AINSWORTH GAME TECHNOLOGY

2012 ANNUAL REPORT

AINSWORTH
EXPERIENCE COUNTS™

2012 ANNUAL REPORT

Ainsworth's product innovation evolution continues to deliver players a highly entertaining gaming experience. The A560™ range of cabinets now complemented by the A560™ Slant Top, QX32™ Jackpot Controller, 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 acknowledged 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 21 November 2012

Results announcement for six months
ending 31 December 2012:
Wednesday 27 February 2013

Results announcement for
year ending 30 June 2013:
Tuesday 27 August 2013

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 2012 Annual General Meeting of the members of Ainsworth Game Technology Limited will be held at:

Bankstown Sports Club
"Georges River Room"
8 Greenfield Parade (Cnr Greenfield Pde and Mona St)
BANKSTOWN NSW 2200

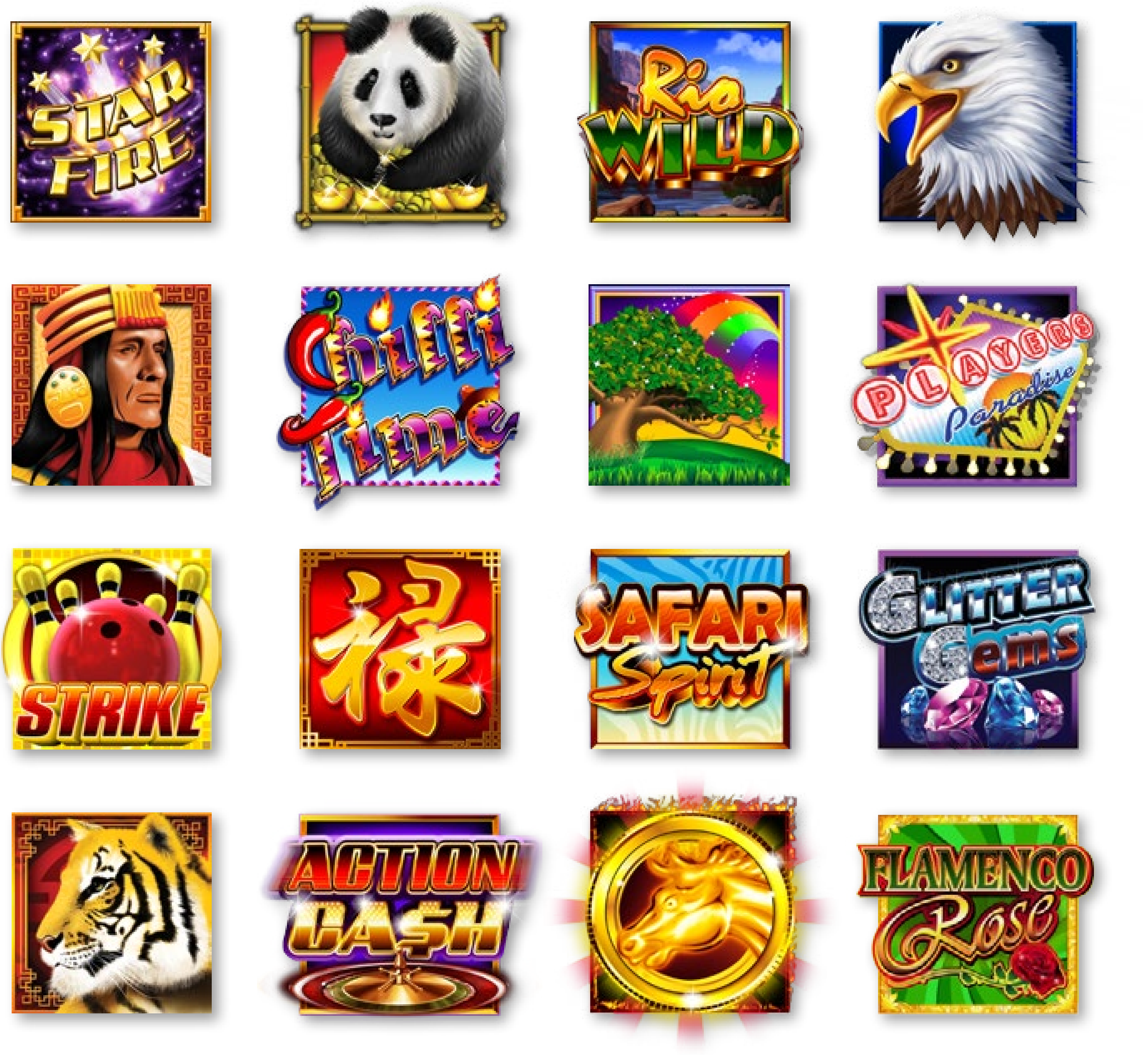
on Wednesday 21 November 2012 at 11.00am.

Performance Highlights

- Leading product performance achieved on the Company's range of gaming products across global markets
- Newly released A560™ Slant Top product and the new proprietary QX32™ Jackpot Controller
- Australia: Strong performance in core Australian operations driven by increased ship share and therefore market share
- Americas: Product assembly commenced in Las Vegas operational facility from January 2012
- Americas: Key operational support in place in Las Vegas facility, including technical game design, marketing, product management, technical services and field service
- Americas: Granted Slot Route Operator's Licence enabling provision of product on a participation basis within the Nevada market
- Other Regions: Increased revenue contributions from Asia (120% increase on last year) and New Zealand (160% increase on last year)

Financial Highlights

- TOTAL REVENUE up 54% to $151 million
- EBITDA up 118% to $56 million
- EBITDA percentage of revenue increased to 37% (2011: 26%)
- PROFIT BEFORE TAX up 212% to $46 million
- PROFIT BEFORE TAX percentage of revenue increased to 31% (2011: 15%)
- REPORTED NPAT up 178% to $64 million (includes $18 million income tax benefit for previously unrecognised deferred tax assets)
- EPS up 188% to $0.23 per share
- Redemption or conversion of all outstanding Convertible Notes
- Repayment of all outstanding related party debt and interest
- Strong balance sheet and cash position established



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Executive Chairman's Report

"The Company achieved its eighth consecutive half year of solid revenue growth in the second half of FY12, as a result of the positive progress made in all operational areas during the period."

Dear Shareholders,

The pleasing results achieved in FY12 underline my confidence in the Company and the industry in which I have been an active participant for over 58 years.

The Company achieved its eighth consecutive half year of solid revenue growth in the second half of FY12, as a result of the positive progress made in all operational areas during the period.

I am especially pleased with the continued performance of our reliable, high quality products both in Australia and in global markets. A major product highlight has been the successful release in targeted domestic markets of the innovative A560™ Slant Top and the QX32™ Jackpot Controller. I expect these new products and our ongoing commitment to research and development will enable the Company to achieve further gains in market share and profitability during FY13 and beyond.

With the Company's American facility now well established, AGT is focused on realising its international expansion plans within the key market of the Americas. I am optimistic that the Company's presence and capabilities at the Las Vegas facility and its strengthened financial position provide an ideal foundation to leverage opportunities for growth.

Significant capital management initiatives undertaken during the year have enabled the Company to strengthen its balance sheet. This included placement of 30 million new ordinary shares in the fourth quarter of FY12, which enabled AGT to repay borrowings and interest to an entity controlled by me, as well as funding new product development initiatives, international expansion and placement of gaming products on a participation basis. In addition, the capital raising undertaken allowed the Company to redeem all outstanding convertible notes earlier than previously anticipated, including those held by my wife and myself.

With an enlarged capital base, and significantly improved profitability, AGT is now well placed to pursue more traditional banking and financing facilities as required.

The Company's increased profile as a leading global supplier of premium gaming equipment, and greater interest being expressed by institutional investors, has resulted in the establishment of a broader share register. The Company's recent admission in the S&P/ASX 300 Index is expected to further enhance investor interest.

Dividends were not declared for FY12 in order to maintain a strong cash position to fund expansion in the Americas and the growth of the participation business and investment in new product development. It is expected that dividend payments will commence within FY13, subject to profitability levels.

Due to the highly regulated nature of the gaming industry we continue to focus the necessary resources on our commitment to compliance, processes and procedures. This will ensure that the Company protects and maintains its gaming licenses and allows new licenses to be secured in other selected jurisdictions. The Company strongly supports the ongoing application of the ASX Principles of Good Corporate Governance to create long term value for shareholders and maintain its reputation for transparency and integrity.

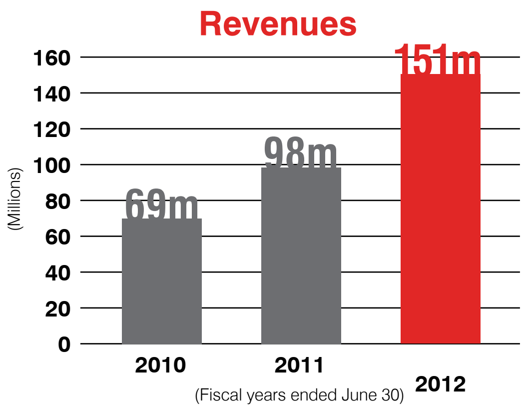
It is timely for the Company to review the composition of the Board with a view to broaden the diversity of the current skills and experience available.

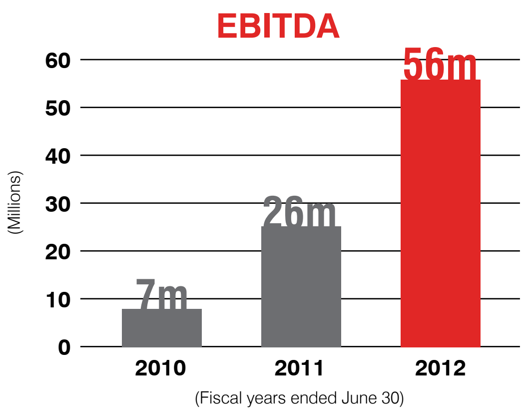
I wish to thank the Board, staff and shareholders for their continued support. In particular, I would like to recognise the efforts of our highly skilled executive team with significant gaming industry experience, ably led by our Chief Executive Officer Mr Danny Gladstone and backed by our talented and dedicated staff.

