AINSWORTH GAME TECHNOLOGY

2014

ANNUAL REPORT

INSWORTH
EXPERIENCE COUNTS

Front Cover:
Ainsworth released the **A560SL**™ cabinet, with a collection of unique, high performing games including **Rumble Rumble**™ which is enjoying unprecedented demand in domenstic and international markets alike.

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

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

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

KEY DATES

Annual General Meeting:
Wednesday 19 November 2014

Results announcement for six months ending 31 December 2014:
Wednesday 25 February 2015

Results announcement for year ending 30 June 2015:
Thursday 27 August 2015

Dates may be subject to change.

NOTICE OF ANNUAL GENERAL MEETING

Ainsworth Game Technology Limited
ABN 37 068 516 665

Notice is hereby given that the 2014 Annual General Meeting of the members of Ainsworth Game Technology Limited will be held at:

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

on Wednesday 19 November 2014 at 11.00am.


SHOWGIRLS


REELS of WHEELS
HORSEPOWER


5 STAR JACKPOTS


The SOUND of MUSIC


ICE WIZARD


Sweet ZONE


WHOPPER REELS


FIRE WIZARD


HEART QUEEN


CA$H Challenge


The MAGNIFICENT 7


RAMPAGING RHINO

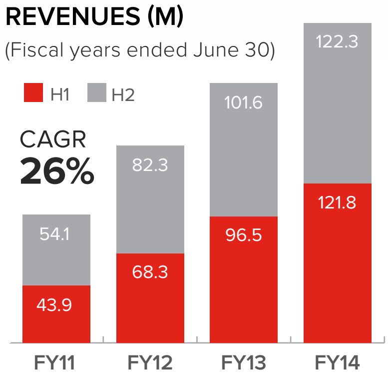

FRONTIER

CONTENTS

2014 HIGHLIGHTS

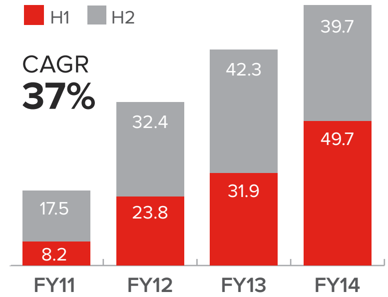
REVENUES (M)

(Fiscal years ended June 30)



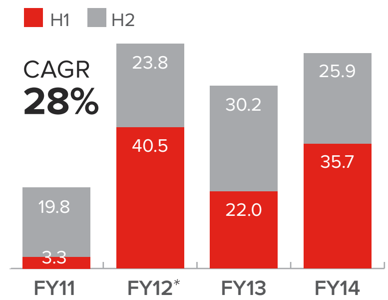
EBITDA (M)

(Fiscal years ended June 30)



NPAT (M)

(Fiscal years ended June 30)



*Tax Benefit of $18.1m recognised in FY12

PERFORMANCE HIGHLIGHTS

– Leading product performance achieved on the Company's range of innovative gaming products across global markets

– 32 New Regulatory licences since July 2013

– **Australia:** Release of branded products including the Players Paradise™ linked jackpot, Quadshot™ game range and A560™ Wide Boy™ Reels of Wheels™ cabinet assisted on building market share

– **Australia:** Revenue growth of 84% in Victoria as it transitions out of previous duopoly

– **Americas:** Commercialisation of A560SL™ in North America with game brands such as Sweet Zone™ game, Rumble Rumble™, producing performance in excess of 200% house average

– **Americas:** Growth in Game Operation installed base from 1,156 to 1,989 units (up by 72%)

– **Americas:** Magnificent 7™ licensed theme launched G2E 2013

– **Other Regions:** New Zealand increased revenues by 48% compared to pcp

– **Online:** Granted B2B e-Gambling license in Alderney and established an agreement to partner 616 Digital in Social Gaming for Online Real Money Gaming

FINANCIAL HIGHLIGHTS

– **TOTAL REVENUE** up 23% to $244 million

– **EBITDA** up 21% to $89 million

– **PROFIT BEFORE TAX** up 18% to $82 million

– **PROFIT BEFORE TAX** percentage of revenue 33% (2013: 34%)

