Ainsworth Game Technology Limited

ABN 37 068 516 665

APPENDIX 4E
Preliminary Final Report

Year Ended: 30 June 2013
Previous corresponding period: 30 June 2012

Results for announcement to the market

	Up / Down	% Change		Year ended 30/06/13 A$'000
Revenue from operating activities	Up	32%	to	198,147
Profit before tax	Up	50%	to	69,267
Profit for the period attributable to equity holders of the parent **(Refer Note below)**	Down	19%	to	52,202

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	5.0¢	-¢
Interim dividend	3.0¢	-¢
Previous corresponding period	-¢	-¢

Record date for determining entitlements to the dividend	10 September 2013

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Note
The profit after tax of $52.2 million for the period attributed to equity holders of the parent included income tax expense of $17.1 million. The previous corresponding period in 2012 included an income tax benefit of $18.1 million following the recognition of previously unrecognised deferred tax assets.

Refer Operating and Financial Review section within the attached Directors' Report.

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$0.54	$0.36

ANNUAL MEETING	
The annual meeting will be held as follows:	
Place:	"Georges River Room" Bankstown Sports Club 8 Greenfield Parade BANKSTOWN NSW 2200
Date:	Wednesday 20th November 2013
Time:	11.00am
Approximate date the Annual Report will be available:	20 October 2013

Ainsworth Game Technology Limited

ABN 37 068 516 665

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2013

Ainsworth Game Technology Limited

Contents

Ainsworth Game Technology Limited

Directors' report

For the year ended 30 June 2013

The directors present their report together with the consolidated financial statements of the Group comprising of Ainsworth Game Technology Limited (the Company) and its subsidiaries for the financial year ended 30 June 2013 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	90 yrs	▪ Sixty 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 ▪ Founder of Australian Gaming Machines Manufacturers Association – now Gaming Technology Association ▪ Founder of Australasian Gaming Exhibition ▪ 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 Graeme John Campbell Lead Independent Non-Executive Director	56 yrs	▪ Graeme has specialised in the area of liquor and hospitality for over 30 years in corporate consultancy services with particular emphasis on hotels and registered clubs ▪ Chairman of Harness Racing NSW ▪ Director of Central Coast Stadium and Blue Pyrenees Wines ▪ Chairman of Audit Committee of Illawarra Catholic Club Group ▪ Director since 2007 ▪ Chairperson of Audit Committee and member of Regulatory and Compliance Committee ▪ Member of Remuneration and Nomination Committee until 30 June 2013 ▪ Lead Independent Non-Executive Director since 30 June 2013
Mr Michael Bruce Yates B.Com (with merit), LLB Independent Non-Executive Director	59 yrs	▪ Michael has extensive commercial and corporate law experience in a career spanning over 33 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 until 30 June 2013 ▪ Chairperson of Regulatory and Compliance Committee and member of Remuneration and Nomination Committee since 30 June 2013

1. Directors (continued)

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	***AGE***	***EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS***
CURRENT		
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 spanning 39 years ▪ Inducted into the Club Managers Association Australia Hall of Fame in 2000 ▪ Chairman of Gaming Technologies Association from 2011 until resignation on 21 February 2012 ▪ Chief Executive Officer since 2007 - Executive Director since 2010 ▪ Member of Regulatory and Compliance Committee
Mr Colin John Henson, Dip Law- BAB, FCPA, FCIS, FAICD Independent Non-Executive Director (subject to regulatory approval)	65 yrs	▪ Colin has had a lengthy career in senior corporate positions and as a director of private and publicly listed companies across a broad range of industries ▪ Currently the Non-Executive Chairman of Videlli Limited and consultant to the Board of ASX listed company ComOps Limited ▪ Formerly the Executive Chairman of Redcape Property Fund Limited, an ASX Listed Property Trust ▪ Fellow of the Australian Institute of Company Directors, CPA Australia and Australian Institute of Corporate Managers, Secretaries and Administrators ▪ Non practising member of the Law Society of NSW ▪ Appointed Director (subject to regulatory approval) on 3 April 2013 ▪ Member of Audit Committee and Remuneration and Nomination Committee since 30 June 2013
Mr David Hugh Macintosh, AM, BBus, FCA Independent Non-Executive Director (subject to regulatory approval)	57 yrs	▪ David has an extensive career spanning over 30 years experience in transport and the construction industry specialising in the hospitality and gaming industry ▪ Currently the Managing Director of Paynter Dixon Constructions ▪ Formerly the Executive Chairman and director of Payce Consolidated Limited for a period of approximately 20 years ▪ Inducted into the Club Managers Association Australia Hall of Fame in March 2006 ▪ Fellow of the Institute of Chartered Accountants Australia ▪ Member of the Order of Australia in June 2011 ▪ Appointed Director (subject to regulatory approval) on 3 April 2013 ▪ Chairperson of Remuneration and Nomination Committee and member of Audit Committee since 30 June 2013

For the year ended 30 June 2013

1. Directors (continued)

FORMER		
Mr Stewart Laurence Wallis AO BCE (Hon), FIE Aust Aust CP Eng Lead Independent Non-Executive Director	79 yrs	▪ Fellow of The Institution of Engineers Australia ▪ Former Chief Executive and Director of Leighton Holdings Limited ▪ Director since 2002, retired as director on 30 June 2013 ▪ Chairperson of Remuneration and Nomination Committee, Regulatory and Compliance Committee and member of Audit Committee until retirement

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' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	**Board Meetings**		**Audit Committee Meetings**		**Remuneration & Nomination Committee Meetings**		**Regulatory & Compliance Committee Meetings**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
LH Ainsworth	12	12	-	-	-	-	-	-
SL Wallis	11	12	2	2	3	3	4	4
GJ Campbell	12	12	2	2	3	3	4	4
MB Yates	12	12	2	2	-	-	-	-
DE Gladstone	11	12	-	-	-	-	3	4
CJ Henson	3	3	-	-	-	-	-	-
DH Macintosh	3	3	-	-	-	-	-	-

A - Number of meetings attended **B** - Number of meetings held during the time the director held office during the year

4. Principal activities

The principal activity of the Group during the course of the financial year was the design, development, production, lease, 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 revenue and profitability within geographical markets which are expected to achieve the greatest contributions to the Group's financial results and creation of sustained growth;
- continue investing in product research and development in order to 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 increasing 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 priority actions 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.

5. Operating and financial review

Overview of the Group

The profit after income tax for the year ended 30 June 2013 was $52.2 million, compared to $64.3 million in 2012. The result in 2012 included the recognition of previously unrecognised deferred tax assets, resulting in an income tax benefit of $18.1 million being recognised in the full year profit after tax compared to an income tax expense of $17.1 million in the current year.

The profit before tax in the current year was $69.3 million compared to $46.2 million in 2012, an increase of 50%. This result includes a second half profit before tax of $39.2 million compared to the reported profit before tax of $30.1 million for the six month period ended 31 December 2012, an increase of 30%.

Sales revenue in the current year was $198.1 million compared to $150.6 million in 2012, an increase of 32%. 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. Progression of development strategies in all geographical markets together with progress to establish a greater presence in the Americas assisted to provide a strong foundation for growth in the future. The Group continues to invest in product development to enable pursuit of new markets and provide further extensions to the current product range in established markets.

5. Operating and financial review (continued)

Shareholder returns

	2013	2012	2011	2010	2009
Profit/(loss) attributed to owners of the company	$52,202,000	$64,275,000	$23,121,000	$(2,721,000)	$(12,542,000)
Basic EPS	$0.16	$0.23	$0.08	($0.01)	($0.05)
Dividends paid	$9,661,000	$-	$-	$-	$-
Change in share price	$1.93	$1.74	$0.27	$0.02	($0.02)

Net profit amounts for 2009 to 2013 have been calculated in accordance with Australian Accounting Standards (AASBs).

Investments for future performance

The Group continues to review and evaluate opportunities within the gaming sector. Further increases in research and development expenditure in future periods will continue to ensure that the expansion of the Group's range of products is innovative and technically advanced with a view to building on the consistently high performance achieved to date.

Review of financial condition

Capital structure and treasury policy
The Company currently has on issue 322,025,876 ordinary shares. The Board continues to ensure a strong capital base is maintained to invest in the future development of the business. Group performance is monitored to ensure an acceptable return on capital is achieved and that dividends are provided to ordinary shareholders in future periods. There were no changes in the Group's approach to capital management and no externally imposed capital requirements in place.

The Group is exposed to foreign currency risks on sales and purchases that are denominated in currencies other than AUD. The Group regularly monitors and reviews the financial impact of currency variations to determine strategies to minimise the volatility of changes and adverse financial effects in foreign currency exchange rates. No hedging arrangements were utilised 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 Group continues to generate positive cashflows from operating activities. Subsequent to the reporting date the Group has established a $30 million multi-option facility with a leading Australian bank consistent with strategies outlined in the 2012 financial report. This facility will allow the Group to pursue traditional financing alternatives, including the ability to minimise working capital investment previously provided by cash reserves.

Cash flows from operations
The cash inflow from operations for the year ended 30 June 2013 was $31.6 million, an increase of 45% on the prior corresponding period in 2012. The Group monitors closely its working capital requirements given the investment necessary to pursue recurring revenue streams through placement of gaming products in the Americas 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.