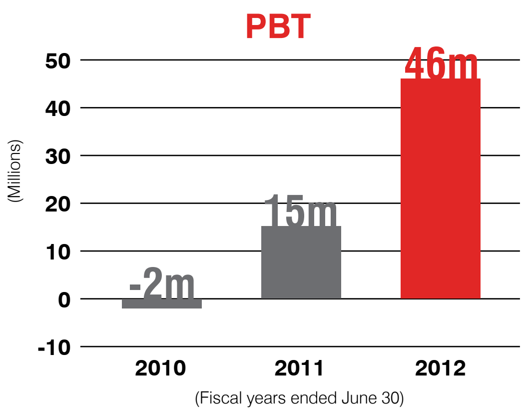
With the significant progress made during the year, we have established a solid foundation of profitability which I expect to continue in coming periods.

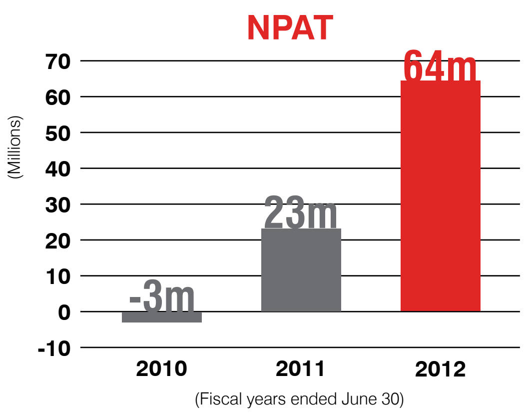
LH Ainsworth
Executive Chairman

Chief Executive Officer's Report









Dear Shareholder,

I am pleased to report that a profit after tax of $64.3 million was recorded for the full year ended 30 June 2012, including an income tax benefit of $18.1 million resulting from the recognition of deferred tax assets. FY12 has seen significant improvements in terms of the Company's financial performance, underpinned by consistently strong product performance across all markets and positive returns from previous product development investment.

The Company is now a recognised global provider of high quality gaming equipment with a track record of profitability. This has resulted in revenue growth over eight consecutive half years and the Company is optimistic about further expansion into international markets, continued strengthening of its domestic market share with an increasing pipeline of innovative, high quality products.

AGT's balance sheet is in a strong position and provides the Company with significant flexibility and capacity to drive earnings growth into the future. The balance sheet position was shaped by a number of significant events over the past 12 months, including:

- the sale and leaseback of the Newington premises;
- the raising of $44 million of equity through a fully underwritten placement of 30 million new shares;
- the elimination of convertible note debt obligations through early redemption of all outstanding convertible notes; and
- the elimination of all debt obligations to majority shareholder, Executive Chairman, Mr LH Ainsworth.

These capital management initiatives undertaken during FY12 have placed the Company in a strong position to pursue opportunities and achieve growth objectives in FY13 and beyond. The placement marked an exciting time in the history of the Company as it embarks on its next phase of growth. The retirement of the Company's existing debt will provide the necessary financial flexibility to accelerate planned growth internationally and further secure our strong market share domestically.

Sales revenue achieved for FY12 was $150.6 million, an increase of 54% on the $98.0 million in the corresponding period in 2011. The Company continues to review its sales and technical representation in line with its global growth projections.

A gross margin of 68% was achieved in FY12, compared to 65% in 2011. Improved margins resulted from cost reduction initiatives, higher sales volumes, production efficiencies and concentration on a product mix centred on the Company's premium progressive range of games.

Operating costs increased 34% in FY12, primarily attributed to increased variable selling costs in line with revenue increases and marketing activities. Other significant contributing factors included increased expenditure on research and development, continued emphasis on new product development and increased investment in infrastructure within the Las Vegas operational facility.

Research and development expenditure was $18.6 million, representing 12% of revenue, an increase of 42% on the same period in 2011. The Company's innovative and proven product development capabilities have strengthened our leading global game portfolio and resulted in improved product performance. Our continued commitment to R&D means the Company has a strong selection of new products planned for release in future periods.

All outstanding legal matters were resolved during FY12 and the Company continues to expand and protect its intellectual property portfolio.

Further revenue increases across all Australian market segments during the year resulted in total domestic revenue of $103.1 million, an increase of 38% on the corresponding period in 2011. Domestic revenue contributed 68% of total revenue in the current period compared to 76% in the same period in 2011.

The Company has now completed development of its A560™ Slant Top and QX32™ Jackpot Controller, which were showcased together with 40 new games at the recent Australasian Gaming Expo in Darling Harbour, Australia. These products are now approved and available for sale within selected domestic markets. Additions to the product line up include the Premium Plus™ cabinet variants and a range of Mega Top™ games together with the A560 Wide Boy™ cabinet headlined by the Reels of Wheels™ game concept.

The expanded A560™ product range has enabled the Company to gain an incremental market share of new machine sales both domestically and in the Americas and this is expected to be complemented by the release of the new A560™ Slant Top product in FY13.

The continued development of the A560™ wide screen platform has provided further improved performance and an expanded range of features, led by the release of the low denomination 4 level progressive Quad Shot™ range of games in the major markets of New South Wales and Queensland. With well above average results being achieved, the Company is better positioned to compete with the latest product offerings by other manufacturers in this highly competitive market segment.

Domestically, the mid denomination strategy continued to provide the Company with a clear competitive advantage, particularly in the Victorian, Queensland and New South Wales markets. Double Shot™, Triple Shot™, Players Paradise™ and Year of the Dragon™ were the outstanding performing game brands.

The launch of the new A560™ platform into the South Australian market and Australian and New Zealand casinos assisted in increasing sales volume and achieving targets for FY12, together with the established industry leading game performance of the A560™ game range in both New South Wales and Queensland.

In New South Wales, there was also significant improvement in service revenues and profit contribution to the business, with the number of machines under contract having increased by 18%.

In Victoria, revenue growth was again achieved in FY12 contributing 15% of total domestic revenue. The Company is encouraged by the progress of the Ambassador SL™ product in Victoria, despite uncertainty and regulatory restrictions in that market. AGT is currently positioning itself to take maximum advantage of emerging opportunities including the projected approval in Victoria of the A560™ platform and initial game library expected in the second quarter of FY13.

International revenue was $47.5 million compared to $23.3 million in the corresponding period in 2011, an increase of 104%. Revenue in all international market segments increased during the period, with the key Americas market contributing 78% of total international revenue, an increase of 108% compared to the same period in 2011.

As part of the Company's focus on international expansion in the key market of the Americas, the Board determined it was necessary for me to relocate to Las Vegas to oversee the business critical components of the establishment and development of the operation. It is anticipated that a North American President will be recruited in the medium term.

The Las Vegas, Nevada facility has now become a fully functional assembly plant with key operational support staff in place including finance, operations, sales, compliance, game development, marketing, technical services and technical compliance. The benefits of the Las Vegas facility are now being realised including reduced product delivery lead times. In order to achieve greater efficiency in developing and releasing games to the Americas markets in particular, the Company is focused on the ongoing establishment of an international game design team in Las Vegas.

Chief Executive Officer's Report (continued)

At the G2E Las Vegas Gaming Show in early October, a full range of Premium Plus™ participation games were released headlined by Tower of Fortune™, Inca Reef Grand™, Red Wolf™, Reels of Wheels™, King Spin™ and Around the Board Keno™ in the new A560™ Wide Boy™ and Mega Top™ cabinets, together with a full range of games compatible with the A560™ Slant Top. The new A560™ Slant Top and QX32™ Jackpot Controller will be progressively released for sale in selected international markets during FY13.

The recovery in the American economic climate continues, albeit at a much slower pace than had been originally anticipated. The Company is now well positioned to take advantage of the emerging economic improvements over future periods.

The Company continues to seek additional gaming licences across the Americas and is now approved to conduct business in 20 US states and four provinces in Canada. The most recent approval was a manufacturers and distributors licence in Arkansas. AGT also has 83 tribal licences across California, Connecticut, Florida, Iowa, Michigan, Minnesota, New Mexico, New York, North Dakota, Oklahoma, Oregon and Wisconsin. New licence applications are initially assessed for commercial and financial feasibility and submitted according to value and opportunity. Recent applications have been made for state gaming licences in Ohio and Montana and are pending regulatory approval.

The Latin American region has changed dramatically over the past few years with advanced technology products, pricing and the economic climate making it a highly competitive market. The Company is pursuing a strategy to increase its market share in this region primarily on a participation basis.

In Asia, the Company has established representation through the recruitment of local sales personnel in Malaysia and Macau, and continues to lift its profile and services under a direct sales model. The Company is reviewing opportunities and specific product development strategies to further increase its market share in the region.

In the UK and Europe, the Company operates under a distributor model in order to mitigate the risk associated with the number of diverse markets and the necessary product development required for each individual market. The market complexities and high development costs coupled with low margins continue to restrict the contribution from this market segment.

On behalf of the employees we thank the Executive Chairman for his personal commitment to the Company through the introduction of a long term incentive plan in March 2011. This plan resulted in share options being issued to all Australian employees over a portion of his personal shareholding, with additional share options over new ordinary shares being issued to American based employees.

This initiative, along with the introduction of a performance based short term incentive plan, has provided significant incentives to all employees and enhanced the Company's ability to retain its workforce. The Board has engaged an independent remuneration consultant to determine a new long term incentive plan designed to retain, reward and recognise employee contributions that provide increased shareholder value.

During the year, the Company identified and implemented a number of programs to provide education and work place training to continue its commitment to foster the development of talented employees. The Company's Workplace Health and Safety guidelines were further developed to comply with relevant legislation and ensure a safe workplace for all employees, visitors and contractors.

The Company continues to evaluate opportunities within the online and social gaming sector which will leverage its intellectual property. The Company is also looking at options to enter the global server based gaming markets, via the licensing of game content to 3rd party systems suppliers.