– **REPORTED NPAT** of $61.6 million (2013: $52.2 million)

– **EPS** of $0.19 per share (2013: $0.16 per share)

– **STRONG** Balance Sheet, Cash Position and Cash Flow

– **TOTAL DIVIDENDS** of 10.0 cents per share for FY2014 representing a payout ratio of 52%

CHAIRMAN'S REPORT

DEAR SHAREHOLDERS,

I am pleased to report our fifth consecutive year of growth in revenue and profitability as we continue to effectively execute our strategic plans for growth and expansion of the Company's operations. Our current range of premium products continues to perform strongly and I am confident our range of innovative new products will further impress both customers and players.

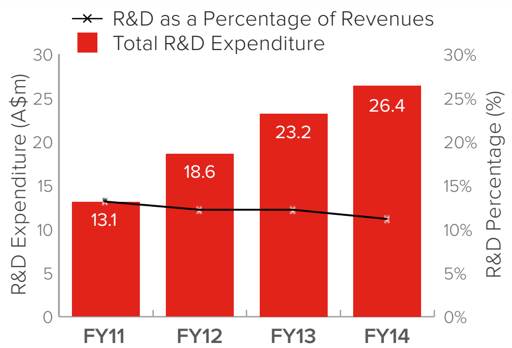
We continue to invest significantly in the ongoing design, development and improvement of our product offerings to all markets in which we operate. It is expected this investment will produce new and technically advanced products to be progressively released to both new and existing markets over the coming months.

We have been privileged to be granted new and renewed gaming licenses over the past 12 months that will allow the Group to access additional high value offshore gaming markets. The Company has progressed new licence applications in the current year which are expected to create incremental revenue opportunities.

We continue to invest in developing the skill levels of our highly experienced, talented and motivated workforce in order to secure our reputation for quality and technical excellence. An expansion of the Long Term Incentive arrangements established in July 2013 will be undertaken, and is expected to further assist in retaining our core staff across all areas of the Group's operations. Further to this the Remuneration and Nomination Committee is evaluating remuneration practices to ensure incentive arrangements both achieve the desired outcomes whilst ensuring alignment to shareholder interests.

I am confident that we are well placed to take advantage of the numerous growth opportunities that are or will become available to the Group in both our core land based gaming business as well as in new and emerging markets, as we expand our operations beyond this current year.

R&D EXPENDITURE PERCENTAGE (M)



In 2014, revenue increased 23% to $244 million, including a notable 37% increase in international revenue following on from the Group's expansion within the Americas. Profit after tax was $62 million, an increase of 18% on 2013, resulting in earnings per share of 19 cents. Investment in research and development activities represented 11% of total revenue and has been a key driver of the profitability improvements we have experienced. We have continued to progress our medium to long term growth initiatives within the various online gaming segments, which include online and social gaming business development initiatives that will directly complement our land based content and business.

The Group maintains a strong balance sheet which allows it to actively seek out potential high value investment opportunities for the Board's consideration. This has also allowed us to enhance our investment in the future pipeline of innovative core products for outright sale and units under gaming operation, as well as to underpin the execution of our online strategies.

CHAIRMAN'S REPORT (continued)

With such a strong performance in the current year, I am pleased to report the Board was able to declare an unfranked dividend of 5 cents per ordinary share at year end, resulting in total dividends for FY14 of 10 cents. This continues to be in line with our previously stated dividend payout range of 40-60% of after tax profits and is consistent with our focus on delivering value to shareholders.

During the year an ever increasing level of corporate activity within the gaming sector has occurred. We feel these external market changes will open up additional opportunities for bottom line growth for the Group as we remain focused on our existing business, the execution of our existing strategic plans, and the continuous development and enhancement of our core capabilities. We continue to improve and evolve our business by focusing on the needs of our customers, the quality of our product offering, our investment in technology and the review of our processes. Strong cash flows and a cautious approach to capital management has allowed the Group to maintain a high degree of flexibility to exploit opportunities as they arise.