5. Operating and financial review (continued)

Review of financial condition (continued)

Impact of legislation and other external requirements (continued)
The Group aims to conduct its business worldwide in jurisdictions where gaming is legal and commercially viable. Accordingly, the Group is subject to licensing and other regulatory requirements of those jurisdictions.

The Group's ability to operate in existing and new jurisdictions could be adversely impacted by new or changing laws or regulations and delays or difficulties in obtaining or maintaining approvals and licences.

Review of principal businesses

Revenue
Sales revenue of $198.1 million was recorded in the year under review compared to $150.6 million in 2012, an increase of 32%.

Within domestic markets revenue achieved was $124.4 million, an increase of 17% over the prior corresponding year in 2012. This increase was predominately in the New South Wales, Queensland and Victorian markets which contributed 94% of domestic revenue. The continued success of the A560™ gaming machine, release of new game combinations and leading product performance resulted in the Group further increasing its market share in these markets. The increased revenue within Australia was primarily due to the product development strategies previously introduced providing continued high yielding performance and the expansion of the cabinet variants within the A560™ product family. The Victorian market contributed revenue of $16.8 million, in the second half of FY13, an increase of 349% compared to the six months ended 31/12/2012 as transitional changes to the new monitoring provider were implemented and the A560 ™ was released.

International revenue was $73.7 million compared to $47.5 million in 2012, representing an increase of 55%. The key markets of North and South America contributed 85% of total international revenue, an increase of 70% over the corresponding year in 2012. The Group expects to achieve further increases in international revenue in FY14, from additional initiatives complemented by the increased resources and capability within the Americas. Combined with the ongoing release of newly developed product initiatives, the establishment of an operational base for North America in Las Vegas, Nevada in 2012, is expected to assist in the achievement of growth objectives.

Revenue from other international markets of New Zealand, Europe and Asia contributed $11.1 million (15% of international revenue), an increase of 7% on the corresponding period in 2012. The market of Asia represented 56% of revenue within these geographical segments and achieved a 94% increase over the same period in 2012.

Operating costs
Gross margin of 66% was achieved, compared to 68% in 2012. The Company noted that margins within domestic markets remained strong and the margin decrease in the year was primarily due to the increased revenue from South America which is at a lower margin. Continued cost reduction initiatives combined with higher sales volumes, favourable currency movements, production efficiencies and a greater concentration of premium progressive recurring revenue games are expected to assist in off-setting potential negative margin impacts as international revenue increases its contribution to total revenue of the Group.

Operating costs, excluding cost of sales, other expenses and financing costs, were $65.9 million, an increase of 22% over 2012. This increase was primarily attributed to increased variable selling costs in line with revenue increases, increased expenditure on research and development on new product initiatives and the full year impact of the increased investment within the Company's operational facility in Las Vegas, Nevada established in 2012. The Group has now established the necessary USA infrastructure to support the expected expansion in targeted international markets. Further expansion will be aligned to the achievement of revenue growth within international market segments.

5. Operating and financial review (continued)

Review of principal businesses (continued)

Operating costs (continued)
Research and development (R&D) expense was $23.2 million, an increase of 24% over 2012 and represented 12% of revenue (2012: 12%). Further investment into the A560 cabinet range with the addition of a Slant Top bench model and a 32" LCD slimline (SL) upright is designed to enhance game presentation and leverage off the intellectual property in the A560 game library. These hardware initiatives have allowed for an expanded library of the Premium Plus range of recurring revenue games targeted for international markets.

Administration costs were $15.2 million, an increase of $2.8 million (23%) compared to 2012. The costs represented 8% of total revenue, no change from 8% in 2012. This increase was primarily due to the full year impact of expansion of the American facility established in FY12 which accounted for 57% of the overall increase. The Group has now established the USA infrastructure necessary to support the expected expansion in targeted international markets.

Financing income and costs
Net financing income was $6.2 million in the current period, a positive movement of $10.3 million on the net financing costs of $4.1 million in 2012. This movement was a result of net foreign exchange gains of $2.9 million (2012: $0.5 million), a reduction in interest costs of $6.0 million as a result of debt reduction initiatives undertaken in 2012 and interest income earned on cash deposits and trade receivables of $3.3 million, an increase of $1.8 million on 2012.

Significant changes in the state of affairs

Investment in research and development continues to help ensure new initiatives positively affect future product performance. Further investment within the Americas was undertaken in the 2013 financial year to ensure the Group is positioned to capitalise on the significant opportunities within this region.

The high yielding performance of the Group's current 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 results.

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

6. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Date of payment
Declared and paid during the year 2013			
Interim 2013 ordinary (unfranked)	3.0	9,661	12 April 2013
Total amount		9,661	

6. Dividends (continued)

Declared after end of year

After the balance sheet date the following dividend was declared by the directors.

	Cents per share	Total amount $'000	Date of payment
Final ordinary (unfranked)	5.0	16,101	27 September 2013
Total amount		16,101	

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports, and there are no income tax consequences.

7. Events subsequent to reporting date

After the reporting date, the Company declared an unfranked dividend of 5 cents per ordinary share amounting to $16,101,000 with an expected payment date of 27 September 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

Subsequent to 30 June 2013 the Group acquired approximately 24 acres of vacant land in Las Vegas, Nevada for US$7.0 million. This acquisition will allow the Group the option to build a bigger purpose built facility in Las Vegas prior to the expiration of the current lease in November 2016.

In addition to the above and subsequent to the reporting date the Company has established an unsecured multi-option currency facility of $30 million for an initial term of three years with the Australia and New Zealand Banking Group (ANZ) consistent with strategies outlined in 2012. This facility will ensure additional flexibility to manage working capital, ensure over time an appropriate mix of debt on the balance sheet and assist in creating a natural hedge against adverse foreign currency movements.

Other than matters discussed above, 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.

8. Likely developments

The Group will 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 presence in the Americas through the Las Vegas, Nevada facility 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.

9. Directors' interests

The relevant interest of each director in the shares 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**
Mr LH Ainsworth	178,395,162	-
Mr GJ Campbell	500,000	-
Mr MB Yates	108,400	-
Mr CJ Henson	50,000	-
Mr DH Macintosh	-	-
Mr DE Gladstone	5,000	500,000*

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

10. Share options / performance rights

Options granted to directors and executives of the Company
During or since the end of the financial year, the Company granted performance rights for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of performance rights granted
Directors	
Mr DE Gladstone	137,536
Executives	
Mr ML Ludski	61,084
Mr V Bruzzese	44,911
Mr I Cooper	39,490
Mr S Clarebrough	77,178
Mr M Cuadros	17,747

No options or performance rights were granted during the financial year. All performance rights have been granted since the end of the financial year. The performance rights over ordinary shares in the Company allocated to the share units granted to Mr DE Gladstone are conditional on shareholder approval at the Company's Annual General Meeting (AGM) on 20 November 2013. Should shareholder approval not be given this allocation of 137,536 performance rights under the Rights Share Trust (RST) plan are to be cancelled.

Shares issued on exercise of options
During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options under the Employee Share Option Trust (ESOT) as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
213,101	$0.225

10. Share options / performance rights (continued)

Unissued shares under option or performance right

At the date of this report unissued ordinary shares of the Group under option or performance right are:

Expiry date	Exercise price	Number of shares
1 March 2016	$0.225	567,094
22 July 2018	$Nil	1,439,358
		2,006,452

All unissued shares are ordinary shares of the Company. Performance rights of 1,439,358 include 137,536 performance rights under the RST plan granted to Mr DE Gladstone which are conditional on shareholder approval.

In addition to the share options issued by the Company, an incentive plan was previously introduced in 2011 whereby share options were granted under the LH Ainsworth Share Option Trust (ASOT) to Australian employees, excluding directors. These share options were granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth. During or since the end of the financial year 54,876 options were forfeited due to cessation of employment and 3,690,067 were exercised leaving a balance of 5,461,896 share options under issue.

The options under the ASOT plan 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.

The share options outstanding at 30 June 2013 under the ASOT plan issued to key management personnel, totalled 1,788,627 share options. Share options exercised by key management personnel during the year were 1,018,628 options following completion of vesting conditions.

11. Indemnification and insurance of officers and auditors

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.

12. Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided to the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2013 **$**
Services other than audit and review of financial statements:	
Other assurance services	
Convertible note audit	7,500
Other services	
Regulatory services	3,100
Due diligence services	130,000
	140,600
Audit and review of financial statements	222,000
Total paid to KPMG	362,600

13. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 76 and forms part of the directors' report for the financial year ended 30 June 2013.

14. 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.

15. Remuneration report – audited

15.1 Principles of compensation - audited

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;
- 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 or performance rights over ordinary shares of the Company under the rules of the Employee Share Option Plans (see note 23 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 at each vesting date.

15. Remuneration report – audited (continued)

15.1 Principles of compensation – audited (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 extra-ordinary items (e.g., the profit on sale in the 2012 financial year 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 2013 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 2013, the Group exceeded the minimum performance targets outlined in the incentive plan approved by the Board in November 2012, with most segments exceeding operational targets. This resulted in short-term incentives being earned during 2013 and confirmed by the Board on 27 August 2013. Currently, the performance linked component of compensation comprises approximately 35% (2012: 45%) of total payments to key management personnel.

Long-term incentive

There were two share option schemes in place during the 2013 financial year. Options for new shares were issued under an Employee Share Option Trust (ESOT) to American employees. Additionally, there is an option scheme entitling Australian employees 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 at a pre-determined exercise price. The ability to exercise the options is conditional on continuation of employment.