I would like to thank the Directors for their valuable insights and ongoing support. I also wish to thank the Executive Chairman, Mr LH Ainsworth, for his personal expertise, extensive technical and operational experience, longstanding commitment and valuable contribution to the Company's success.

I would like to acknowledge the dedication and commitment of the senior executive team and all staff throughout the Company, which has enabled AGT to achieve these most pleasing results and position itself for future profitability and growth in coming periods.

D. Gladstone

Danny Gladstone
Chief Executive Officer / Executive Director

Information about Shareholders

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

Share holdings (as at 14 September 2012)

Number of shareholders and shares on issue

The issued shares in the Company were 321,812,775 ordinary shares held by 2,947 shareholders.

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of Ordinary Shares
Mr LH Ainsworth	182,928,537*
Votraint No. 1019 Pty Ltd (Braesyde Super Fund A/C)	30,574,714
Paradice Investment Management Pty Ltd	16,566,285

* Mr LH Ainsworth granted share options over a portion of his existing personal shareholding to Australian employees, excluding directors. Share options outstanding as at 14th September 2012 were 8,091,821 (issued to 207 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.

Options

Option holders have no voting rights.

Distribution of shareholders

	NUMBER OF EQUITY SHAREHOLDERS	
Category	**Ordinary Shares**	**Options**
1 - 1,000	404	-
1,001 - 5,000	1,390	-
5,001 - 10,000	503	-
10,001 - 100,000	563	23
100,001 and over	87	1
Total	**2,947**	**24**

The number of shareholders holding less than a marketable parcel of ordinary shares is 78 (3,612 ordinary shares).

On market buy-back

There is no current on market buy-back of ordinary shares.

Unquoted equity securities

At 14 September 2012, 808,341 unlisted non-transferable options have been issued to 24 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 (continued)

Share holdings (as at 14 September 2012) (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of total
Mr L H Ainsworth	165,630,397	51.47
Votraint No. 1019 Pty Ltd (Braesyde Super Fund A/C)	30,574,714	9.50
National Nominees Limited	17,927,963	5.57
JP Morgan Nominees Australia Limited	12,563,600	3.90
Associated World Investments Pty Limited	9,165,240	2.85
Baclupas Pty Limited (Valhalla A/C)	8,000,000	2.49
HSBC Custody Nominees (Australia) Limited	7,613,428	2.37
BNP Paribas Noms Pty Limited (Master Cust DRP)	5,340,215	1.66
UBS Nominees Pty Limited	4,580,209	1.42
Citicorp Nominees Pty Limited	3,282,289	1.02
JP Morgan Nominees Australia Limited (Cash Income A/C)	2,939,545	0.91
Writeman Pty Limited (P L H A Investment A/C)	2,900,000	0.90
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	2,227,963	0.69
BNP Paribas Noms Pty Limited (SMP Accounts DRP)	1,977,168	0.61
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,405,861	0.44
Casola Holdings Pty Limited (Nordiv Holdings S/Fund A/C)	1,130,000	0.35
Serioso Pty Limited (GGHA Trading Account)	1,103,186	0.34
Mitchell Victory Pty Limited (Campbell Family Super A/C)	939,674	0.29
Merrill Lynch (Australia) Nominees Pty Limited	850,089	0.26
Trinity Management Pty Limited	785,986	0.24
Total	**280,937,527**	**87.28**

Corpororate Governance Statement

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.

Set out below are the Company's corporate governance principles and practices in line with the ASX Corporate Governance Council current release of "Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd edition". 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 19 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, General Counsel, 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

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 18 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 four times during the year and the directors' attendance record is disclosed in the table of directors' meetings on page 19 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 recognises 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 diversity recommendations and will continually be committed to promote and achieve diversity across the Company. In addition to the Company's Equal Employment Opportunity/Anti-Discrimination Policy, the Company has established a Diversity Policy which is available on the Company's website. The Board will continually 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.

In 2012, the Company demonstrated its commitment to gender diversity by setting a target for female representation across the Company. The measureable objectives set by the Board are:

- Female representation in company-wide level to be a minimum of 30% by 2015;
- Female representation in senior management level to be a minimum of 15% by 2015; and
- At least one female non-executive director by 2015.

In FY 2012, women comprised 22% of the Company workforce, an increase of 5% from prior reporting period. There are currently no women in senior executive and/or 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 28 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:

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

All employees are required to complete the workplace grievance and compliance training conducted by the Company. The workplace grievance training covers issues like harassment, discrimination, bullying and violence which are governed by the Company's policies and copies of these documents are available on the Company's website.

☑ ASX Corporate Governance Council's Recommendations 3.1,3.2,3.3,3.4,3.5

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 19 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 2012 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
- organise, 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.

☑ ASX Corporate Governance Council's Recommendations 4.1,4.2,4.3,4.4

Corporate Governance Statement (continued)

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 summarised 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 emphasising 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.

The Company's quality management system complies with the AS/NZ ISO 9001:2008 standard *Quality Management System-Requirements*, published by the Internal Organisation for Standardisation (ISO). The recent annual surveillance audit conducted in May 2012 by independent auditors further demonstrated the Company's commitment to continuous improvement. The next re-certification audit is currently scheduled for May 2013.

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 recognises 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;
- workplace 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 authorised 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 Remuneration and Nomination 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 three times and the directors' attendance record is disclosed in the table of directors' meetings on page 19 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 19 to 26 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;
- the key management personnel's performance against Key Performance Indicators (KPIs) and individual contributions to the Company's performance; and
- the Company's performance includes;
  - 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.

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 2012 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 $100,000 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 21 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 2012

Contents

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Directors' report

For the year ended 30 June 2012

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 2012 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	89 yrs	• Fifty-eight 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 Aust CP Eng Lead Independent Non-Executive Director	78 yrs	• Fellow of The Institution 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	55 yrs	• Graeme has specialised in the area of liquor and hospitality for over 29 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 Audit Committee of Illawarra Catholic Club Group • 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	58 yrs	• Michael has extensive commercial and corporate law experience in a career spanning over 32 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	57 yrs	• Danny has held senior positions within the gaming industry over a successful career spaning 38 years • Inducted into the Club Managers Association Australia Hall of Fame in 2000 • Resigned as Chairman of Gaming Technologies Association on 21 February 2012 • Chief Executive Officer since 2007 - Executive Director since 2010 • Member of Regulatory and Compliance Committee

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 2012

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	3/3	4/4
Mr GJ Campbell	11/11	2/2	3/3	4/4
Mr MB Yates	11/11	2/2	-	-
Mr DE Gladstone	10/11	-	-	3/4

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 Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

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; and
- 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 22 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 before tax' excluding foreign currency gains / (losses) and any one-off gains (e.g., the profit on sale following the sale and leaseback of the Company's property), which is compared to budgeted amounts. This objective 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 measures, and compliance with established regulatory processes, 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 awarded 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 2012 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.

For the year ended 30 June 2012, the Group exceeded the minimum performance targets, with most segments exceeding operational budgeted targets. This resulted in short-term incentives being earned during 2012 and approved by the Board on 28 August 2012. Currently, the performance linked component of compensation comprises approximately 45% (2011: 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 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. Entering into such arrangements has been prohibited by law since 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 it is designed to maximise the Group's performance.

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 AUD	**2012**	**2011**	**2010**	**2009**	**2008**
Profit/(loss) attributable to owners of the company	64,275	23,121	(2,721)	(12,542)	(19,357)
Dividends paid	-	-	-	-	-
Change in share price	**$1.74**	**$0.27**	**$0.02**	**($0.02)**	**($0.31)**

Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. Profit/(loss) amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

Other benefits

Key management personnel 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, and the Group 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 accrued superannuation.

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 27 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 was reviewed during the year and 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 October 2011, 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	100,000
Chair of Audit Committee	16,000
Chair of Regulatory and Compliance Committee	20,000
Chair of Remuneration and Nomination Committee	9,000
Member of Audit Committee	10,000
Member of Regulatory and Compliance Committee	12,000
Member of Remuneration and Nomination Committee	6,000

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

Directors' report (continued)

For the year ended 30 June 2012

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 and other key management personnel of the Consolidated entity 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	2012	138,702	-	-	-	138,702	-	-	-	138,702	-	-
	2011	100,280	-	-	-	100,280	-	-	-	100,280	-	-
Mr GJ Campbell	2012	123,000	-	-	-	123,000	11,070	-	-	134,070	-	-
	2011	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
Mr MB Yates	2012	101,500	-	-	-	101,500	9,135	-	-	110,635	-	-
	2011	76,000	-	-	-	76,000	6,840	-	-	82,840	-	-
Mr JM Levee	2012	-	-	-	-	-	-	-	-	-	-	-
(appointed 24 February 2011, resigned 29 June 2011)	2011	24,404	-	-	-	24,404	2,196	-	-	26,600	-	-
Sub-total non-executive directors' remuneration	2012	363,202	-	-	-	363,202	20,205	-	-	383,407	-	-
	2011	290,684	-	-	-	290,684	17,136	-	-	307,820	-	-
Executive directors												
Mr LH Ainsworth (Executive Chairman)	2012	237,500	-	-	30,000	267,500	-	-	-	267,500	-	-
	2011	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
Mr DE Gladstone (Chief Executive Officer)	2012	583,441	-	1,001,852	123,788	1,709,081	138,229	-	33,979	1,881,289	53%	2%
	2011	538,460	-	263,372	88,586	890,418	68,703	-	12,876	971,997	30%	1%
Total directors' remuneration	2012	1,184,143	-	1,001,852	153,788	2,339,783	158,434	-	33,979	2,532,196	40%	1%
	2011	1,029,144	-	263,372	118,586	1,411,102	85,839	-	12,876	1,509,817	19%	1%

