current					
Mr LH Ainsworth	213,318,530	90,000	-	(2,693,468)	210,715,062
Mr SL Wallis	722,403	300,000	-	-	1,022,403
Mr GJ Campbell	489,674	310,000	-	-	799,674
Mr MB Yates	-	108,400	-	-	108,400
Mr D Gladstone	100,000	-	-	-	100,000
Executives					
Current					
Mr V Bruzzese	2,700	-	-	-	2,700
Mr I Cooper	30,000	-	-	-	30,000
Mr M Cuadros	15,000	-	-	-	15,000
Mr S Clarebrough	261,000	-	-	-	261,000

	Held at 1 July 2009	Purchases (A)	Received on exercise of options	Sales (A)	Held at 30 June 2010
Directors					
Current					
Mr LH Ainsworth	212,556,330	9,095,533	-	(8,333,333)	213,318,530
Mr SL Wallis	629,980	92,423	-	-	722,403
Mr GJ Campbell	289,674	200,000	-	-	489,674
Mr D Gladstone	100,000	-	-	-	100,000
Executives					
Current					
Mr V Bruzzese	50,000	-	-	(47,300)	2,700
Mr I Cooper	-	30,000	-	-	30,000
Mr M Cuadros	15,000	-	-	-	15,000
Former					
Mr R Meitzler	-	37,000	-	(37,000)	-

A Included in purchases and sales during the 2010 period were 8,333,333 ordinary shares transacted between Ainsworth family members.

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

There were no changes in key management in the period after the reporting date and prior to the date when the Financial Report was authorised for issue.

28. Group Entities

	Country of Incorporation	Ownership interest 2011	2010
Parent entity			
Ainsworth Game Technology Limited	Australia	-	-
Subsidiaries			
AGT Pty Ltd	Australia	100%	100%
Ainsworth Game Technology Inc	USA	100%	100%
AGT Service Pty Ltd	Australia	100%	100%
AGT Service (NSW) Pty Ltd	Australia	100%	100%
J & A Machines Pty Ltd	Australia	100%	100%
RE & R Baker & Associates Pty Ltd	Australia	100%	100%
Bull Club Services Pty Ltd	Australia	100%	100%

29. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

30. Auditors' remuneration

In dollars	2011	2010
Audit services:		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	212,000	179,750

All amounts payable to the Auditors of the Group were paid by the parent entity of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Parent entity disclosures

As at and throughout the financial year ended 30 June 2011 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of dollars	**2011**	**2010**
Result of parent entity		
Profit/(loss) for the year	22,117	(3,760)
Other comprehensive income	-	-
Total comprehensive income for the year	22,117	(3,760)
Financial position of parent entity at year end		
Current assets	52,475	36,834
Total assets	110,738	82,847
Current liabilities	23,972	13,056
Total liabilities	72,737	67,609
Total equity of parent entity comprising of:		
Share capital	122,373	122,373
Equity compensation reserve	770	665
Fair value reserve	11,287	10,764
Accumulated losses	(96,429)	(118,564)
Total equity	**38,001**	**15,238**

Parent entity capital commitments for acquisitions of property plant and equipment

In thousands of dollars	**2011**	**2010**
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	855	-

DIRECTORS' DECLARATION

1. In the opinion of the directors of Ainsworth Game Technology Limited ('the Company'):

   (a) the consolidated financial statements and notes that are set out on pages 34 to 72 and the Remuneration report in sections 4.1 to 4.3 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

3. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 31st day of August 2011.

LH Ainsworth
Executive Chairman

KPMG

Independent auditor's report to the members of Ainsworth Game Technology Limited

Report on the financial report

We have audited the accompanying financial report of Ainsworth Game Technology Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of their performance.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 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.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

Independent auditor's report to the members of Ainsworth Game Technology Limited (continued)

Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 28 of the directors' report for the year ended 30 June 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Ainsworth Game Technology Limited for the year ended 30 June 2011, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney

31 August 2011

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney

31 August 2011

CORPORATE DIRECTORY

Directors
Executive Chairman
Mr LH Ainsworth

Independent
Non-Executive Directors
Mr SL Wallis AO
Mr GJ Campbell
Mr MB Yates

Chief Executive Officer
& Executive Director
Mr DE Gladstone

Company Secretary and
Chief Financial Officer
Mr ML Ludski

Stock Exchange Listing
The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.
CODE: AGI

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Other Information
Ainsworth Game Technology Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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