Since the reporting date a new employee incentive plan was established whereby performance rights were granted under the Rights Share Trust (RST). Under the RST eligible employees were allocated performance rights over ordinary shares in the Company. The performance rights were granted at nil consideration or exercise price however are dependent on service conditions, vesting conditions and performance hurdles.

The vesting conditions of the performance rights issued on 22 July 2013 under the RST are as follows:

Date	Vesting condition (% of rights vesting)
1 September 2016	50%
1 September 2017	50%

15. Remuneration report – audited (continued)

15.1 Principles of compensation – audited (continued)

Long-term incentive (continued)

In addition to the vesting conditions above, specific performance hurdles relative to Total Shareholder Return (TSR) relative targets and Earnings Per Share (EPS) targets are required to be met.

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.

	2013	**2012**	**2011**	**2010**	**2009**
Profit/(loss) attributable to owners of the company	52,202,000	64,275,000	23,121,000	(2,721,000)	(12,542,000)
Dividends paid	9,661,000	-	-	-	-
Change in share price	**$1.93**	**$1.74**	**$0.27**	**$0.02**	**($0.02)**

Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. Profit/(loss) amounts for 2009 to 2013 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.

For the year ended 30 June 2013

15. Remuneration report – audited (continued)

15.1 Principles of compensation – audited (continued)

Service contracts (continued)

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 a termination payment in the event of removal for misconduct as specified in his service contract.

Refer to note 28 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

Total compensation for all non-executive directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $850,000 per annum, with effect from 1 July 2012. Directors' base fees are presently $100,000 per annum (excluding superannuation) and is set based on a review of fees paid to other non-executive directors of comparable companies. 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. 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.

Current fees for directors 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 independent 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

Non-executive directors are not provided with retirement benefits apart from statutory superannuation.

15. Remuneration report – audited (continued)

15.1 Principles of compensation – audited (continued)

Services from remuneration consultants

The remuneration and nomination committee, comprising of independent non-executive directors only, engaged CRA Plan Managers Pty Ltd (CRA) as remuneration consultant to the board to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto.

CRA was paid $13,445 for the remuneration recommendations in respect of their review.

In addition to CRA the remuneration and nomination committee similarly engaged Remuneration Strategies Group (RSG) to undertake the review and introduction of a Long Term Incentive Plan (LTI).

RSG was paid $5,000 for the remuneration recommendation in respect of reviewing the amount and elements of the new LTI (RST) introduced on 22 July 2013. RSG was paid $8,700 in total for all services, including services in relation to previous incentive plans.

The engagement of CRA and RSG by the remuneration and nomination committee was subject to protocols to be followed by CRA and RSG, members of the remuneration and nomination committee and members of the key management personnel for the way in which remuneration recommendations would be developed and provided to the board.

The protocols included the prohibition of CRA and RSG providing advice or recommendations to key management personnel before the advice or recommendations were given to members of the remuneration and nomination committee and not unless they had approval to do so from members of the remuneration and nomination committee.

These arrangements were implemented to ensure that CRA and RSG would be able to carry out their work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel about whom the recommendations may relate.

The board is satisfied that the remuneration recommendations were made by CRA and RSG free from undue influence by members of the key management personnel about whom the recommendations may relate.

The board undertook its own inquiries and review of the processes and procedures followed by CRA and RSG during the course of their assignment and is satisfied that its remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which CRA and RSG was required to provide the board with a summary of the way in which it carried out its work, details of its interaction with key management personnel in relation to the assignment and other services, and respond to questioning by members of the board after the completion of the assignment.

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For the year ended 30 June 2013

15. Remuneration report – audited (continued)

15.2 Directors' and executive officers' remuneration - audited

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*	*Other long term benefits*		*Share-based payments*			
In AUD		*Salary & fees $*	*Sales Commis-sion $*	*STI cash bonus (A) $*	*Non-monetary benefits $*	*Total $*	*Super-annuation benefits $*	*$*	*Termination benefits $*	*Options (B) $*	*Total $*	*Proportion of remuneration performance related %*	*Value of options as proportion of remuneration %*
Directors													
Current													
Mr GJ Campbell	*2013*	134,000	-	-	-	134,000	12,060	-	-	-	146,060	-	-
	2012	123,000	-	-	-	123,000	11,070	-	-	-	134,070	-	-
Mr MB Yates	*2013*	110,000	-	-	-	110,000	9,900	-	-	-	119,900	-	-
	2012	101,500	-	-	-	101,500	9,135	-	-	-	110,635	-	-
Mr CJ Henson (appointed 3 April 2013)	*2013*	24,383	-	-	-	24,383	2,194	-	-	-	26,577	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr DH Macintosh (appointed 3 April 2013)	*2013*	24,383		-	-	24,383	2,194	-	-	-	26,577	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Former													
Mr SL Wallis (retired 30 June 2013)	*2013*	151,508	-	-	-	151,508	-	-	-	-	151,508	-	-
	2012	138,702				138,702	-	-	-	-	138,702	-	-
Sub-total non-executive directors' remuneration	*2013*	444,274	-	-	-	444,274	26,348	-	-	-	470,622	-	-
	2012	363,202	-	-	-	363,202	20,205	-	-	-	383,407	-	-

For the year ended 30 June 2013

15. Remuneration report - audited (continued)

15.2 Directors' and executive officers' remuneration – audited (continued)

In AUD		Short-term					Post-employment	Other long term benefits		Share-based payments			
		Salary & fees $	Sales Commis-sion $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Options (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executive directors													
Mr LH Ainsworth (Executive Chairman)	*2013*	250,000	-	-	30,000	280,000	-	-	-	-	280,000	-	-
	2012	237,500	-	-	30,000	267,500	-	-	-	-	267,500	-	-
Mr DE Gladstone (Chief Executive Officer)	*2013*	644,033	-	600,000	203,706	1,447,739	95,975	8,927	-	21,525	1,574,166	38%	1%
	2012	575,108	-	1,001,852	123,788	1,700,748	138,229	8,333	-	33,979	1,881,289	53%	2%
Total directors' remuneration	*2013*	1,338,307	-	600,000	233,706	2,172,013	122,323	8,927	-	21,525	2,324,788	26%	1%
	2012	1,175,810	-	1,001,852	153,788	2,331,450	158,434	8,333	-	33,979	2,532,196	40%	1%
Executives													
Mr ML Ludski – Chief Financial Officer / Company Secretary	*2013*	345,957	-	366,246	95,053	807,256	62,790	5,354	-	12,425	887,825	41%	1%
	2012	305,883	-	563,156	95,466	964,505	76,247	4,734	-	19,615	1,065,101	53%	2%
Mr V Bruzzese – General Manager Technical Services	*2013*	282,078	-	271,929	24,000	578,007	48,727	4,365	-	12,915	644,014	42%	2%
	2012	268,790	-	415,511	24,000	708,301	59,859	4,160	-	20,388	792,708	52%	3%
Mr I Cooper – General Manager Manufacturing	*2013*	247,728	-	240,308	28,534	516,570	42,956	-	-	12,915	572,441	42%	2%
	2012	238,485	-	366,557	30,253	635,295	52,921	-	-	20,388	708,604	52%	3%

15. Remuneration report – audited (continued)

15.2 Directors' and executive officers' remuneration - audited (continued)

In AUD		Short-term					Post-employment	Other long term benefits		Share-based payments			
		Salary & fees $	*Sales Commis-sion* $	*STI cash bonus (A)* $	*Non-monetary benefits* $	*Total* $	*Super-annuation benefits* $	$	*Termination benefits* $	*Options (B)* $	*Total* $	*Proportion of remuneration performance related* %	*Value of options as proportion of remuneration* %
Executives													
Mr S Clarebrough - Group General Manager Strategy and Development	*2013*	484,734	-	420,110	40,000	944,844	79,370	-	-	17,220	1,041,434	40%	2%
	2012	470,615	-	656,848	40,000	1,167,463	98,446	-	-	27,183	1,293,092	51%	2%
Former													
Mr M Cuadros (1) - VP Operations Finance & HR – Americas	*2013*	-	-	-	-	-	-	-	-	-	-	-	-
	2012	214,678	29,212	19,260	33,474	296,624	17,941	-	-	6,318	320,883	9%	-
Total executives remuneration	*2013*	1,360,497	-	1,298,593	187,587	2,846,677	233,843	9,719	-	55,475	3,145,714	41%	2%
	2012	1,498,451	29,212	2,021,332	223,193	3,772,188	305,414	8,894	-	93,892	4,180,388	49%	2%
Total directors' and executive officers' remuneration	*2013*	2,698,804	-	1,898,593	421,293	5,018,690	356,166	18,646	-	77,000	5,470,502	35%	1%
	2012	2,674,261	29,212	3,023,184	376,981	6,103,638	463,848	17,227	-	127,871	6,712,584	45%	2%

(1) Mr M Cuadros ceased to be classified a Key Management personnel effective 12 March 2012.

15. Remuneration report – audited (continued)

15.2 Directors' and executive officers' remuneration - audited (continued)

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

A. The short-term incentive bonus is for performance during the 30 June 2013 financial year using the criteria set out on page 15. The amount was considered on 23 July 2013 by the newly constituted remuneration and nomination committee who recommended that bonuses be paid for the current period based on the previously approved incentive plan, 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 - audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on pages 14 and 15. Short term incentive bonuses have been provided for in the year ended 30 June 2013.