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 ML Ludski Chief Financial Officer / Company Secretary	2012	310,617	-	563,156	95,466	969,239	76,247	-	19,615	1,065,101	53%	2%
	2011	273,911	-	126,355	94,088	494,354	33,914	-	7,433	535,701	26%	1%
Mr V Bruzzese General Manager - Technical Services	2012	272,950	-	415,511	24,000	712,461	59,859	-	20,388	792,708	52%	3%
	2011	253,576	-	104,221	24,000	381,797	30,572	-	7,726	420,095	27%	1%
Mr I Cooper General Manager Manufacturing	2012	238,485	-	366,557	30,253	635,295	52,921	-	20,388	708,604	52%	3%
	2011	231,538	-	95,164	31,617	358,319	27,915	-	7,726	393,960	26%	1%
Mr S Clarebrough [1] Group General Manager Strategy and Development	2012	470,615	-	656,848	40,000	1,167,463	98,446	-	27,183	1,293,092	51%	2%
	2011	235,308	-	193,426	20,000	448,734	37,073	-	10,301	496,108	42%	1%
Former												
Mr M Cuadros [2] VP Operations Finance & HR - Americas	2012	214,678	29,212	19,260	33,474	296,624	17,941	-	6,318	320,883	9%	-
	2011	225,606	67,054	-	35,717	328,377	18,854	-	2,489	349,720	19%	-
Total executives remuneration	2012	1,507,345	29,212	2,021,332	223,193	3,781,082	305,414	-	93,892	4,180,388	49%	2%
	2011	1,219,940	67,054	519,166	205,422	2,011,581	148,328	-	35,675	2,195,584	26%	2%
Total directors' and executive officers' remuneration	2012	2,691,488	29,212	3,023,184	376,981	6,120,865	463,848	-	127,871	6,712,584	45%	2%
	2011	2,249,084	67,054	782,538	324,008	3,422,683	234,167	-	48,551	3,705,401	23%	1%

[1] Mr S Clarebrough was appointed to a Key Management role on 1 January 2011 and the remuneration relates to the period from this appointment.

[2] Mr M Cuadros ceased to be classified a Key Management personnel effective 12 March 2012 following the relocation of Mr D Gladstone to the USA.

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 2012 financial year using the criteria set out on page 20. The amount was considered on 21 June 2012 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 recognised in this reporting period.

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 19. Short term incentive bonuses have been provided for in the year ended 30 June 2012.

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 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	1,001,852	100%	0%
EXECUTIVES			
Mr ML Ludski	563,156	100%	0%
Mr V Bruzzese	415,511	100%	0%
Mr I Cooper	366,557	100%	0%
Mr S Clarebrough	656,848	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 2012 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 2012	Grant date	Number of options vested during 2012	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
DIRECTOR						
Mr DE Gladstone	-	-	250,000*	0.079	0.225	01/03/2016
EXECUTIVES						
Mr ML Ludski	-	-	144,314*	0.079	0.225	01/03/2016
Mr V Bruzzese	-	-	150,000*	0.079	0.225	01/03/2016
Mr I Cooper	-	-	150,000*	0.079	0.225	01/03/2016
Mr M Cuadros	-	-	50,000	0.079	0.225	01/03/2016
Mr S Clarebrough	-	-	200,000*	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 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 Employee Share Option Trust (ESOT) and LH Ainsworth Share Option Trust (ASOT) are in note 22 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 a share option plans. A condition of accepting the 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. Options under ASOT exercised during 2012 were 391,609 which were transferred to employees from the Company's Executive Chairman, Mr LH Ainsworth.

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 key management person of the Group 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	25%	-	2012 - 2014
EXECUTIVES					
Mr ML Ludski	577,255*	01/03/2011	25%	-	2012 - 2014
Mr V Bruzzese	600,000*	01/03/2011	25%	-	2012 - 2014
Mr I Cooper	600,000*	01/03/2011	25%	-	2012 - 2014
Mr M Cuadros	200,000	01/03/2011	25%	-	2012 - 2014
Mr S Clarebrough	800,000*	01/03/2011	25%	-	2012 - 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.

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 ($)	Exercised in year ($)	Fortified in year ($)
DIRECTOR			
Mr DE Gladstone	-	-	-
EXECUTIVES			
Mr ML Ludski	-	-	-
Mr V Bruzzese	-	-	-
Mr I Cooper	-	-	-
Mr M Cuadros	-	-	-
Mr S Clarebrough	-	-	-

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 increasing profitability within geographical markets which are expected to achieve the greatest contributions to the Group's financial results and creation of sustained revenue growth;
- through continued investment in product research and development provide quality market leading products that are innovative and entertaining resulting in increased player satisfaction and therefore greater venue profitability;
- provide a growing return on shareholder equity through profitability, payment of dividends and share price growth;
- prudently manage levels of investment in working capital and further improve cash flow from operations in the ensuing financial year; and
- continue to pursue greater presence within the Americas.

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 in domestic and international 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 and manage working capital;
- 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 2012 was $64.3 million, compared to $23.1 million in 2011. This result included the recognition of previously unrecognised deferred tax assets, resulting in $26.9 million of deferred tax assets at balance date (2011: $8.5 million) and $18.1 million recognised in the full year profit after tax (2011: $8.3 million).

The profit before tax of $46.2 million (2011: $14.8 million), includes a second half profit of $27.4 million compared to the reported profit of $18.8 million for the six month period ended 31 December 2011, an increase of 46%. Progression of development strategies in all geographical markets together with building a greater presence in North America assisted to provide a strong foundation for growth in the future.

Sales revenue achieved was $150.6 million compared to $98.0 million in the corresponding period in 2011, an increase of 54%. Further strong product performance and increased market share was achieved following the continued leading product performance of the A560™ product family within domestic and international markets. The Group continues to invest in product development to enable pursuit of new markets and provide extensions to the current product range in established markets.

Shareholder returns

	2012	2011	2010	2009	2008
Profit/(loss) attributed to owners of the company	64,275	23,121	(2,721)	(12,542)	(19,357)
Basic EPS	$0.23	$0.08	($0.01)	($0.05)	($0.08)
Dividends paid	-	-	-	-	-
Change in share price	$1.74	$0.27	$0.02	($0.02)	($0.31)

Net profit amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

6. Operating and financial review (continued)

Review of financial condition

Capital structure and treasury policy
The Company currently has on issue 321,812,775 ordinary shares.

Mr LH Ainsworth and his spouse and entities they control who collectively owned 12,283,568 convertible notes had extended the maturity of their convertible notes until 31 December 2014. All other registered noteholders were provided with the right to extend their notes on the same basis. As at 30 June 2012, 12,870,471 convertible notes were converted to fully paid ordinary shares following the notification to noteholders of the Company's early redemption of all Convertible Notes previously extended to 31 December 2014.

The Company successfully raised equity through an institutional placement of 30 million new fully paid ordinary shares during the second half of FY12. The improved balance sheet position will ensure progression of product initiatives and continued execution of expansion plans within the key market of North America.

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.

Liquidity and funding
The Company utilised funds from the placement undertaken during the year and through the sale of its Newington property to repay all borrowings under loan facilities with an entity controlled by the Executive Chairman, Mr LH Ainsworth. These facilities have been cancelled and all associated security held was released at 30 June 2012. The Company expects to pursue traditional external facilities with its bankers in FY13.

Cash flows from operations
The cash inflow from operations for the year ended 30 June 2012 was $21.7 million, an increase of 20% on the prior year. The Group continues to monitor closely its working capital requirements given the pursuit of recurring revenue streams through placement of gaming products on participation or revenue sharing arrangements.

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 $150.6 million was recorded in the period under review compared to $98.0 million in 2011, an increase of 54%.

Within domestic markets revenue achieved was $103.1 million, an increase of 38% over 2011. This increase was predominately in the New South Wales, Queensland and Victorian markets which represented 94% of domestic revenue. The continued success of the A560™ gaming machine, release of new game combinations and leading product performance resulting 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 $47.5 million compared to $23.3 million in 2011, representing an increase of 104%. The key market of North America contributed 54% of total international revenue, an increase on the proceeding 2011 year of 129%. The Group expects to achieve further international revenue increases in FY13, arising from substantially increased investment and the progressive build-up in resources in the Americas. The establishment of an operational base for North America in Las Vegas, Nevada, is expected to assist in this objective combined with the ongoing release of newly developed product initiatives and the continuation of the initial stages of local product development.

Increases in all other international markets of New Zealand, Europe and Asia assisted to achieve further improvement in the financial performance of the Group in the 30 June 2012 year.

Operating costs
Gross margin of 68% was achieved, compared to 65% in 2011. Gross margin for the second half of FY12 was improved by 2.5 percentage points to 69% from the 66% reported for the six months ended 31 December 2011. Improved margins resulted from cost reduction initiatives, higher sales volumes, production efficiencies and concentration on a product mix centred on the Company's premium progressive range of games.

Operating costs, excluding cost of sales and financing costs, were $54.2 million, an increase of 34% over 2011. This increase was primarily attributed to increased variable selling costs in line with revenue increases and marketing activities undertaken during the period. Other contributing factors included increased expenditure on research and development on new product initiatives and increased investment in the infrastructure within the Company's operational facility in Las Vegas, Nevada.

Research and development (R&D) expense was $18.6 million, an increase of 42% over 2011 and represented 12% of revenue. The continued investment in R&D has enabled the Company to complete development of its A560™ Slant Top product and the proprietary QX32™ Jackpot Controller, which were showcased together with forty (40) new games at the recently held Australasian Gaming Expo held at Darling Harbour Australia. These products are now available for sale within selected domestic markets and, subject to regulatory approval, will be approved for sale in international markets progressively during FY13.

Administration costs were $12.4 million, an increase of $2.0 million compared to 2011. This increase was primarily attributable to the implementation of a broader staff incentive programme introduced during the year which was aligned to the Company's staff retention strategies.

Financing costs
Net financing costs were $4.1 million in the period, a decrease of $4.1 million on 2011. This decrease was primarily a result of net foreign exchange gains of $0.5 million in the current year compared to currency losses of $2.7 million in the corresponding period in 2011 and lower interest costs on debt reduction initiatives undertaken in the second half of the current year.

Significant changes in the state of affairs
Investment in research and development continues to ensure development initiatives positively affect product performance. Further investment within the Americas is planned in the 2013 financial year to ensure the Group is positioned to capitalise on the significant opportunities within this region.