Additional market share gains were achieved during the 2014 year. The key market of the Americas saw significant revenue growth facilitated by the increased investment in the overall capabilities of our Las Vegas operations, allowing us to build on the existing strong foundations of that business. We plan to further increase our investment into the Americas, with plans for a purpose-built facility in Las Vegas, Nevada.

I am very proud of the achievements of the Group to date and would sincerely like to thank the hard work and effort of our Board of Directors, our CEO Mr Danny Gladstone and the executive team, along with the invaluable contribution of our loyal and dedicated employees and my fellow shareholders.

I am confident of continued improvements in the Group's financial results beyond the current year as we remain focused on the execution of our strategic plans to develop and provide new and exciting products to our customers and players.

Len Ainsworth
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

DEAR SHAREHOLDERS,

I am delighted to report that AGT has achieved continued improved financial performance for the full year ended 30 June 2014, with a profit after tax of $61.6 million. This increase of 18% on the prior corresponding period reflects an ongoing growth in revenue and profitability as we continue to expand the Group's geographical footprint and further strengthen our reputation as a globally recognised provider of innovative high performance gaming solutions.

With a proven track record of revenue growth over five years and a strong balance sheet as outlined by the Executive Chairman, AGT is well positioned to leverage strategic opportunities that present themselves in both land based and online markets.

We remain committed to the implementation of strategies to ensure the Group's infrastructure is capable of supporting our growth objectives, whilst maintaining a focus on profitability across the Group and increasing shareholder returns through continued payment of dividends. These strategies include the ongoing investment in securing additional gaming licences, the continual development of new technology, the expansion of our product offering, as well as the recruitment, retention and advancement of our talented and experienced workforce.

Sales revenue in FY14 increased 23% to $244 million, reflecting the Group's continued expansion of its worldwide operations. Significantly, international revenue increased 37% and now contributes 41% of total revenue, up from 37% in 2013.

Domestically, the well-established Australian market delivered revenue of $143 million, an increase of 15% on the prior corresponding period. The Group experienced significant growth in Victoria in particular, owing to the stabilisation of the market following its transition from a previous duopoly, and we also experienced continued strength in our core markets of New South Wales and Queensland.

Further increases in market share were achieved as a result of the continued success of the A560™ cabinet range and the release of new games providing high yielding performance. These games included Treasure Storm™ linked jackpot, Quad Shot™, MultiPlay™ and the A560™ Wide Boy™ Reels of Wheels™.

Our service division also continues to grow with the recent addition of the Reel Gaming Solutions business in the ACT, and we now have a service footprint of over 13,500 machines in New South Wales.

International revenue increased 37% to $100.8 million, compared to $73.7 million in 2013. The key market of the Americas increased revenue by 44% in the period, with Latin America contributing 32% of overall international revenue. We expect to achieve further increases in international revenue in FY15 from the ongoing release of newly developed product initiatives combined with the established operational base in Las Vegas, Nevada.