15.3 Analysis of bonuses included in remuneration - audited

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 incentive bonus		
	Included in remuneration $ (A)	**% vested in year**	**% Forfeited in year (B)**
Director			
Mr DE Gladstone	600,000	100%	0%
Executives			
Mr ML Ludski	366,246	100%	0%
Mr V Bruzzese	271,929	100%	0%
Mr I Cooper	240,308	100%	0%
Mr S Clarebrough	420,111	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 2013 financial year. The newly constituted remuneration committee approved these amounts on 23 July 2013 based on the review and criteria previously undertaken and approved.

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

15.4 Equity instruments - audited

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

15. Remuneration report – audited (continued)

15.4 Equity instruments – audited (continued)

15.4.1 Options and rights over equity instruments granted as compensation – audited

Details on options and rights 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 2013	Grant date	Number of options vested during 2013	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
Director						
Mr DE Gladstone	-	-	250,000*	0.079	0.225	1 March 2016
Executives						
Mr ML Ludski	-	-	144,314*	0.079	0.225	1 March 2016
Mr V Bruzzese	-	-	150,000*	0.079	0.225	1 March 2016
Mr I Cooper	-	-	150,000*	0.079	0.225	1 March 2016
Mr S Clarebrough	-	-	200,000*	0.079	0.225	1 March 2016

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

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 ESOT and ASOT plans are in note 23 to the financial statements.

15.4.2 Modification of terms of equity-settled share-based payment transactions - audited

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

15.4.3 Exercise of options granted as compensation - audited

During the reporting period 213,101 shares (2012: Nil shares) were issued under the ESOT plan on the exercise of options previously granted as compensation. Options under the ASOT plan exercised during 2013 were 3,690,067 (2012: 391,609) which were transferred to the ASOT on behalf of employees from the Company's Executive Chairman, Mr LH Ainsworth.

15. Remuneration report – audited (continued)

15.4 Equity instruments (continued)

15.4.4 Analysis of options and rights over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed below:

	Options granted		% vested in year	% Forfeited in year (B)	Financial years in which grant vests
	Number (A)	Date			
Director					
Mr DE Gladstone	1,000,000	1 March 2011	25%	-	2012 - 2014
Executives					
Mr ML Ludski	577,255	1 March 2011	25%	-	2012 - 2014
Mr V Bruzzese	600,000	1 March 2011	25%	-	2012 - 2014
Mr I Cooper	600,000	1 March 2011	25%	-	2012 - 2014
Mr S Clarebrough	800,000	1 March 2011	25%	-	2012 - 2014

A. Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth
B. The % forfeited in the year represents the reduction from the maximum number of options available to vest.

15.4.5 Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person of the Group is detailed below:

	Granted in year $	Amount paid on Exercise $	Exercised in year $ (A)	Forfeited in year $
Mr DE Gladstone	-	112,500	1,525,000	-
Mr ML Ludski	-	64,941	880,315	-
Mr V Bruzzese	-	67,500	915,000	-
Mr I Cooper	-	67,500	915,000	-
Mr S Clarebrough	-	90,000	1,470,000	-

A. All options exercised were granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr LH Ainsworth under the ASOT plan. The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No amounts remain unpaid on options exercised.

This Directors' report is made out in accordance with a resolution of the directors:

LH Ainsworth
Executive Chairman

Dated at Sydney this 27th day of August 2013

Ainsworth Game Technology Limited

Consolidated statement of financial position

As at 30 June 2013

In thousands of AUD	*Note*	2013	2012
Assets			
Cash and cash equivalents	*17*	40,135	22,928
Receivables and other assets	*16*	106,394	83,496
Inventories	*15*	29,931	16,552
Prepayments		766	501
Total current assets		**177,226**	**123,477**
Receivables and other assets	*16*	22,042	13,714
Deferred tax assets	*14*	12,409	26,899
Property, plant and equipment	*12*	16,535	10,727
Intangible assets	*13*	17,864	17,438
Total non-current assets		**68,850**	**68,778**
Total assets		**246,076**	**192,255**
Current liabilities			
Trade and other payables	*24*	27,641	19,473
Loans and borrowings	*21*	533	911
Employee benefits	*22*	9,830	9,022
Current tax liability		2,356	200
Provisions	*25*	248	107
Total current liabilities		**40,608**	**29,713**
Loans and borrowings	*21*	421	516
Employee benefits	*22*	629	502
Total non-current liabilities		**1,050**	**1,018**
Total liabilities		**41,658**	**30,731**
Net assets		**204,418**	**161,524**
Equity			
Share capital		182,290	182,242
Reserves		50,639	10,729
Accumulated losses		(28,511)	(31,447)
Total equity		**204,418**	**161,524**

The notes on pages 29 to 72 are an integral part of these consolidated financial statements.

Ainsworth Game Technology Limited

Consolidated statement of comprehensive income

For the year ended 30 June 2013

In thousands of AUD	***Note***	**2013**	**2012**
Revenue	*7*	198,147	150,647
Cost of sales		(67,536)	(48,853)
Gross profit		**130,611**	**101,794**
Other income	*8*	156	2,727
Sales, service and marketing expenses		(27,516)	(23,223)
Research and development expenses		(23,162)	(18,613)
Administrative expenses		(15,186)	(12,320)
Other expenses		(1,812)	(44)
Results from operating activities		**63,091**	**50,321**
Finance income	*11*	6,264	2,000
Finance costs	*11*	(88)	(6,128)
Net finance costs		**6,176**	**(4,128)**
Profit before income tax		**69,267**	**46,193**
Income tax (expense) / benefit	*14*	(17,065)	18,082
Profit for the year		**52,202**	**64,275**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation		93	33
Total comprehensive income for the year		**52,295**	**64,308**
Profit attributable to owners of the Company		**52,202**	**64,275**
Total comprehensive income attributable to the owners of the Company		**52,295**	**64,308**
Earnings per share:			
Basic earnings per share (dollars)	*20*	$0.16	$0.23
Diluted earnings per share (dollars)	*20*	$0.16	$0.22

The notes on pages 29 to 72 are an integral part of these consolidated financial statements.

Ainsworth Game Technology Limited

Consolidated statement of changes in equity

For the year ended 30 June 2013

In thousands of AUD	Issued capital	Equity compensation reserve	Fair value reserve	Translation reserve	Accumulated losses	Profits reserve	Total equity
	Attributable to equity holders of the Company						
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**
Balance at 1 July 2012	**182,242**	**1,021**	**9,684**	**24**	**(31,447)**	**-**	**161,524**
Total comprehensive income for the year							
Profit	-	-	-	-	52,202	-	52,202
Transfer between reserves	-	-	-	-	(49,271)	49,271	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	93	-	-	93
Total other comprehensive income	-	-	-	93	-	-	93
Total comprehensive income for the year	-	-	-	93	2,931	49,271	52,295
Transactions with owners, recorded directly in equity							
Issue of ordinary shares on exercise of share options	48	-	-	-	-	-	48
Dividends to owners of the Company	-	-	-	-	(9,661)	-	(9,661)
Share based payment transactions	-	212	-	-	-	-	212
Share based payment adjustment on non-vesting options	-	(5)	-	-	5	-	-
Total transactions with owners	48	207	-	-	(9,656)	-	(9,401)
Balance at 30 June 2013	**182,290**	**1,228**	**9,684**	**117**	**(38,172)**	**49,271**	**204,418**

The notes on pages 29 to 72 are an integral part of these consolidated financial statements

Ainsworth Game Technology Limited

Consolidated statement of cash flows

For the year ended 30 June 2013

In thousands of AUD	*Note*	2013	2012
Cash flows from / (used in) operating activities			
Cash receipts from customers		181,320	135,610
Cash paid to suppliers and employees		(148,135)	(112,016)
Cash generated from operations		33,185	23,594
Income taxes paid		(691)	(106)
Borrowing costs paid		(928)	(1,774)
Net cash from operating activities	*17*	**31,566**	**21,714**
Cash flows from / (used in) investing activities			
Proceeds from sale of property, plant and equipment		389	50
Interest received		2,964	1,411
Acquisitions of property, plant and equipment		(6,028)	(3,966)
Proceeds from / (investment in) call deposits		3,482	(30,000)
Development expenditure	*13*	(4,681)	(5,120)
Net cash used in investing activities		**(3,874)**	**(37,625)**
Cash flows from / (used in) financing activities			
Proceeds from issue of ordinary shares		-	44,100
Proceeds from exercise of share options		48	-
Payment of transaction costs		-	(963)
Repayment of borrowings		-	(12,639)
Re-purchase of convertible notes		(121)	(419)
Redemption of convertible notes		-	(5,460)
Payment of finance lease liabilities		(962)	(1,219)
Dividend paid		(9,661)	-
Net cash from / (used in) financing activities		**(10,696)**	**23,400**
Net increase in cash and cash equivalents		16,996	7,489
Cash and cash equivalents at 1 July		22,928	15,377
Effect of exchange rate fluctuations on cash held		211	62
Cash and cash equivalents at 30 June	*17*	**40,135**	**22,928**

The notes on pages 29 to 72 are an integral part of these consolidated financial statements

Index to notes to the financial statements

Index to significant accounting policies

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 2013 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 27 August 2013.