The continued performance of the Group's range of products combined with further development and release of new products in selected markets is expected to enable the Group to further 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 2012 financial year in order to maintain a strong cash position necessary to fund anticipated growth of its participation business in the Americas and to invest in new product development. The directors expect to commence payment of dividends in 2013, subject to further growth in profitability levels.

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 to help ensure sustainable revenue growth and continued financial improvement 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 establishment of an increased presence in the Americas through a new operational facility in Las Vegas, Nevada and release of new product initiatives is 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	Options over ordinary shares
Current		
Mr Leonard H Ainsworth	184,038,004	-
Mr Stewart L Wallis	1,346,703	-
Mr Graeme J Campbell	939,674	-
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, no share options were granted over unissued ordinary shares in the Company.

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	808,341

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 were 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 300,734 options were forfeited due to cessation of employment and 391,609 were exercised leaving a balance of 9,206,839 share options under issue. The share options under ASOT 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.

Neither the Group nor Company have indemnified the auditor in relation to the conduct of the audit.

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:	**2012** **$**	**2011** **$**
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	195,000	212,000

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 2012.

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 consolidated financial statements 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 28th day of August 2012

Consolidated statement of financial position

As at 30 June 2012

In thousands of dollars	*Note*	2012	2011
Assets			
Cash and cash equivalents	*17*	22,928	15,377
Receivables and other assets	*16*	83,496	25,372
Inventories	*15*	16,552	13,392
Prepayments		501	573
Total current assets		**123,477**	**54,714**
Receivables and other assets	*16*	13,714	11,724
Deferred tax assets	*14*	26,899	8,509
Property, plant and equipment	*12*	10,727	23,539
Intangible assets	*13*	17,438	14,615
Total non-current assets		**68,778**	**58,387**
Total assets		**192,255**	**113,101**
Current Liabilities			
Trade and other payables	*23*	19,473	8,692
Loans and borrowings	*20*	911	13,726
Employee benefits	*21*	9,022	4,432
Income tax		200	-
Provisions	*24*	107	171
Total current liabilities		**29,713**	**27,021**
Loans and borrowings	*20*	516	46,991
Employee benefits	*21*	502	397
Total non-current liabilities		**1,018**	**47,388**
Total liabilities		**30,731**	**74,409**
Net assets		**161,524**	**38,692**
Equity			
Share capital		182,242	122,373
Reserves		10,729	12,048
Accumulated losses		(31,447)	(95,729)
Total equity		**161,524**	**38,692**

The notes on pages 36 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 30 June 2012

In thousands of dollars	*Note*	**2012**	**2011**
Revenue	7	150,647	97,963
Cost of sales		(48,853)	(34,508)
Gross profit		**101,794**	**63,455**
Other income	8	2,727	100
Sales, service and marketing expenses		(23,223)	(17,042)
Research and development expenses		(18,613)	(13,121)
Administrative expenses		(12,364)	(10,336)
Results from operating activities		**50,321**	**23,056**
Finance income	11	2,000	1,037
Finance costs	11	(6,128)	(9,259)
Net finance costs		**(4,128)**	**(8,222)**
Profit before income tax		**46,193**	**14,834**
Income tax benefit	14	18,082	8,287
Profit for the year		**64,275**	**23,121**
Other comprehensive income			
Foreign currency translation		33	(206)
Total comprehensive income for the year		**64,308**	**22,915**
Profit attributable to owners of the Company		**64,275**	**23,121**
Total comprehensive income attributable to the owners of the Company		**64,308**	**22,915**
Earnings per share:			
Basic earnings per share (dollars)	19	$0.23	$0.08
Diluted earnings per share (dollars)	19	$0.22	$0.08

The notes on pages 36 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2012

	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 2010	122,373	665	10,764	197	(118,866)	15,133
Total comprehensive income for the year						
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)	-	-	16	-
Total transactions with owners	-	105	523	-	16	644
Balance at 30 June 2011	**122,373**	**770**	**11,287**	**(9)**	**(95,729)**	**38,692**
Balance at 1 July 2011	**122,373**	**770**	**11,287**	**(9)**	**(95,729)**	**38,692**
Total comprehensive income for the year						
Profit	-	-	-	-	64,275	64,275
Other comprehensive income						
Foreign currency translation reserve	-	-	-	33	-	33
Total other comprehensive income	-	-	-	33	-	33
Total comprehensive income for the year	-	-	-	33	64,275	64,308
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	60,832	-	-	-	-	60,832
Transaction costs of shares issued	(963)	-	-	-	-	(963)
Equity component of related party borrowings	-	-	(1,603)	-	-	(1,603)
Equity component of re-purchase of convertible note	-	(127)	-	-	-	(127)
Share based payment transactions	-	385	-	-	-	385
Share based payment adjustment on non-vesting options	-	(7)	-	-	7	-
Total transactions with owners	59,869	251	(1,603)	-	7	58,524
Balance at 30 June 2012	**182,242**	**1,021**	**9,684**	**24**	**(31,447)**	**161,524**

The notes on pages 36 to 72 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 30 June 2012

In thousands of dollars	*Note*	2012	2011
Cash flows from / (used in) operating activities			
Cash receipts from customers		135,610	93,198
Cash paid to suppliers and employees		(112,016)	(71,723)
Cash generated from operations		**23,594**	**21,475**
Income taxes paid		(106)	(229)
Borrowing costs paid		(1,774)	(3,093)
Net cash from operating activities	*17*	**21,714**	**18,153**
Cash flows from / (used in) investing activities			
Proceeds from sale of property, plant and equipment		50	17
Interest received		1,411	993
Acquisitions of property, plant and equipment		(3,966)	(995)
Investment in call deposits	*16*	(30,000)	-
Development expenditure	*13*	(5,120)	(3,987)
Acquisition of other intangibles	*13*	-	(23)
Net cash used in investing activities		**(37,625)**	**(3,995)**
Cash flows from / (used in) financing activities			
Proceeds from issue of ordinary shares		44,100	-
Payment of transaction costs		(963)	-
Repayment of borrowings		(12,639)	(424)
Re-purchase of convertible notes		(419)	(2,855)
Redemption of convertible notes		(5,460)	-
Payment of finance lease liabilities		(1,219)	(1,317)
Net cash from / (used in) financing activities		**23,400**	**(4,596)**
Net increase in cash and cash equivalents		7,489	9,562
Cash and cash equivalents at 1 July		15,377	6,144
Effect of exchange rate fluctuations on cash held		62	(329)
Cash and cash equivalents at 30 June	*17*	**22,928**	**15,377**

The notes on pages 36 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

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 2012 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and 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 28 August 2012.

(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 were 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 the consolidated financial statements in conformity with IFRSs 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 13 - Intangible assets and note 14 - Taxes.

(e) Presentation of transactions recognised in other comprehensive income

From 1 July 2011 the Group has applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income in the Statement of Changes in Equity.

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.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. 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 the average exchange rates for the period.

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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation, are recognised in other comprehensive income and are presented in the translation reserve in equity.

(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. Call deposits with an original maturity greater than three months from the acquisition date are classified as receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(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.

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.

Notes to the financial statements (continued)

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. 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.

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.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods of significant items of property, plant and equipment 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific and collective level. All 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.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic, industry and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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.

(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 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 component 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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(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 as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 14.

(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 standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, 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.

Notes to the financial statements (continued)

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 10% (2011: 18%) of the trade receivables carrying amount as at 30 June 2012.

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 within sales limits approved by the Chief Executive Officer and Chief Financial Officer, 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 its 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.

Cash and cash equivalents, and call deposits

The Group monitors the credit risk of institutions with which cash and call deposits are held and in the event of deterioration in credit rating, would review the decision to hold cash and call deposits with that institution.

Guarantees
The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries. At 30 June 2012 no guarantees were outstanding (2011: 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.

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 dollars (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 during 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 in its exposure.

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

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 are able to be provided to ordinary shareholders in the short term.

The Board continues to review alternatives to ensure present employees will hold 3-5% of the Company's ordinary shares. This is expected to be partially 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 22.

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.

Notes to the financial statements (continued)

6. Operating segments (continued)

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 year ended 30 June 2012

In thousands of AUD	Australia				Americas							
	NSW	QLD	VIC / TAS	South Aust	North America	South America	Asia	New Zealand	Europe / Other	Total	Elimination of inter-segment transactions	Consolidated
External revenue	50,118	32,852	15,610	4,562	36,498	11,090	3,208	5,453	1,956	161,347	(10,700)	150,647
Inter-segment revenue	-	-	-	-	10,700	-	-	-	-	10,700	-	10,700
Interest revenue	1,216	-	-	-	5	291	-	-	-	1,512	-	1,512
Interest expense	(6,100)	(24)	-	(4)	-	-	-	-	-	(6,128)	-	(6,128)
Depreciation and amortisation	(4,016)	(70)	(7)	(9)	(1,084)	-	(1)	-	-	(5,187)	-	(5,187)
Reportable segment profit before tax	13,578	14,354	7,296	1,733	13,993	2,289	976	2,323	351	56,893	(10,700)	46,193
Reportable segment assets	172,938	169	-	-	20,612	-	-	-	-	193,719	(1,464)	192,255
Reportable segment liabilities	(26,735)	-	-	-	(5,460)	-	-	-	-	(32,195)	1,464	(30,731)

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 year ended 30 June 2011

	Australia				Americas							
In thousands of AUD	**NSW**	**QLD**	**VIC / TAS**	**South Aust**	**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	(4,355)	(57)	(2)	(1)	(975)	-	-	-	-	(5,390)	-	(5,390)
Reportable segment profit before tax	6,681	9,120	1,433	338	2,293	(438)	336	839	528	21,130	(6,296)	14,834
Other material non-cash items:												
Impairment losses	(607)	-	-	-	-	-	-	-	-	(607)	-	(607)
Reportable segment assets	111,667	252	-	-	2,426	-	-	-	-	114,345	(1,244)	113,101
Reportable segment liabilities	(73,852)	-	-	-	(1,801)	-	-	-	-	(75,653)	1,244	(74,409)

Notes to the financial statements (continued)