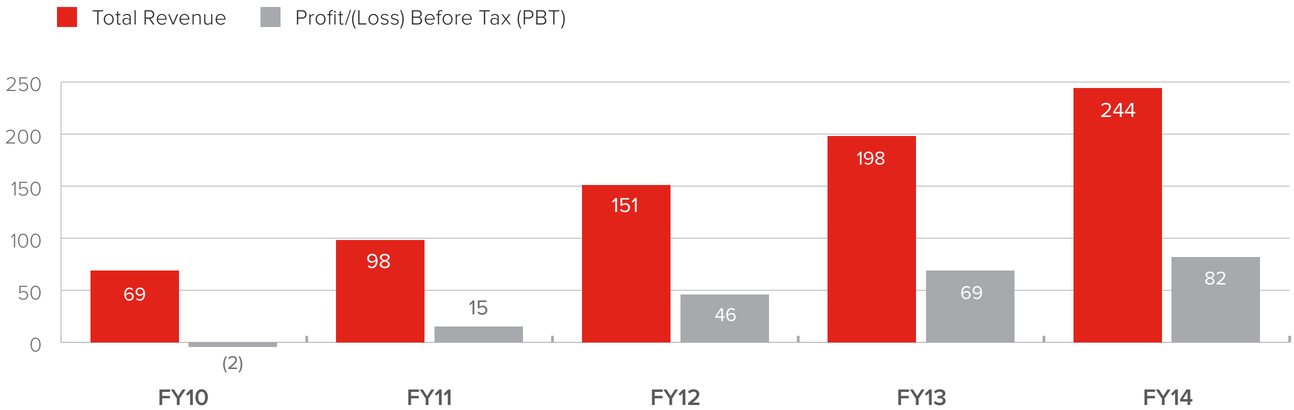
In the specific key market of North America, a revenue increase of 36% was achieved. The release of new products, notably the A560SL™, further bolstered the level of performance in this market and will provide continued revenue opportunities in future periods. Additional products released at the G2E Gaming Exhibition in September and access to new markets including Missouri, Mississippi and Arizona are expected to assist in revenue growth in this region in the coming year.

As outlined by the Executive Chairman, we have progressed plans to relocate to a purpose-built facility in Las Vegas to accommodate for expansion in all international markets, and the Americas in particular. The purchase of vacant land during FY14 has enabled the Group to progress construction plans for a state-of-the-art facility to service this significant market. The resulting establishment of additional dedicated sales and service representation in these new jurisdictions is expected to provide further opportunities to progress the Group's footprint across North America.

In Latin America AGT continued to achieve growth in revenue and volumes recording increases of 63% and 42% respectively. The Group has expanded its footprint into major casinos and established solid relationships in this geographical area which will provide opportunities for the coming year.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

REVENUE/PROFITABILITY – AUD (M) (Fiscal years ended June 30)



Within the 'Rest of the World' segment, representing New Zealand, Asia and Europe, the Group achieved revenue of $10.4 million. Despite an overall decrease in 'Rest of World' revenue of 5%, the New Zealand market increased revenue by 48% on the prior corresponding period, as a direct result of further penetration and interest by the major trust groups within the hotel and club segment.

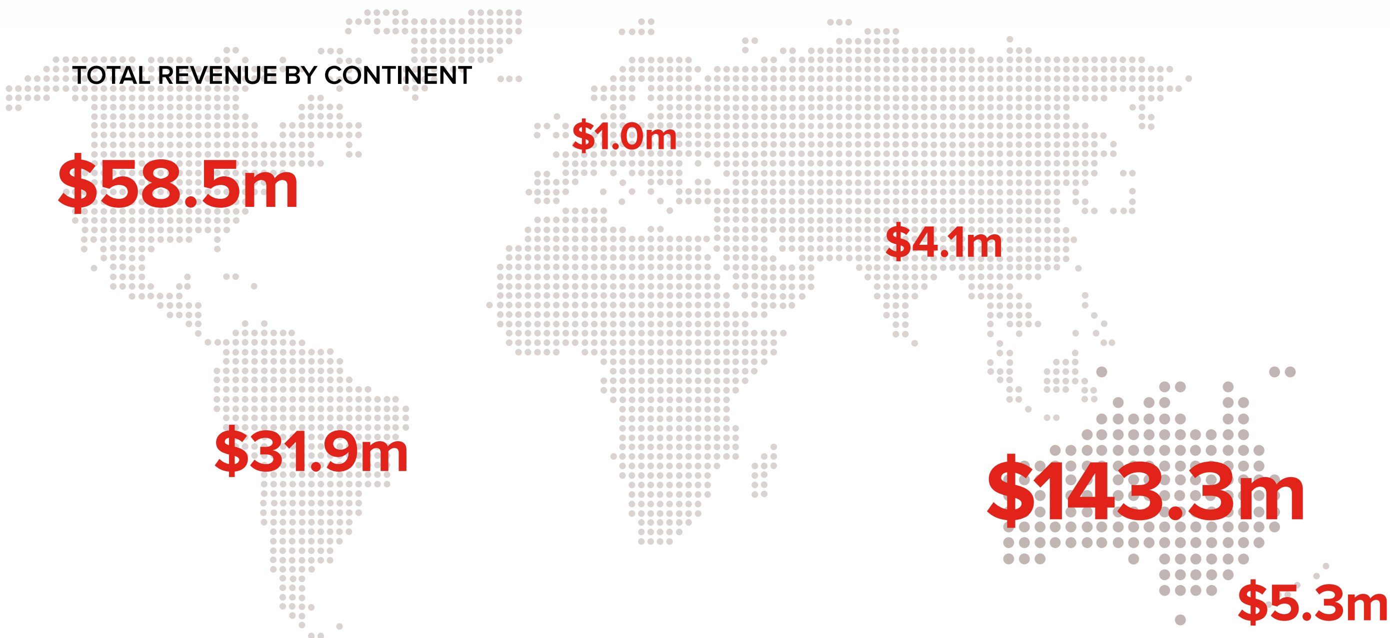
The Asian market presented challenges following the introduction of new gaming standards, including dual language requirements within Macau, which required additional software development. With a range of newly developed products recently released in this market, and a number of planned venue openings providing growth opportunities, it is expected that revenue increases within Asia will be steadily realised in future periods.