(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

The financial information of each of the Group's entities and foreign branches is measured using the currency of the primary economic environment in which it operates (the functional currency).

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

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 26 – Financial instruments (trade and other receivables).

(e) Presentation of transactions recognised in other comprehensive income

From 1 July 2012 the Group applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or profit. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit of loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

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.

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

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

(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.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 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.

3. Significant accounting policies (continued)

(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 4 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.

3. **Significant accounting policies** (continued)

(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.

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.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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.

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(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 gaming machines, games, conversions and other incidental items are licensed to customers for extended periods, revenue is recognised on delivery for gaming machines and games and for other items including conversions on a straight line basis over the licence term. The revenue recognised for each item is based on the relative fair values of the items included in the arrangement.

(ii) Services

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

(iii) Participation and rental

Participation revenue is where the Group's owned machines are placed directly by the Group or indirectly through a licensed operator in venues in return for a fee per day which can either be fixed or performance based. The amount of revenue recognised is calculated by either; (i) multiplying a daily fee by the total number of days the machine has been operating on the venue floor in the reporting period; or (ii) an agreed fee based upon a percentage of turnover of participating machines.

Revenue from rental of gaming machines is recognised in profit or loss on a straight line basis over the term of the rental agreement.

(m) Lease payments

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

3. Significant accounting policies (continued)

(m) Lease payments (continued)

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.

3. Significant accounting policies (continued)

(p) Earnings per share

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

(q) Segment reporting

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

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

(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 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Upon adoption of AASB 119 (2011), the annual leave liability will be classified as an other long-term employee benefit, resulting in a change in the recognition and measurement of the liability.

This change will not have a significant effect on the consolidated financial statement of the Group. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

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.

4. Determination of fair values (continued)

(iii) **Non-derivative financial instruments**

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

(iv) **Loans and borrowings**

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

(v) **Finance lease liabilities**

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

(vi) **Share-based payment transactions**

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

5. Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

5. Financial risk management (continued)

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 4% (2012: 10%) of the trade receivables carrying amount as at 30 June 2013.

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.

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries. At 30 June 2013 no guarantees were outstanding (2012: 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.

5. Financial risk management (continued)

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 previously utilised currency call options to hedge its currency risk, most with a maturity of less than six months. No hedging arrangements 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 on 1 March 2011 to all Australian employees over a portion of the Executive Chairman's shareholding under the ASOT plan and to US employees under the ESOT plan, see note 23.

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).

From January 2012, the Group also operates a product assembly facility in Nevada.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue and segment result as included in internal management reports that are reviewed by the Group's CEO. Segment result only takes into account directly attributable costs, which management believes is the most relevant approach in evaluating segment performance.

A recognition of segment result to net profit after tax is also included below.

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 2013

	Australia				Americas					
In thousands of AUD	**NSW**	**QLD**	**VIC / TAS**	**South Aust**	**North America**	**South America**	**Asia**	**New Zealand**	**Europe / Other**	**Total**
Reportable segment revenue	60,435	39,301	19,888	4,819	42,933	19,628	6,223	3,597	1,323	198,147
Result										
Segment result	28,187	24,752	13,879	3,029	19,788	9,345	3,235	2,352	638	105,205
Interest revenue not allocated to segments										2,498
Interest expense										(88)
R&D expense										(23,162)
Corporate and administrative expenses										(15,186)
Profit before tax										69,267
Income tax expense										(17,065)
Net profit after tax										52,202

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

	Australia				Americas					
In thousands of AUD	**NSW**	**QLD**	**VIC / TAS**	**South Aust**	**North America**	**South America**	**Asia**	**New Zealand**	**Europe / Other**	**Total**
Reportable segment revenue	50,118	32,852	15,610	4,562	25,798	11,090	3,208	5,453	1,956	150,647
Result										
Segment result	26,371	21,123	10,500	2,673	8,589	4,565	1,571	3,335	714	79,441
Interest revenue not allocated to segments										1,215
Interest expense										(6,128)
Profit on sale of property										2,642
R&D expense										(18,613)
Corporate and administrative expenses										(12,364)
Profit before tax										46,193
Income tax expense										18,082
Net profit after tax										64,275

7. Revenue

In thousands of AUD

	Note	2013	2012
Sale of goods		185,019	142,705
Rendering of services		5,255	5,098
Rental and participation revenue		7,873	2,844
		198,147	150,647

8. Other income

In thousands of AUD

Net gain on sale of property, plant and equipment		18	2,642
Other income		138	85
		156	2,727

9. Expenses by nature

In thousands of AUD

Changes in raw material and consumables, finished goods and work in progress	*15*	62,600	48,853
Employee benefits expense	*10*	43,202	36,640
Depreciation and amortisation expense	*12,13*	8,130	5,187
Legal expenses		1,004	2,643
Evaluation and testing expenses		3,879	3,319
Marketing expenses		2,661	2,550
Operating lease expenses	*27*	2,316	1,148
Impairment loss		1,812	44
Other expenses		9,608	2,669
		135,212	103,053

10. Personnel expenses

In thousands of AUD

Wages and salaries		33,530	27,510
Short term incentives		5,675	5,553
Contributions to defined contribution superannuation funds		2,995	2,658
Increase in liability for annual leave	22	466	277
Increase in liability for long service leave	22	310	231
Termination benefits		14	26
Equity settled share-based payment transactions		212	385
		43,202	36,640

11. Finance income and finance costs

In thousands of AUD	2013	2012
Interest income on trade receivables	844	297
Interest income on bank deposits	2,498	1,215
Net foreign exchange gain	2,922	488
Finance income	6,264	2,000
Interest expense on financial liabilities	(88)	(6,128)
Finance costs	(88)	(6,128)
Net financing income / (costs) recognised in profit or loss	6,176	(4,128)

12. Property, plant and equipment

In thousands of AUD	Land and buildings	Plant and equipment	Leasehold Improvements	Total
Cost				
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)	(240)	(4)	(20,486)
Transfers	-	(641)	-	(641)
Effect of movements in foreign exchange	-	4	5	9
Balance at 30 June 2012	-	24,761	735	25,496
Balance at 1 July 2012	-	24,761	735	25,496
Re-classification of inventory to plant and equipment	-	5,466	-	5,466
Additions	-	4,115	2,483	6,598
Disposals	-	(2,662)	(98)	(2,760)
Transfers	-	(1,303)	-	(1,303)
Effect of movements in foreign exchange	-	85	72	157
Balance at 30 June 2013	-	30,462	3,192	33,654
Depreciation and impairment losses				
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)	(176)	(4)	(2,781)
Transfers	-	(318)	-	(318)
Effect of movements in foreign exchange	-	(3)	5	2
Balance at 30 June 2012	-	14,609	160	14,769

12. Property, plant and equipment (continued)

In thousands of AUD	Land and buildings	Plant and equipment	Leasehold Improvements	Total
Balance at 1 July 2012	-	14,609	160	14,769
Depreciation charge for the year	-	3,618	257	3,875
Disposals	-	(994)	(173)	(1,167)
Transfers	-	(439)	-	(439)
Effect of movements in foreign exchange	-	51	30	81
Balance at 30 June 2013	-	16,845	274	17,119
Carrying amounts				
At 1 July 2011	17,880	5,659	-	23,539
At 30 June 2012	-	10,152	575	10,727
At 30 June 2013	-	13,617	2,918	16,535

Transfers in the table above relate to gaming machines that have been transferred to inventory after being returned or have been sold to customers.

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 $570 thousand (2012: $572 thousand). At 30 June 2013, the net carrying amount of leased plant and equipment was $1,558 thousand (2012: $1,840 thousand).

13. Intangible assets

In thousands of AUD	Goodwill	Development costs*	Intellectual property	Nevada Licence Costs	Service Contracts	Total
Cost						
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
Balance at 1 July 2012	2,436	15,859	836	1,583	1,223	21,937
Development costs / service contracts fully amortised and written off	-	-	-	-	(1,223)	(1,223)
Development costs capitalised during the year	-	4,681	-	-	-	4,681
Balance at 30 June 2013	2,436	20,540	836	1,583	-	25,395

13. Intangible assets (continued)

In thousands of AUD	Goodwill	Development costs*	Intellectual property	Nevada Licence Costs	Service Contracts	Total
Amortisation and impairment losses						
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
Balance at 1 July 2012	-	2,932	419	-	1,148	4,499
Development costs / service contracts fully amortised and written off	-	-	-	-	(1,223)	(1,223)
Amortisation for the year	-	4,096	84	-	75	4,255
Balance at 30 June 2013	-	7,028	503	-	-	7,531
Carrying amounts						
At 1 July 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
At 30 June 2013	2,436	13,512	333	1,583	-	17,864

* 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 AUD	2013	2012
Cost of sales	84	84
Other operating expenses	4,171	2,213
	4,255	2,297

Impairment testing for Development costs

The carrying amount of the Group's development costs amounts to $13,512 thousand (2012: $12,927 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 $100,378 thousand, comprising $13,512 thousand of development costs, $15,520 thousand of property, plant and equipment, $333 thousand of other intangibles, $1,583 thousand of Nevada licence costs and $69,430 thousand of opening working capital. 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:

13. Intangible assets (continued)

Impairment testing for Development costs (continued)

- Cash inflows in the years 2014 to 2016 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 forecast in the year after the Group's 3 year business plan of 5% for the year 2017 ;
- Positive cash flows will be generated for 4 years; and
- A discount rate of 10.2% based on the weighted average cost of capital 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 $4,589 thousand, comprising of $1,583 thousand of Nevada licence costs and $3,006 thousand of gaming machines under leasing arrangements capitalised in property, plant and equipment 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 2014 to 2016, 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 2017 and 2018;
- The Nevada license will generate cash flows for 5 years; and
- A discount rate of 10.2% 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 of the Australian service CGU was estimated based on its value in use.