7. Revenue

In thousands of dollars

	Note	2012	2011
Sale of goods		142,705	90,577
Rendering of services		5,098	5,102
Rental and participation revenue		2,844	2,284
		150,647	97,963

8. Other income

In thousands of dollars

Net gain on sale of property, plant and equipment		2,642	12
Other income		85	88
		2,727	100

9. Expenses by nature

In thousands of dollars

Charges in raw material and consumables, finished goods and work in progress	*15*	48,853	34,508
Employee benefits expense	*10*	36,640	26,819
Depreciation and amortisation expense	*12,13*	5,187	5,390
Legal expenses		2,643	1,079
Evaluation and testing expenses		3,319	3,610
Marketing expenses		2,550	2,312
Operating lease expenses	*26*	1,148	452
Other expenses		2,713	837
		103,053	75,007

10. Personnel expenses

In thousands of dollars

Wages and salaries		27,510	22,740
Short term incentive		5,553	1,327
Contributions to defined contribution superannuation funds		2,658	1,869
Increase in liability for annual leave	*21*	277	240
Increase in liability for long service leave	*21*	231	260
Termination benefits		26	249
Equity settled share-based payment transactions		385	134
		36,640	26,819

11. Finance income and finance costs

In thousands of dollars

Interest income on trade receivables		297	696
Interest income on deposits		1,215	341
Net foreign exchange gain		488	-
Finance income		2,000	1,037
Interest expense on financial liabilities		(6,128)	(6,545)
Net foreign exchange loss		-	(2,714)
Finance costs		(6,128)	(9,259)
Net financing costs recognised in profit or loss		(4,128)	(8,222)

12. Property, plant and equipment

In thousands of dollars	Land and buildings	Plant and equipment	Leasehold Improvements	Total
Cost				
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
Balance at 1 July 2011	20,242	18,190	83	38,515
Re-classification of inventory to plant and equipment	-	3,595	-	3,595
Additions	-	3,853	651	4,504
Disposals	(20,242)	(881)	(4)	(21,127)
Effect of movements in foreign exchange	-	4	5	9
Balance at 30 June 2012	-	24,761	735	25,496
Depreciation and impairment losses				
Balance at 1 July 2010	2,004	9,442	79	11,525
Depreciation charge for the year	358	2,652	19	3,029
Impairment loss	-	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
Balance at 1 July 2011	2,362	12,531	83	14,976
Depreciation charge for the year	239	2,575	76	2,890
Disposals	(2,601)	(494)	(4)	(3,099)
Effect of movements in foreign exchange	-	(3)	5	2
Balance at 30 June 2012	-	14,609	160	14,769
Carrying amounts				
At 1 July 2010	18,012	6,620	23	24,655
At 30 June 2011	17,880	5,659	-	23,539
At 30 June 2012	-	10,152	575	10,727

Impairment losses

The Group did not realise any impairment losses on plant and equipment for the year ended 30 June 2012. An impairment loss was recognised in the year ended 30 June 2011 on plant and equipment with a written down value of $607 thousand.

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 $572 thousand (2011: $564 thousand). At 30 June 2012, the net carrying amount of leased plant and equipment was $1,840 thousand (2011: $2,112 thousand).

Notes to the financial statements (continued)

13. Intangible assets

In thousands of dollars	Goodwill	Development costs*	Intellectual property	Nevada licence costs	Service contracts	Total
Cost						
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
Balance at 1 July 2011	2,436	21,098	836	1,583	1,223	27,176
Development costs fully amortised and written off	-	(10,359)	-	-	-	(10,359)
Development costs capitalised during the year	-	5,120	-	-	-	5,120
Balance at 30 June 2012	2,436	15,859	836	1,583	1,223	21,937
Amortisation and impairment losses						
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
Balance at 30 June 2011	-	11,232	335	-	994	12,561
Balance at 1 July 2011	-	11,232	335	-	994	12,561
Development costs fully amortised and written off	-	(10,359)	-	-	-	(10,359)
Amortisation for the year	-	2,059	84	-	154	2,297
Balance at 30 June 2012	-	2,932	419	-	1,148	4,499
Carrying amounts						
At 1 July 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
At 30 June 2012	2,436	12,927	417	1,583	75	17,438

* Development costs 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	2012	2011
Cost of sales	84	84
Other operating expenses	2,213	2,277
	2,297	2,361

Impairment testing for Development costs

The carrying amount of the Group's development costs amounts to $12,927 thousand (2011: $9,866 thousand).

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 $23,530 thousand, comprising $12,927 thousand of development costs, $9,020 thousand of property, plant and equipment and $1,583 thousand 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 2013 to 2015 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 2016 and 2017;
- The development will generate positive 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 thousand (2011: $1,583 thousand) 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 2013 to 2015, 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 years 2016 and 2017;
- 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;
- Revenue was projected at $6,979 thousand in the 2013 year with anticipated annual revenue growth included in the cash flow projections of 5 percent for the years 2014 to 2016. Management has forecast to achieve annual revenue of $8,083 thousand in the fourth year; and
- A discount rate of 11% based on the weighted average cost of capital.

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 $169 thousand and no impairment would have resulted; and
- A 5 percent decrease in future planned revenues would have resulted in an impairment loss of $2,103 thousand.

Notes to the financial statements (continued)

14. Taxes

Current tax expense

In thousands of dollars

	2012	2011
Tax recognised in profit or loss		
Current tax expense		
Current year	14,996	2,653
Utilisation of previously unrecognised tax losses and timing differences	(14,687)	(2,431)
	309	222
Deferred tax benefit		
Timing differences - movement	(713)	-
Recognition of R&D tax credits	(3,443)	-
Recognition of previously unrecognised tax losses	(14,235)	(8,509)
	(18,391)	(8,509)
Total income tax (benefit)	(18,082)	(8,287)

Reconciliation of effective tax rate

In thousands of dollars

	2012	2012	2011	2011
Profit for the year		64,275		23,121
Total income tax benefit		(18,082)		(8,287)
Profit excluding income tax		46,193		14,834
Income tax using the Company's domestic tax rate	30.00%	13,858	30.00%	4,450
Effective tax rates in foreign jurisdictions	0.14%	66	-	-
Non-deductible expenses	6.65%	3,073	30.71%	4,556
Non-assessable income and concessions	(13.51%)	(6,242)	(42.83%)	(6,353)
Utilisation of previously unrecognised tax losses	(31.79%)	(14,687)	(16.39%)	(2,431)
Recognition of previously unrecognised tax losses and timing differences	(30.63%)	(14,150)	(57.36%)	(8,509)
	(39.14%)	(18,082)	(55.86%)	(8,287)

Unrecognised deferred tax assets

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

In thousands of AUD	2012	2011
Tax losses	-	28,835
	-	28,835

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 in the current period following the improved financial performance and the success of new gaming products released. Management has assessed that the recoverability of the balance of deferred tax assets of $26,899 thousand is probable because a recent history of profitability and trend of profitable growth in the Company is now established. The carrying amount of the Deferred tax asset will be re-assessed 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	
	2012	2011
Employee benefits	1,104	726
Provisions	608	646
Other items	474	102
R&D non-refundable tax offset credits	3,443	-
Tax loss carry-forwards	21,270	7,035
Tax assets	26,899	8,509
Set off of tax	-	-
Net tax assets	26,899	8,509

The deductible temporary differences and tax losses do not expire under current tax legislation. R&D non-refundable tax offset credits are available to be applied against income tax payable in future years and do not expire under current tax legislation.

Management has assessed that the carrying amount of the deferred tax assets of $26,899 thousand should be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

15. Inventories

In thousands of dollars	2012	2011
Raw materials and consumables	11,681	7,375
Finished goods	3,632	4,369
Stock in transit	1,239	1,648
Inventories stated at the lower of cost and net realisable value	16,552	13,392

During the year ended 30 June 2012 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $48,853 thousand (2011: $34,508 thousand). During the year ended 30 June 2012 the write-down of inventories to net realisable value amounted to $Nil thousand (2011: $1,661 thousand). The write-down is included in cost of sales.

A re-classification from inventory to property, plant and equipment of $3,595 thousand (2011: $844 thousand) was recorded to reflect gaming products for which rental and participation agreements were entered into during the year.

16. Receivables and other assets

In thousands of dollars	2012	2011
Current		
Trade receivables	53,474	25,539
Less impairment losses	(102)	(286)
	53,372	25,253
Call deposits	30,000	-
Other assets	124	119
	83,496	25,372
Non-current		
Term receivables	13,714	11,724
	13,714	11,724

The Group realised impairment losses of $102 thousand (2011: $286 thousand) for the year ended 30 June 2012.

Receivables denominated in currencies other than the functional currency comprise $30,055 thousand of trade receivables denominated in US dollars (2011: $17,754 thousand), $1,762 thousand in New Zealand Dollars (2011: $419 thousand) and $571 thousand in Euro (2011: $Nil).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

Notes to the financial statements (continued)

17. Cash and cash equivalents

In thousands of AUD	**2012**	**2011**
Bank balances	3,718	2,423
Call deposits	19,210	12,954
Cash and cash equivalents in the statement of cash flows	22,928	15,377

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

17b. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	**2012**	**2011**
Cash flows from operating activities			
Profit for the period		64,275	23,121
Adjustments for:			
Depreciation	*12*	2,890	3,029
Impairment of property, plant and equipment	*13*	-	607
Amortisation of intangible assets	*13*	2,297	2,361
Net finance costs	*11*	4,128	8,222
(Gain) on sale of property, plant and equipment	*8*	(2,642)	(12)
Equity-settled share-based payment transactions	*10*	385	134
Income tax benefit	*14*	(18,082)	(8,287)
Operating profit before changes in working capital and provisions		**53,251**	**29,175**
Change in trade and other receivables		(29,621)	(10,722)
Change in inventories		(6,755)	(2,545)
Change in other assets		67	470
Change in trade and other payables		1,715	2,720
Change in provisions and employee benefits		4,831	2,148
		23,488	21,246
Interest paid		(1,774)	(3,093)
Net cash from operating activities		21,714	18,153

18. Capital and reserves

Share capital

In thousands of shares	**2012**	**2011**
On issue at 1 July	278,942	278,942
Placement of new ordinary shares	30,000	-
Convertible note conversions to ordinary shares	12,871	-
On issue at 30 June – fully paid	321,813	278,942

The Group has also issued share options (see note 22).