A gross margin of 64% was achieved, which was equal to the reported margin for the first half of FY14, however, this result is down compared to 66% in the prior corresponding period. The range of factors that contributed to the decline in margin included a greater contribution from international regions, specifically Latin America; continued diversification of product offerings; and, volume discounts offered to corporate customers in the Americas.

Operating costs excluding cost of sales, other expenses and financing costs increased 17% to $77 million in the period. This increase was driven by higher variable selling costs in line with revenue increases, additional product research and development including online investment, and the full year impact of investment within the operational facility in Las Vegas.

Investment in research and development increased 14% in the period, representing 11% of revenue. Our continued investment in the development of innovative and technically advanced products will assist in the capture of further market share in new markets and provide opportunity for revenue growth in established markets.

The Group's product pipeline was evident at the recent Australasian Gaming Exhibition with the new A560X™ gaming platform displayed together with the A560SL™ cabinet variant. The Magnificent 7™ and Cash Challenge™ products in the wide boy cabinet are expected to be launched in domestic markets in the first half of the current year. Internationally, early performance results in the Americas of the A560SL™ product show all game brands performing above average, in particular the Sweet Zone™ game Rumble Rumble™ currently producing results in excess of double the house average. Additional titles utilising this style of game were displayed at the G2E trade show in Las Vegas plus 40 new game titles across the A560™ cabinet range.



On the regulatory front the Group continues to progressively pursue additional gaming licenses to expand its footprint across global markets, and now has a total of 163 unique gaming licenses across the world. During FY14, 31 additional licenses were obtained including 3 US States, 26 Tribal, 1 Canadian province and an eGambling license from the Alderney Gambling Commission for the progression of online activities. The Group has also submitted a further 4 license applications.

The Group continues to pursue opportunities to provide its successful content to the ever growing online gaming segment. The receipt of an eGambling license was an important step in the Group's strategy to establish a hub for the GameConnect™ remote gaming server in the Channel Islands of Guernsey and will allow the Group to provide content to European and UK online casino platforms.

In addition to establishing a presence in the online real money segment, we have entered into an agreement with an online social gaming casino platform provider, 616 Digital. It is expected that both desktop and mobile social real money content applications will be launched in the 3rd quarter of FY15.

Our team of dedicated employees continues to grow around the world, increasing 14% within FY14, with the operational facility in Las Vegas now employing 24% of our global workforce. We remain committed to recognising and rewarding the efforts of our people and to supporting their continued development and training.

I wish to express my appreciation to the Board of Directors for their wise counsel and our talented employees which have been a major contributing factor to the continued success achieved. We look forward to continued success in the coming period as we maintain our strong position in established domestic markets and leverage further opportunities within international markets.