The carrying amount of the Australian service CGU was $3,804 thousand, comprising of $1,015 thousand of property, plant and equipment, $104 thousand of other intangibles, $2,149 thousand of goodwill and $536 thousand of opening working capital. 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:

13. Intangible assets (continued)

Impairment testing for goodwill (continued)

- 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 $7,342 thousand in the 2014 year with anticipated annual revenue growth included in the cash flow projections of 5 percent for the years 2015 to 2017. Management has forecast to achieve annual revenue of $8,514 thousand in the fourth year; and
- A discount rate of 10.2% based on the weighted average cost of capital.

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

The values assigned to the key assumptions represent management's assessment of future trends in the service business and are based on internal sources and 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 $415 thousand but no impairment would have resulted; and
- A 5 percent decrease in future planned revenues would have resulted in an impairment loss of $1,417 thousand.

14. Taxes

Current tax expense

In thousands of AUD

	2013	2012
Tax recognised in profit or loss		
Current tax expense		
Current year	(23,967)	(14,996)
Prior year adjustments	1,311	-
Recognition of previously unrecognised tax losses and timing differences	-	14,687
	(22,656)	(309)
Deferred tax benefit		
Timing differences movement	277	713
Recognition of R&D tax credits	5,314	3,443
Recognition of previously unrecognised tax losses	-	14,235
	5,591	18,391
Total income tax (expense) / benefit	(17,065)	18,082

14. Taxes (continued)

Reconciliation of effective tax rate

In thousands of AUD	2013	2013	2012	2012
Profit before income tax		69,267		46,193
Income tax (expense)/benefit using the Company's domestic tax rate	(30.00%)	(20,780)	(30.00%)	(13,858)
Effective tax rates in foreign jurisdictions	(0.63%)	(433)	(0.14%)	(66)
Non-deductible expenses	(7.79%)	(5,393)	(6.65%)	(3,073)
Non-assessable income and concessions	11.49%	7,956	13.51%	6,242
Prior year adjustments	2.29%	1,585	-	-
Utilisation of previously unrecognised tax losses	-	-	31.79%	14,687
Recognition of previously unrecognised tax losses and timing differences	-	-	30.63%	14,150
	(24.64%)	(17,065)	39.14%	18,082

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

In thousands of AUD	Assets	
	2013	2012
Employee benefits	1,533	1,104
Provisions	896	608
Other items	178	474
R&D non-refundable tax offset credits	9,658	3,443
Tax loss carry-forwards	144	21,270
Net tax assets	12,409	26,899

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 $12,409 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 AUD	2013	2012
Raw materials and consumables	9,215	11,681
Finished goods	15,981	3,632
Stock in transit	4,735	1,239
Inventories stated at the lower of cost and net realisable value	29,931	16,552

During the year ended 30 June 2013 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $62,600 thousand (2012: $48,853 thousand).

A re-classification from inventory to property, plant and equipment of $5,466 thousand (2012: $3,595 thousand) was recorded to reflect gaming products for which rental and participation agreements were entered into during the year.

During the year ended 30 June 2013, the write down of inventories to net realisable value amounted to $991 thousand (2012: $Nil). The write down is included in cost of sales.

16. Receivables and other assets

In thousands of AUD	***Note***	**2013**	**2012**
Current			
Trade receivables		80,953	53,474
Less impairment losses	***26***	(2,089)	(102)
		78,864	53,372
Call deposits		26,518	30,000
Other assets		1,012	124
		106,394	83,496
Non-current			
Trade receivables		22,042	13,714
		22,042	13,714

The Group realised impairment losses of $1,812 thousand (2012: $44 thousand) for the year ended 30 June 2013.

Receivables denominated in currencies other than the functional currency comprise $49,959 thousand of trade receivables denominated in US dollars (2012: $30,055 thousand), $650 thousand in New Zealand Dollars (2012: $1,762 thousand) and $2 thousand in Euro (2012: $571 thousand).

Leasing arrangements

Included in trade receivables are receivables from gaming machines that have been sold under finance lease arrangement. The lease payments receivable under these contracts is as follows:

In thousands of AUD	**2013**	**2012**
Minimum lease payments under finance leases are receivable as follows:		
Within one year	3,390	-
Later than one year but not later than 5 years	3,069	-
	6,459	
Unearned finance income		
Within one year	434	-
Later than one year but not later than 5 years	409	-
	843	-
The present value of minimum lease payments is as follows:		
Within one year	2,956	-
Later than one year but not later than 5 years	2,660	-
	5,616	-
Lease receivables are classified as follows:		
Within one year	2,956	-
Later than one year but not later than 5 years	2,660	-
	5,616	-

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

17. Cash and cash equivalents

In thousands of AUD	2013	2012
Bank balances	5,492	3,718
Call deposits	34,643	19,210
Cash and cash equivalents in the statement of cash flows	40,135	22,928

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

17a. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	2013	2012
Cash flows from operating activities			
Profit for the period		52,202	64,275
Adjustments for:			
Depreciation	*12*	3,875	2,890
Impairment losses on trade receivables	*26*	1,812	44
Amortisation of intangible assets	*13*	4,255	2,297
Net finance (income) / costs	*11*	(6,176)	4,128
(Gain) on sale of property, plant and equipment	*8*	(18)	(2,642)
Equity-settled share-based payment transactions	*10*	212	385
Income tax expense / (benefit)	*14*	17,065	(18,082)
Operating profit before changes in working capital and provisions		**73,227**	**53,295**

In thousands of AUD		2013	2012
Change in trade and other receivables	*16*	(33,695)	(29,665)
Change in inventories	*15*	(18,845)	(6,755)
Change in other assets		(265)	67
Change in trade and other payables		11,687	1,821
Change in provisions and employee benefits		1,076	4,831
		33,185	23,594
Interest paid		(928)	(1,774)
Income taxes paid		(691)	(106)
Net cash from operating activities		31,566	21,714

18. Capital and reserves

Share capital

	Ordinary shares	
In thousands of shares	2013	2012
On issue at 1 July	321,813	278,942
Exercise of share options	213	-
Placement of new ordinary shares	-	30,000
Convertible note conversions to ordinary shares	-	12,871
On issue at 30 June – fully paid	322,026	321,813

18. Capital and reserves (continued)

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

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.

Issue of ordinary shares

During the year, 213 thousand ordinary shares were issued as a result of the exercise of vested options arising from the 2011 ESOT. Options were exercised at a price of $0.225 per options (see Note 23).

Nature and purpose of reserve

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.

Profits reserve

This reserve is comprised wholly of the profits generated by the Australian entity which would be eligible for distribution as a frankable dividend.

19. Dividends

The following dividends were declared by the Company for the year ended 30 June:

In thousands of AUD	**Cents per share**	**Total amount**	**Date of payment**
2013			
Interim 2013 ordinary (unfranked)	3.0	9,661	12 April 2013
Total amount		9,661	

After 30 June 2013, the following dividend was declared by the directors.

In thousands of AUD	**Cents per share**	**Total amount**	**Date of payment**
Final ordinary (unfranked)	5.0	16,101	27 September 2013
Total amount		16,101	

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports, and there are no income tax consequences.

20. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $52,202 thousand (2012: $64,275 thousand) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 321,932 thousand (2012: 283,874 thousand), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD	***Note***	**2013**	**2012**
Profit for the period		52,202	64,275
Profit attributable to ordinary shareholders		52,202	64,275

Weighted average number of ordinary shares

In thousands of shares			
Issued ordinary shares at 1 July	*18*	321,813	278,942
Effect of shares issued		119	4,932
Weighted average number of ordinary shares at 30 June		321,932	283,874

Diluted earnings per share
The calculation of diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $52,204 thousand (2012: $65,651 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 322,241 thousand (2012: 298,895 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	**2013**	**2012**
Profit attributable to ordinary shareholders	52,202	64,275
Interest expense on convertible notes and options, net of tax	2	1,376
Profit attributable to ordinary shareholders (diluted)	52,204	65,651

Weighted average number of ordinary shares (diluted)

In thousands of shares		
Weighted average number of ordinary shares at 30 June	321,932	278,942
Effect of convertible notes	-	14,954
Effect of shares issued	-	4,932
Effect of share options on issue	309	67
Weighted average number of ordinary shares (diluted) at 30 June	322,241	298,895

21. 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 26.

21. Loans and borrowings (continued)

In thousands of AUD		
Current	**2013**	**2012**
Finance lease liabilities	533	790
Convertible notes	-	121
	533	911
Non-current		
Finance lease liabilities	421	516

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2013		2012	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Convertible notes	AUD	10%	2011-2014	-	-	121	121
Finance lease liabilities	AUD	1% - 11%	2013-2018	1,017	954	1,413	1,306
Total interest-bearing liabilities				1,017	954	1,534	1,427

Convertible notes

In thousands of AUD	**2013**	**2012**
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	782
Re-purchase of convertible notes	(540)	(419)
Redemption of convertible notes	(5,460)	(5,460)
Convertible notes converted into share capital	(16,732)	(16,732)
Equity component of convertible notes repurchased and converted	127	127
Carrying amount of liability at 30 June	-	121
Current	-	121
Non-current	-	-
	-	121

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. Notes totalling 92,978 were not converted to ordinary shares and were redeemed at face value on 2 July 2012.