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

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 rates.

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 (2011 Nil).

19. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $64,275 thousand (2011: $23,121 thousand) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 283,874 thousand (2011: 278,942 thousand), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of dollars	*Note*	**2012**	**2011**
Profit for the period		64,275	23,121
Profit attributable to ordinary shareholders		64,275	23,121

Weighted average number of ordinary shares

In thousands of shares			
Issued ordinary shares at 1 July	*18*	278,942	278,942
Effect of shares issued		4,932	-
Weighted average number of ordinary shares at 30 June		283,874	278,942

Diluted earnings per share
The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $65,651 thousand (2011: $23,121 thousand) and a weighted average number of ordinary shares outstanding of 298,895 thousand (2011: 278,942 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

In thousands of dollars	**2012**	**2011**
Profit attributable to ordinary shareholders	64,275	23,121
Interest expense on convertible notes and options, net of tax	1,376	-
Profit attributable to ordinary shareholders (diluted)	65,651	23,121

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 convertible notes	14,954	-
Effect of shares issued	4,932	-
Effect of share options on issue	67	-
Weighted average number of ordinary shares (diluted) at 30 June	298,895	278,942

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

Notes to the financial statements (continued)

20. 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 25.

In thousands of dollars	2012	2011
Current		
Current portion of finance lease liabilities	790	616
Amount payable to director / shareholder controlled entities	-	5,941
Loan from director / shareholder controlled entity – unsecured	-	350
Convertible notes	121	6,819
	911	13,726
Non-current		
Finance lease liabilities	516	812
Amount payable to director / shareholder controlled entity	-	15,306
Loan from director / shareholder controlled entity – unsecured	-	3,587
Loan from director / shareholder controlled entity – secured	-	11,558
Convertible notes	-	15,728
	516	46,991

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2012		2011	
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
Amount payable to director / shareholder	AUD	8%	2015	-	-	15,306	15,306
Loans from director / shareholder controlled entity	AUD	8%	2015	-	-	17,927	15,495
Convertible notes	AUD	10%	2011-2014	121	121	22,732	22,547
Finance lease liabilities	AUD	1% - 15%	2012-2017	1,306	1,306	1,428	1,428
Total interest-bearing liabilities				1,427	1,427	63,483	60,717

Financing facilities

In thousands of dollars	2012	2011
Trade/credit facility	-	6,500
Loan from director / shareholder controlled entity	-	40,000
	-	46,500
Facilities utilised at reporting date		
Trade/credit facility	-	6,090
Loan from director / shareholder controlled entity	-	13,127
	-	19,217
Facilities not utilised at reporting date		
Trade/credit facility	-	410
Loan from director / shareholder controlled entity	-	26,873
	-	27,283

Trade/credit facility

A trade facility previously 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, was repaid and cancelled during the year.

Loans from director / shareholder controlled entity
The loan facility previously provided by an entity controlled by Mr LH Ainsworth, a director and shareholder of the Company was repaid in full during the year. All associated security was released following repayment of all amounts owing under this facility.

A further unsecured loan of $4,801 thousand was originally provided to expand the Group's Sydney facility. This loan including all accrued interest was repaid in full during the year.

Convertible notes	**2012**	**2011**
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	782	3,566
Re-purchase of convertible notes	(419)	(2,855)
Redemption of convertible notes	(5,460)	-
Convertible notes converted into share capital	(16,732)	-
Equity component of convertible notes repurchased and converted	127	13
Carrying amount of liability at 30 June	121	22,547
Current	121	6,819
Non-current	-	15,728
	121	22,547

In December 2011 note holders had the option to extend their convertible notes for a further 3 years to 31 December 2014. A total of 12,870,471 convertible notes were extended, including 12,283,568 notes held by Mr LH Ainsworth and his spouse. The Company notified holders of its intention to redeem their convertible notes on 30 June 2012 at which time the noteholders had the option to convert their notes to new fully paid ordinary shares on the proposed redemption date.

Notes totalling 12,870,471 were converted on 30 June 2012 on a one for one basis to new fully paid ordinary shares in full satisfaction to all amounts owing. 92,978 notes which were not converted to ordinary shares were redeemed at face value on 2 July 2012.

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

In thousands of dollars	**2012**	**2011**
Fair value of the loan at 1 July	11,558	11,667
Repayment of borrowings	(13,126)	-
Set-off arrangement*	-	(579)
Net (borrowings)/proceeds	(1,568)	11,088
Amount classified as equity	1,272	-
Accreted interest capitalised	296	470
Carrying amount of liability at 30 June	-	11,558

*Amounts owing to the Group by a company controlled by the Executive Chairman, Mr LH Ainsworth, were off-set against principal amounts owed by the Group in the 30 June 2011 financial year.

Notes to the financial statements (continued)

20. 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 were carried at amortised cost, see note 3(c).

In thousands of dollars		**2012**	**2011**
Fair value of the loan at 1 July		9,856	8,701
Borrowings under trade facility established		8,790	10,645
Repayment on borrowings		(19,896)	(8,314)
Foreign currency movement		237	(988)
Net borrowings		(1,013)	10,044
Amount classified as equity	*(a)*	671	(523)
Accreted interest capitalised		342	335
Carrying amount of liability at 30 June		-	9,856

(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**
	2012	**2012**	**2012**	**2011**	**2011**	**2011**
Less than one year	868	78	790	734	118	616
Between one and five years	545	29	516	872	60	812
	1,413	107	1,306	1,606	178	1,428

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.

21. Employee benefits

In thousands of dollars	**2012**	**2011**
Current		
Accrual for salaries and wages	465	136
Accrual for short term incentive plan	5,379	1,521
Liability for annual leave	2,280	2,003
Liability for long service leave	898	772
	9,022	4,432
Non-current		
Liability for long service leave	502	397
	502	397

22. Share-based payments

The Group has in place two 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	608,341	Three years of service as per ESOT below	5 years
Total share options ESOT	**808,341**		
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	5,629,584	Three years of service as per ASOT below	5 years
Total share options ASOT	**9,206,839**		

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 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at the beginning of the period	$0.225	1,025	$0.50	531
Forfeited during the period	$0.225	216	$0.50	(110)
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	808	$0.225	1,025
Exercisable at the end of the period		202		-

The options outstanding at 30 June 2012 have an exercise price of $0.225 and a remaining life of 3.67 years.

Notes to the financial statements (continued)

22. 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 300,734 previously granted share options were cancelled and 391,609 were exercised with 9,206,839 share options outstanding as at 30 June 2012.

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%	-

23. Trade and other payables

In thousands of dollars		
Current	**2012**	**2011**
Trade payables	5,438	2,885
Other payables and accrued expenses	13,341	5,786
Amount payable to director / shareholder controlled entities	694	21
	19,473	8,692

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

Payables denominated in currencies other than the functional currency comprise $9,426 thousand of payables denominated in US Dollars (2011 $2,381 thousand), $Nil thousand of payables denominated in Euro (2011: $18 thousand), and $132 thousand of payables denominated in NZD (2011: $41 thousand).

Included in other payables and accrued expenses is an amount relating to license fees and other charges assessed as owing by the Group to a third party. A review is currently being undertaken on these license fees paid to determine whether the Group has complied with its obligations under a License Agreement. The directors at this time do not expect the outcome of this review to have a material effect on the Group's financial position and have determined that disclosing further information would prejudice the position of the Company.

24. Provisions

In thousands of dollars	**Service/ Warranties**	**Legal**	**Total**
Balance at 1 July 2011	30	141	171
Provisions made during the year	46	80	126
Provisions used during the year	(76)	(114)	(190)
Balance at 30 June 2012	-	107	107

25. Financial instruments

Credit risk

Exposure to credit risk

Trade and other receivables

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*	**2012**	**2011**
Receivables	*16*	67,086	36,977
		67,086	36,977

The Group's maximum exposure to credit risk at the reporting date was $67,086 thousand (2011: $36,977 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	**2012**	**2011**
Australia	34,798	18,945
Americas	30,025	17,504
Europe	579	31
New Zealand	1,763	524
Asia	23	259
	67,188	37,263

The Group's gross maximum exposure to credit risk for receivables at the reporting date by geographic region was $30,025 thousand (2011: $17,504 thousand) for the Americas, $34,798 thousand (2011: $18,945 thousand) for Australia, $579 thousand (2011: $31 thousand) for Europe, $23 thousand (2011: $259 thousand) for Asia and $1,763 thousand (2011: $524 thousand) for New Zealand, totalling $67,188 thousand (2011: $37,263 thousand).

The Group's most significant receivable amount is represented by a customer within South America, which accounts for $6,475 thousand of the trade receivables carrying amount at 30 June 2012 (2011: $6,752 thousand).

Cash and call deposits

The Group held cash of $3,718 thousand at 30 June 2012 (2011: $2,423 thousand) and $49,210 thousand of call deposits at 30 June 2012 (2011: $12,954 thousand), which represent its maximum credit exposure on these assets. The cash and call deposits are held with bank and financial institution counterparts, which are rated AA- to A-, based on rating agency Standard & Poor ratings.

Impairment losses

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

In thousands of dollars	**Gross 2012**	**Impairment 2012**	**Gross 2011**	**Impairment 2011**
Not past due	42,434	-	34,971	-
Past due 0-30 days	13,744	-	562	-
Past due 31-120 days	10,583	60	701	-
Past due 121 days to one year	413	42	384	57
More than one year	14	-	645	229
	67,188	102	37,263	286

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

In thousands of dollars	**2012**	**2011**
Balance at 1 July	286	351
Impairment loss written off	(274)	-
Provision during the year	44	-
Effect of exchange rate fluctuations	46	(65)
Balance at 30 June	102	286

Notes to the financial statements (continued)

25. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk (continued)

Impairment losses (continued)

The impairment loss of $Nil (2011: $Nil) 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 $42 thousand 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 2012

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	688	(688)	(688)	-	-	-	-
- Other note holders	271	(271)	(271)	-	-	-	-
Finance lease liabilities	1,306	(1,413)	(513)	(355)	(398)	(147)	-
Trade and other payables	19,473	(19,473)	(19,473)	-	-	-	-
	21,738	(21,845)	(20,945)	(355)	(398)	(147)	-

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

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.