Danny Gladstone
Chief Executive Officer

SHAREHOLDER INFORMATION

INFORMATION ABOUT SHAREHOLDERS

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

SHARE HOLDINGS (AS AT 12 SEPTEMBER 2014)

Number of shareholders and shares on issue

The issued shares in the Company were 322,232,031 ordinary shares held by 4,445 shareholders.

Substantial shareholders

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

Shareholder	Number of Ordinary Shares
Mr LH Ainsworth	171,933,947*
Votraint No. 1019 Pty Ltd (MCA Private Investment A/C)	28,308,124

* Mr LH Ainsworth granted share options over a portion of his existing personal shareholding to Australian employees, excluding directors. Share options outstanding as at 12th September 2014 were 333,125 (issued to 19 employees) and remain unexercised.

Voting rights

Ordinary shares

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

Options and Performance Rights

Option and performance right holders have no voting rights.

Distribution of shareholders

	NUMBER OF EQUITY SHAREHOLDERS		
Category	Ordinary Shares	Options	Performance Rights
1 – 1,000	984	-	10
1,001 – 5,000	2,052	-	286
5,001 – 10,000	737	1	29
10,001 – 100,000	594	4	19
100,001 and over	78	1	1
Total	**4,445**	**6**	**345**

The number of shareholders holding less than a marketable parcel of ordinary shares is 189 (12,190 ordinary shares).

On market buy-back

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

Unquoted equity securities

At 12 September 2014, 334,345 unlisted non-transferable options and 1,432,399 performance rights have been issued to 6 and 345 employees, respectively. These options and performance rights remain unexercised.

Regulatory considerations affecting shareholders

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

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of total
Mr L H Ainsworth	157,981,764	49.03
Votraint No. 1019 Pty Ltd (MCA Private Investment A/C)	28,308,124	8.79
JP Morgan Nominees Australia Limited	22,130,290	6.87
HSBC Custody Nominees (Australia) Limited	18,935,361	5.88
National Nominees Limited	15,036,931	4.67
Associated World Investments Pty Limited	9,165,240	2.84
Citicorp Nominees Pty Limited	8,654,551	2.69
Baclupas Pty Limited (Valhalla A/C)	4,654,043	1.44
BNP Paribas Noms Pty Limited (DRP)	4,529,202	1.41
Brispot Nominees Pty Limited (House Head Nominee No. 1 A/C)	1,962,466	0.61
Writeman Pty Limited (P L H A Investment A/C)	1,900,000	0.61
Merrill Lynch (Australia) Nominees Pty Limited	1,838,653	0.57
Trinity Management Pty Limited	1,547,378	0.48
Casola Holdings Pty Limited (Nordiv Holdings S/Fund A/C)	1,070,000	0.33
Mr Sasha Alexander Cajkovac	682,000	0.21
Miss Pattarawadee Smarnkeo	659,999	0.20
Quotidian No. 2 Pty Limited	603,911	0.19
Mrs Chizuru Larment	600,000	0.19
Mr David Warren Larment and Mrs Chizuru Larment (D&C Larment Super Fund A/C)	600,000	0.19
Mr Christian John Hastings Ainsworth	595,650	0.18
Total	**281,455,563**	**87.34**

CORPORATE GOVERNANCE STATEMENT

THE COMPANY'S APPROACH TO CORPORATE GOVERNANCE

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

Set out below are the Company's corporate governance principles and practices in line with the ASX Corporate Governance Council ("Council") release of "Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd edition". Statements to this corporate governance section have been referenced to the applicable ASX Recommendations and compliance is indicated by ☑ .

On 27 March 2014, the Council released the third edition of Corporate Governance Principles and Recommendations which takes effect for an entity's first full financial year commencing on or after 1 July 2014. The Company is currently reviewing these new recommendations and will further enhance its corporate governance based on these new principles and recommendations with any changes to the Company's corporate governance to be reflected in its next financial reporting year.

PRINCIPLE 1

Lay solid foundations for management and oversight

Role of the Board

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

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

Board Processes

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

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

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

During the year under review, the Board met ten times and the Board members' attendance record is disclosed in the table of directors' meetings on page 20 of this Report.