21. Loans and borrowings (continued)

Loans – secured

This related party loan, which was repaid during the year ended 30 June 2012, 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 amended accordingly.

In thousands of AUD	2013	2012
Fair value of the loan at 1 July	-	11,558
Repayment of borrowings	-	(13,126)
Net (borrowings)/proceeds		(1,568)
Amount classified as equity	-	1,272
Accreted interest capitalised	-	296
Carrying amount of liability at 30 June	-	-

Loans – unsecured

These related party loans, which were repaid during the year ended 30 June 2012, 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 AUD		2013	2012
Fair value of the loan at 1 July		-	9,856
Borrowings under trade facility established		-	8,790
Repayment on borrowings		-	(19,896)
Foreign currency movement		-	237
Net borrowings		-	(1,013)
Amount classified as equity	(*a*)	-	671
Accreted interest capitalised		-	342
Carrying amount of liability at 30 June		-	-

(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 AUD	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2013	2013	2013	2012	2012	2012
Less than one year	577	44	533	868	78	790
Between one and five years	440	19	421	545	29	516
	1,017	63	954	1,413	107	1,306

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.

22. Employee benefits

In thousands of AUD	2013	2012
Current		
Accrual for salaries and wages	273	465
Accrual for short term incentive plan	5,730	5,379
Liability for annual leave	2,746	2,280
Liability for long service leave	1,081	898
	9,830	9,022
Non-current		
Liability for long service leave	629	502
	629	502

23. 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 outstanding at balance date 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 senior and other employees at 1 March 2011	567,094	Three years of service as per ESOT below	5 years
Total share options ESOT	**567,094**		
Option grant to key management at 1 March 2011	1,788,627	Three years of service as per ASOT below	5 years
Option grant to senior and other employees at 1 March 2011	3,673,269	Three years of service as per ASOT below	5 years
Total share options ASOT	**5,461,896**		

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.

23. Share-based payments (continued)

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 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
outstanding at the beginning of the period	$0.225	808	$0.225	1,025
forfeited during the period	$0.225	(28)	$0.225	(217)
cancelled during the period		-	-	-
exercised during the period	$0.225	(213)	-	-
granted during the period	-	-	-	-
outstanding at the end of the period	$0.225	567	$0.225	808
exercisable at the end of the period		182		202

The options outstanding at 30 June 2013 have an exercise price of $0.225 and a remaining life of 2.67 years.

ASOT plan

The share options granted under the ASOT to Australian employees on 1 March 2011 totalled 9,899,182. During the year 59,167 previously granted share options were cancelled and 3,685,776 were exercised with 5,461,896 share options outstanding as at 30 June 2013.

The following factors and assumptions were used in determining the fair value of options under the EOST and ASOT plans 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.

24. Trade and other payables

In thousands of AUD		
Current	**2013**	**2012**
Trade payables	12,651	5,438
Other payables and accrued expenses	14,980	13,341
Amount payable to director/shareholder controlled entities	10	694
	27,641	19,473

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

Trade and other payables denominated in currencies other than the functional currency comprise $10,830 thousand of payables denominated in US Dollars (2012 $9,426 thousand), $3 thousand of payables denominated in Euro (2012: $Nil thousand), $384 thousand of payables denominated in NZD (2012: $132 thousand), and $137 thousand of payables denominated in GBP (2012: $Nil).

25. Provisions

In thousands of AUD	**Service/ Warranties**	**Legal**	**Total**
Balance at 1 July 2012	-	107	107
Provisions made during the year	203	45	248
Provisions used during the year	-	(104)	(104)
Provision reversed during the year	-	(3)	(3)
Balance at 30 June 2013	203	45	248

26. 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 AUD	***Note***	**2013**	**2012**
Receivables	*16*	100,906	67,086
		100,906	67,086

The Group's maximum exposure to credit risk at the reporting date was $100,906 thousand (2012: $67,086 thousand) for receivables.

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

In thousands of AUD	**2013**	**2012**
Australia	49,643	34,798
Americas	49,711	30,025
Europe	6	579
New Zealand	1,350	1,763
Asia	2,285	23
	102,995	67,188

26. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk (continued)

Trade and other receivables (continued)

The Group's gross maximum exposure to credit risk for receivables at the reporting date by geographic region in Australian dollars was $49,711 thousand (2012 $30,025 thousand) for the Americas, $49,643 thousand (2012: $34,798 thousand) for Australia, $6 thousand (2012: $579) for Europe, $2,285 thousand (2012 $23 thousand) for Asia and $1,350 thousand (2012: $1,763 thousand) for New Zealand, totalling $102,995 thousand (2012: $67,188 thousand).

The Group's most significant receivable amount is represented by a customer within South America, which accounts for $4,427 thousand of the trade receivables carrying amount at 30 June 2013 (2012: $6,475 thousand).

Cash and cash equivalents

The Group held cash of $5,492 thousand at 30 June 2013 (2012: $3,718 thousand) and $61,161 thousand of cash deposits at 30 June 2013 (2012: $49,210 thousand), which represents its maximum credit exposure on these assets. The cash and cash 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 AUD	**Gross 2013**	**Impairment 2013**	**Gross 2012**	**Impairment 2012**
Not past due	81,379	-	42,434	-
Past due 0-30 days	12,023	-	13,744	-
Past due 31-120 days	8,598	1,796	10,583	60
Past due 121 days to one year	950	248	413	42
More than one year	45	45	14	-
	102,995	2,089	67,188	102

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

In thousands of AUD	**2013**	**2012**
Balance at 1 July	102	286
Impairment loss written off	(7)	(274)
Provision during the year	1,812	44
Effect of exchange rate fluctuations	182	46
Balance at 30 June	2,089	102

The provision of $1,812 thousand (2012: $44 thousand) was recognised in other 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 as these relate to known circumstances that are not considered to impact collectability.

26. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk (continued)

Impairment losses (continued)

An impairment allowance of $293 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 2013

In thousands of AUD	Carrying Amount	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Non-derivative financial liabilities						
Finance lease liabilities	954	(1,017)	(319)	(257)	(314)	(127)
Trade and other payables	27,641	(27,641)	(27,641)	-	-	-
	28,595	(28,658)	(27,960)	(257)	(314)	(127)

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

30 June 2012

In thousands of AUD	Carrying Amount	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 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.

26. Financial instruments (continued)

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:

	2013				2012		
In thousands	**USD**	**Euro**	**NZD**	**GBP**	**USD**	**Euro**	**NZD**
Trade receivables	49,959	2	650	-	30,055	571	1,762
Trade payables	(10,830)	(3)	(384)	(137)	(9,426)	-	(132)
Net exposure in statement of financial position	39,129	(1)	266	(137)	20,629	571	1,630

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
AUD	**2013**	**2012**	**2013**	**2012**
USD	1.0271	1.0319	0.9275	1.0191
Euro	0.7949	0.7707	0.7095	0.8092
NZD	1.2497	1.2831	1.1871	1.2771
GBP	0.6549	0.6514	0.6072	0.6529

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 2012.

Effect In thousands of AUD	**Equity**	**Profit or (loss)**
30 June 2013		
USD	(3,650)	(3,559)
Euro	-	-
NZD	(24)	(24)
GBP	12	12
30 June 2012		
USD	(1,938)	(1,876)
Euro	(51)	(51)
NZD	(149)	(149)

26. Financial instruments (continued)

Currency risk (continued)

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 2012.

Effect In thousands of AUD	**Equity**	**Profit or (loss)**
30 June 2013		
USD	4,012	3,912
Euro	-	-
NZD	20	26
GBP	(13)	(13)
30 June 2012		
USD	2,130	2,063
Euro	57	57
NZD	164	164

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 AUD	*Note*	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Assets carried at amortised cost					
Receivables and other assets	*16*	128,436	128,436	97,210	97,210
Cash and cash equivalents	*17*	40,135	40,135	22,928	22,928
		168,571	168,571	120,138	120,138

In thousands of AUD		Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Liabilities carried at amortised cost					
Trade and other payables	*24*	27,641	27,641	19,473	19,473
Finance leases	*21*	954	954	1,306	1,306
Convertible notes	*21*	-	-	121	121
		28,595	28,595	20,900	20,900

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 2013 plus an adequate constant credit spread and are as follows:

	2013	**2012**
Loans and borrowings	-	10.96% - 11.37%
Receivables	3.84% - 10.25%	5.0% - 12.0%
Leases	0.91% - 11.25%	0.91% - 15.18%

Interest rate risk

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

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2013**	**2012**
Less than one year	2,172	1,750
Between one and five years	9,308	8,231
More than five years	4,741	5,575
	16,221	15,556

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, or by market rent reviews at stipulated dates. None of the leases include contingent rentals.

During the year $2,316 thousand was recognised as an expense in profit or loss in respect of operating leases (2012: $1,148 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.