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 utilised during the year.

Exposure to currency risk

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

	2012			2011		
In thousands of dollars	**USD**	**Euro**	**NZD**	**USD**	**Euro**	**NZD**
Trade receivables	30,025	571	1,763	17,754	-	419
Trade payables	(9,426)	-	(132)	(2,381)	(18)	(41)
Net exposure in statement of financial position	20,599	571	1,631	15,373	(18)	378

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2012**	**2011**	**2012**	**2011**
USD	1.0319	0.9881	1.0191	1.0739
Euro	0.7707	0.7245	0.8092	0.7405
NZD	1.2831	1.3044	1.2771	1.2953
GBP	-	0.6208	-	0.6667

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 2011.

Effect in thousands of dollars	**Equity**	**Profit or (loss)**
30 June 2012		
USD	(1,938)	(1,876)
Euro	(51)	(51)
NZD	(149)	(149)
30 June 2011		
USD	(1,167)	(1,180)
Euro	1	1
NZD	(35)	(35)

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 2011.

Effect in thousands of dollars	**Equity**	**Profit or (loss)**
30 June 2012		
USD	2,130	2,063
Euro	57	57
NZD	164	164
30 June 2011		
USD	1,284	1,298
Euro	(1)	(1)
NZD	38	38

Notes to the financial statements (continued)

25. Financial instruments (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 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Assets carried at amortised cost					
Receivables and other assets	*16*	97,210	67,210	37,090	37,090
Cash and cash equivalents	*17*	22,928	22,928	15,377	15,377
		120,138	120,138	52,467	52,467

		Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Liabilities carried at amortised cost					
Trade and other payables	*23*	19,473	19,473	8,692	8,692
Finance liabilities	*20*	1,306	1,306	1,428	1,428
Convertible Notes	*20*	121	121	22,547	22,547
Amount payable to director / shareholder controlled entity	*20*	-	-	21,247	21,247
Loans from director / shareholder controlled entity - secured	*20*	-	-	3,937	3,937
Loans from director / shareholder controlled entity - unsecured	*20*	-	-	11,558	11,558
		20,900	20,900	69,409	69,409

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 2012 plus an adequate constant credit spread and are as follows:

	2012	2011
Loans and borrowings	10.96% - 11.37%	11.7% - 22.3%
Receivables	5.0% - 12.0%	6.3%
Leases	0.91% - 15.18%	7.43% - 15.18%

Interest rate risk

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

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of dollars	2012	2011
Less than one year	1,750	156
Between one and five years	8,231	429
More than five years	5,575	-
	15,556	585

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for a period of 3-10 years, with an option to renew the lease after that date. Lease payments are increased every year either by annual increases of 2-4% per annum, with market rent reviews at stipulated dates. None of the leases include contingent rentals.

During the year $1,148 thousand was recognised as an expense in profit or loss in respect of operating leases (2011: $452 thousand).

The warehouse and office lease are 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.

27. Capital and other commitments

In thousands of dollars	2012	2011
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	151	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	2,107	2,052

28. 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	***Current*** Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited) Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)
Executive directors Mr LH Ainsworth (Executive Chairperson) Mr DE Gladstone (Executive Director and Chief Executive Officer, Ainsworth Game Technology Limited)	Mr I Cooper (General Manager Manufacturing, Ainsworth Game Technology Limited) Mr S Clarebrough (Group General Manager Strategy and Development, Ainsworth Game Technology Limited) ***Former*** Mr M Cuadros (Vice President Operations Finance & HR Americas, Ainsworth Game Technology Inc) Ceased to be classified as a key management person on 12 March 2012 following the relocation of DE Gladstone to the USA

Key management personnel compensation
The key management personnel compensation included in 'personnel expenses' (see note 10) is as follows:

In dollars	2012	2011
Short-term employee benefits	6,120,865	3,422,683
Post-employment benefits	463,848	234,167
Share based payments	127,871	48,551
	6,712,584	3,705,401

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.

Notes to the financial statements (continued)

28. 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:

			Transactions value year ended 30 June		Balance receivable/ (payable) as at 30 June	
In dollars		***Note***	**2012**	**2011**	**2012**	**2011**
Key management persons	**Transaction**					
Mr LH Ainsworth	Leased plant and equipment and other costs	(i)	81,150	87,400	-	(6,250)
Mr LH Ainsworth	Sales revenue	(ii)	1,947,600	1,468,623	538,369	-
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	(ii)	705,020	175,252	-	(39,757)
Mr LH Ainsworth	Interest paid/payable on financing facilities	(iii)	2,034,714	2,714,034	(5,625)	(15,347,900)
Mr LH Ainsworth	Convertible note interest	(iv)	1,350,085	1,350,087	(673,195)	(3,699)
Mr SL Wallis	Convertible note interest	(iv)	30,159	30,160	(14,909)	(83)
Mr LH Ainsworth	Profit recorded on sale of Newington property	(v)	2,657,557	-	-	-
Mr LH Ainsworth	Operating lease rental costs	(vi)	451,222	-	94,611	-

(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 20 a company controlled by Mr LH Ainsworth had previously extended a loan and facilities to the Group which were repaid during the year. The terms of this loan and facilities provided were 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.

(v) The Company sold its property located at 10 Holker Street Newington on 27 February 2012 to an entity controlled by Mr LH Ainsworth for the total consideration of $22,330,641. This transaction resulted in the Company recording a profit on sale of $2,657,557. Approval was received by shareholders at a general meeting held on 22 February 2012 for this transaction.

(vi) Following the sale of the Newington property on 27 February 2012, as noted above, the Company leased the premises from an entity controlled by Mr LH Ainsworth on normal commercial terms and conditions.

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

In dollars	2012	2011
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Trade receivables	538,369	-
Other assets	94,611	-
Current trade and other payables		
Amount payable to director/shareholder controlled entities	693,729	20,653
Current loans and borrowings		
Amount payable to director/shareholder controlled entities	-	5,940,286
Loan from director / shareholder controlled entity - unsecured	-	350,000
Convertible notes	-	301,600
Non-current loans and borrowings		
Amount payable to director/shareholder controlled entity	-	15,305,669
Loan from director/shareholder controlled entity - unsecured	-	3,587,016
Loan from director/shareholder controlled entity - secured	-	11,558,002
Convertible notes	-	13,500,867

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 2011	Granted as remuneration	Exercised	Other changes (B)	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors							
Mr DE Gladstone	1,000,000	-	-	-	1,000,000	250,000	250,000
Executives							
Mr ML Ludski	577,255	-	-	-	577,255	144,314	144,314
Mr V Bruzzese	600,000	-	-	-	600,000	150,000	150,000
Mr I Cooper	600,000	-	-	-	600,000	150,000	150,000
Mr M Cuadros	200,000	-	-	-	200,000	50,000	50,000
Mr S Clarebrough	800,000	-	-	-	800,000	200,000	200,000

	Held at 1 July 2010	Granted as remuneration (A)	Exercised	Other changes (B)	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
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	-	-

A Share options granted in 2011 (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.

Share options held by key management personnel that are vested and exercisable at 30 June 2012 were 814,314 (2011: nil) as the first vesting condition has occurred. No options were held by related parties of key management personnel.

Notes to the financial statements (continued)

28. 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 2011	Purchases	Received on conversion of Convertible Notes	Sales (A)	Held at 30 June 2012
Directors					
Mr LH Ainsworth	210,715,062	-	12,283,568	(3,715,201)	219,283,429
Mr SL Wallis	1,022,403	100,000	230,000	-	1,352,403
Mr GJ Campbell	799,674	140,000	-	-	939,674
Mr MB Yates	108,400	-	-	-	108,400
Mr DE Gladstone	100,000	-	-	-	100,000
Executives					
Mr V Bruzzese	2,700	-	-	-	2,700
Mr I Cooper	30,000	-	-	(20,000)	10,000
Mr M Cuadros	15,000	-	-	-	15,000
Mr S Clarebrough	261,000	-	-	-	261,000

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
Directors					
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 DE Gladstone	100,000	-	-	-	100,000
Executives					
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

(A) Sales included 391,609 share options exercised by employees under the ASOT, see note 22.

No shares were granted to key management personnel during the reporting period as compensation in 2011 or 2012.

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.

29. Group Entities

	Country of Incorporation	Ownership interest 2012	2011
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%

30. 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.

31. Auditors' remuneration

In dollars	2012	2011
Audit services:		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	195,000	212,000

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

Notes to the financial statements (continued)

32. Parent entity disclosures

As at and throughout the financial year ended 30 June 2012 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of dollars	2012	2011
Result of parent entity		
Profit for the year	63,484	22,117
Total comprehensive income for the year	63,484	22,117
Financial position of parent entity at year end		
Current assets	120,893	52,475
Total assets	189,831	110,738
Current liabilities	24,126	23,972
Total liabilities	29,824	72,737
Total equity of parent entity comprising of:		
Share capital	182,242	122,373
Equity compensation reserve	1,021	770
Fair value reserve	9,684	11,287
Accumulated losses	(32,940)	(96,429)
Total equity	**160,007**	**38,001**

Parent entity capital commitments for acquisitions of property plant and equipment

In thousands of dollars	2012	2011
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	151	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 32 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 2012 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 2012.

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 28th day of August 2012.

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 2012, 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 32 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its 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 2012 and of its performance for the year ended on that date; and

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

(b) the financial report 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 sections 4.1 to 4.3 of the directors' report for the year ended 30 June 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney
28 August 2012

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 2012 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
28 August 2012

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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www.ainsworth.com.au

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Other Information
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