Performance of Key Executives

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

The Chief Executive Officer's Key Performance Indicators (KPIs) are annually determined by the Board based on recommendations from the Remuneration and Nomination Committee. The key aspects included in the KPIs are financial performance measures, strategic initiatives, staff and human relations matters and compliance performance. The Remuneration and Nomination Committee reviews performance against the established KPIs on an ongoing basis, with a formal evaluation being completed at the end of each financial year and its findings are reported to the Board.

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

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

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

PRINCIPLE 2

Structure the Board to add value

Composition of the Board

The names and details of the directors of the Company in office at the date of signing the Financial Report are set out on pages 18 and 19 of this Report.

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

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

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

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

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

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

Board Performance Review

The Chairman of the Board is responsible for evaluating the performance of the Board, its committees and individual directors. The performance of the Board was assessed during the year in accordance with the process described below.

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

CORPORATE GOVERNANCE STATEMENT (continued)

Sub-Committees of the Board

1. Audit Committee

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

2. Remuneration and Nomination Committee

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

3. Regulatory and Compliance Committee

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

Composition of Regulatory and Compliance Committee	
Chairman:	Mr MB Yates (Independent Non-Executive Director)
Members:	Mr GJ Campbell (Lead Independent Non-Executive Director) Mr DE Gladstone (Executive Director/Chief Executive Officer) Mr JF O'Reilly (Independent Member)

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

The Regulatory and Compliance Committee monitors probity related matters, technical compliance issues and compliance conduct and issues, systems and procedural requirements to ensure that the Company maintains a high standard of compliance with all of its gaming regulatory and licence obligations. In addition, the Regulatory and Compliance Committee advises and makes recommendations to the Board regarding regulatory compliance matters, including the suitability of key employees and other persons or entities with whom the Company has or intends to have an association or affiliation, in line with gaming regulations.

The Group Compliance Manager and the Technical Compliance Manager are invited to the Regulatory and Compliance Committee meetings to present and discuss their reports and recommendations. The Regulatory and Compliance Committee met four times during the year and the directors' attendance record is disclosed in the table of directors' meetings on page 20 of this Report. Due to the importance of the regulatory environment within which the Company operates, and to ensure the commitment by the Board within this important area, the Committee is scheduled to meet at least four times each financial year and as required to address any specific issues that may arise.

The main responsibilities of the Regulatory and Compliance Committee are to:

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

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

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

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

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

PRINCIPLE 3

Promote ethical and responsible decision-making

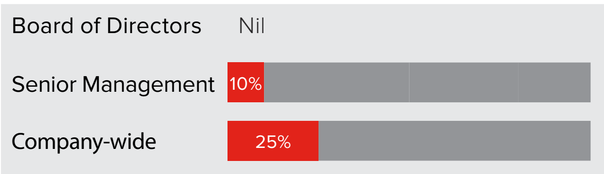
Diversity and Inclusion

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

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

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

The proportion of women at various levels within the Company at the end of the financial year is shown in the chart below.



Ethical Standards

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

Conflict of Interest

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

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not participate in any discussion and voting on the applicable matter and, if considered appropriate, the director is requested not to be present whilst the matter is considered. Details of director related transactions with the Company are set out in Note 30 in the financial statements.

Code of Conduct

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

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

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

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

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

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

☑ ASX Corporate Governance Council's Recommendations 3.1, 3.2, 3.3, 3.4,3 .5

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 4

Safeguard integrity in financial reporting

Audit Committee

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

Composition of the Audit Committee	
Chairman:	Mr GJ Campbell (Lead Independent Non-Executive Director)
Members:	Mr CJ Henson (Independent Non-Executive Director) Mr DH Macintosh (Independent Non-Executive Director)

The Audit Committee has a documented Charter, which is regularly reviewed and approved by the Board.

All members are currently independent non-executive directors. The chairman of the Committee is not the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal financial control for the management of the Company.