28. Capital and other commitments

In thousands of AUD	**2013**	**2012**
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	663	151
Employee compensation commitments		
Key management personnel		
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	2,149	2,107

29. Contingencies

The Company is engaged in a dispute in the Federal Court of Australia with a competitor. In this dispute the competitor is claiming that certain products of the Company infringe its patents. The Company is vigorously defending this claim and has counterclaimed that all of the patents being asserted against it are invalid. Given the current stage of proceedings it is not practicable to estimate the size or timing of the financial effect (if any) of these proceedings. The Directors at this time do not expect this dispute to have a material effect on the Group's financial position and no amount has been recognised with respect to this matter as at and for the year ended 30 June 2013.

30. 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 ***Current***	***Executives*** ***Current***
Mr GJ Campbell	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)
Mr MB Yates	Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)
Mr CJ Henson - since appointment (subject to regulatory approval) on 3 April 2013	Mr I Cooper (General Manager, Manufacturing, Ainsworth Game Technology Limited)
Mr DH Macintosh- since appointment (subject to regulatory approval) on 3 April 2013	Mr S Clarebrough (Group General Manager, Strategy and Development, Ainsworth Game Technology Limited).
Former	
Mr SL Wallis	
Executive directors	
Mr LH Ainsworth (Executive Chairperson)	
Mr DE Gladstone (Executive Director and Chief Executive Officer, Ainsworth Game Technology Limited)	

Key management personnel compensation

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

In AUD	**2013**	**2012**
Short-term employee benefits	5,018,690	6,103,638
Post-employment benefits	356,166	463,848
Share based payments	77,000	127,871
Other long term benefits	18,646	17,227
	5,470,502	6,712,584

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.

30. 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.

A number of those entities transacted with the Group during the year. Other than as described below the terms and conditions of the transactions with key 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 value of transactions and outstanding balances relating to key management personnel and their related parties were as follows:

In AUD			**Transactions value year ended 30 June**		**Balance receivable/ (payable) as at 30 June**	
		Note	**2013**	**2012**	**2013**	**2012**
Key management person	**Transaction**					
Mr LH Ainsworth	Leased plant and equipment and other costs	(i)	62,400	81,150	-	-
Mr LH Ainsworth	Sales revenue	(ii)	1,315,062	1,947,600	6,221	538,369
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	(ii)	12,456	705,020	-	-
Mr LH Ainsworth	Interest paid/payable on financing facilities	(iii)	-	2,034,714	-	(5,625)
Mr LH Ainsworth	Convertible note interest	(iv)	-	1,350,085	-	(673,195)
Mr SL Wallis	Convertible note interest	(iv)	-	30,159	-	(14,909)
Mr LH Ainsworth	Profit recorded on sale of Newington property	(v)	-	2,657,557	-	-
Mr LH Ainsworth	Operating lease rental costs	(vi)	1,536,135	451,222	110,729	94,611

(i) The Company leased associated plant and equipment from an entity controlled by Mr LH Ainsworth on normal commercial terms and conditions. The reimbursement of financial consultancy costs incurred ceased in 2012 and no related costs were reimbursed in the current period.

(ii) Transactions were with Ainsworth (UK) Ltd and Associated World Investments Pty Ltd, entities controlled by Mr LH Ainsworth. These sales and purchases/charges were on normal commercial terms and conditions.

(iii) As disclosed in note 21 a company controlled by Mr LH Ainsworth had previously extended a loan and facilities to the Group which were repaid during the 2012 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 at the time.

(iv) Interest paid/payable during the 2012 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.

30. Related parties (continued)

Other key management personnel transactions *(continued)*

In addition to the transactions above, AGT Pty Argentina S.R.L. was incorporated during the year with the shareholding currently held in trust by Mr D Gladstone and an officer of Ainsworth Game Technology Inc. on behalf of the Group. This shareholding is to be transferred in FY14 and was to facilitate the initial incorporation within Argentina once establishment had occurred.

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

In AUD	2013	2012
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Trade receivables	6,221	538,369
Other assets	120,729	94,611
Current trade and other payables		
Amount payable to director/shareholder controlled entities	10,000	693,729

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 2012	Granted as remuneration	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors						
Mr DE Gladstone	1,000,000	-	(500,000)	500,000	250,000	-
Executives						
Mr ML Ludski	577,255	-	(288,628)	288,627	144,314	-
Mr V Bruzzese	600,000	-	(300,000)	300,000	150,000	-
Mr I Cooper	600,000	-	(300,000)	300,000	150,000	-
Mr S Clarebrough	800,000	-	(400,000)	400,000	200,000	-

	Held at 1 July 2011	Granted as remuneration	Exercised	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

The above share options granted were over a portion of the personal shareholding of Mr LH Ainsworth under the ASOT Plan, except for Mr M Cuadros whose share options were over new ordinary shares under the ESOT Plan.

Share options held by key management personnel that are vested and exercisable at 30 June 2013 were Nil (2012: 814,314) as the first and second vesting conditions have occurred. No options were held by related parties of key management personnel.

30. 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 2012	Purchases	Sales on exercise of options under ASOT plan	Sales	Held at 30 June 2013
Directors					
Mr LH Ainsworth	219,283,429	128,849	(3,690,067)	(5,815,986)	209,906,225
Mr SL Wallis	1,352,403	-	-	-	1,352,403
Mr GJ Campbell	939,674		-	(439,674)	500,000
Mr MB Yates	108,400	-	-	-	108,400
Mr DE Gladstone [(1)]	100,000	500,000	(500,000)	(95,000)	5,000
Mr CJ Henson [(2)]	-	50,000	-	-	50,000
Mr DH Macintosh	-	-	-	-	-
Executives					
Mr M Ludski [(1)]	-	288,628	(288,628)	-	-
Mr V Bruzzese [(1)]	2,700	300,000	(300,000)	-	2,700
Mr I Cooper [(1)]	10,000	300,000	(300,000)	(10,000)	-
Mr S Clarebrough [(1)]	261,000	400,000	(400,000)	-	261,000

	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 [(3)]	15,000	-	-	-	15,000
Mr S Clarebrough	261,000	-	-	-	261,000

(1) Purchases and sales identified relate to exercise of previously held share options by the trustee under the ASOT plan.

(2) Shares relate to initial holding as at appointment date of 3 April 2013 as disclosed in Appendix 3X – Initial Directors Interest Notice lodged with the Australian Securities Exchange (ASX).

(3) Mr M Cuadros ceased to be classified as a key management person on 12 March 2012.

(A) Sales in FY12 included 391,609 share options exercised by employees under the ASOT, see note 23.

No shares were granted to key management personnel during the reporting period as compensation in 2013 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.

31. Group entities

	Country of Incorporation	Ownership Interest	
		2013	**2012**
Parent entity			
Ainsworth Game Technology Limited	Australia		
Subsidiaries			
AGT Pty Ltd	Australia	100%	100%
AGT Pty Mexico S. de R.L. de C.V.	Mexico	100%	-
AGT Pty Peru S.A.C.	Peru	100%	-
AGT Pty Argentina S.R.L.	Argentina	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%

32. Subsequent events

After the reporting date, the Company declared an unfranked dividend of 5 cents per ordinary share amounting to $16,101,000 with an expected payment date of 27 September 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

Subsequent to 30 June 2013 the Group acquired approximately 24 acres of vacant land in Las Vegas, Nevada for US$7.0 million. This acquisition will allow the Group the option to build a bigger purpose built facility in Las Vegas prior to the expiration of the current lease in November 2016.

In addition to the above and subsequent to the reporting date the Company has established an unsecured multi-option currency facility of $30 million for an initial term of three years with the Australia and New Zealand Banking Group (ANZ) consistent with strategies outlined in 2012. This facility will ensure additional flexibility to manage working capital, ensure over time an appropriate mix of debt on the balance sheet and assist in creating a natural hedge against adverse foreign currency movements.

Other than matters discussed above, 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.

33. Auditor's remuneration

In AUD	**2013**	**2012**
Audit services		
Auditors of the Company - KPMG		
Audit and review of financial reports	222,000	195,000
Other services		
Auditors of the Company - KPMG		
In relation to regulatory, due diligence and other services	140,600	-

34. Parent entity disclosures

As at and throughout the financial year ended 30 June 2013 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of AUD	**2013**	**2012**
Result of parent entity		
Profit for the year	51,540	63,484
Total comprehensive income for the year	51,540	63,484
Financial position of parent entity at year end		
Current assets	172,598	120,893
Total assets	245,461	189,831
Current liabilities	35,845	24,126
Total liabilities	43,313	29,824
Total equity of parent entity comprising of:		
Share capital	182,290	182,242
Equity compensation reserve	1,228	1,021
Fair value reserve	9,684	9,684
Profit reserves	39,610	-
Accumulated losses	(30,664)	(32,940)
Total equity	**202,148**	**160,007**

Parent entity capital commitments for acquisitions of property plant and equipment

In thousands of AUD	**2013**	**2012**
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	663	151

Ainsworth Game Technology Limited

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 25 to 72 and the Remuneration report in sections 15.1 to 15.4 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 2013 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 2013.

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 27th day of August 2013.

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 2013, 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 34 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 2013 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).

Report on the remuneration report

We have audited the Remuneration Report included in sections 15.1 to 15.4 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

Tony Nimac
Partner

Sydney

27 August 2013

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 2013 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

Tony Nimac
Partner

Sydney

27 August 2013