The external auditors, the Chief Executive Officer and Chief Financial Officer/Company Secretary, are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 20 of this Report. The external auditor met with the Audit Committee and the Board during the year, without management being present.

The Chief Executive Officer and the Chief Financial Officer/ Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2014 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required for the full year and half year reporting periods.

The main responsibilities of the Audit Committee are to:

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

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

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

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

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

PRINCIPLE 5

Make timely and balanced disclosure

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

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

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

☑ ASX Corporate Governance Council's Recommendations 5.1, 5.2

PRINCIPLE 6

Respect the rights of shareholders

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

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

☑ ASX Corporate Governance Council's Recommendations 6.1, 6.2

PRINCIPLE 7

Recognise and manage risk

Oversight of the risk management system

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

Risk profile and the Audit Committee

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

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

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

Risk management and compliance and control

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

The Company's quality management system complies with the AS/NZ ISO 9001:2008 standard *Quality Management System-Requirements*, published by the Internal Organisation for Standardisation (ISO). The annual surveillance audit was conducted in 2014 by independent auditors further demonstrating the Company's commitment to continuous improvement. The next annual surveillance audit is currently scheduled for May 2015. As a Nevada licence holder, the Company has obligations under its Nevada Gaming Compliance Plan in addition to licence and reporting obligations under its other licences.

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

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

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

Comprehensive practices have been established to ensure:

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

Quality and integrity of personnel

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

Financial reporting

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

Environmental regulation

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

Assessment of effectiveness of risk management

Internal audit

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

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

PRINCIPLE 8

Remunerate fairly and responsibly

Remuneration and Nomination Committee

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

Composition of the Remuneration and Nomination Committee

Chairman:	Mr DH Macintosh (Independent Non-Executive Director)
Members:	Mr MB Yates (Independent Non-Executive Director) Mr CJ Henson (Independent Non-Executive Director)

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

The Chief Executive Officer and Human Resources/ Payroll Manager are invited to attend the Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages. The Chief Executive Officer and Chief Financial Officer/Company Secretary are not involved in matters pertaining to their own remuneration. During the year under review, the Committee met five times and the directors' attendance record is disclosed in the table of directors' meetings on page 20 of this Report.

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

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

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

Remuneration Report

The Remuneration Report is set out on pages 29 to 39 of this Report.

Remuneration policies

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

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

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

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

Senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the Company's and each relevant segment's result. In the year under review, the Company exceeded the minimum performance targets, with most segments exceeding operational budgeted targets which resulted in short-term incentives being earned during 2014 and was approved by the Board for payment, after release of the Group's annual results.

Total remuneration for all non-executive directors, last voted upon by shareholders is not to exceed $850,000 per annum. The base fee for individual non-executive directors for the financial year under review was $100,000 per annum, excluding superannuation and covers all main Board activities. Membership of Committees is remunerated in addition to the base fee as outlined in the Remuneration Report on page 32 of this Report. Non-executive directors do not receive any performance related remuneration or bonuses or retirement benefits other than statutory superannuation payments.

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

DIRECTORS' REPORT

for the year ended 30 June 2014

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 2014 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, DUniv, FAICD, FAIM Executive Chairman	91 yrs	– Sixty one 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 – Recipient of Keno and Club Queensland Award for excellence in March 2014 for services to industry – Awarded Higher Doctorate degree by the University of New South Wales – Director and Chairperson since 1995 – Executive Chairperson since 2003
Mr Graeme John Campbell Lead Independent Non-Executive Director	57 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 – Former Chairman of Harness Racing NSW, recipient of Ern Manea Gold Medal and inducted into the Inter Dominion Hall of Fame in February 2014 – Former Director of Central Coast Stadium and Blue Pyrenees Wines – Director of Liquor Marketing Group Limited and Hotel Liquor Wholesalers Pty Ltd effective 2 September 2013 – Chairman of Audit Committee of Illawarra Catholic Club Group – Director since 2007 – Chairperson of Audit Committee and member of Regulatory and Compliance Committee – Lead Independent Non-Executive Director since 30 June 2013

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
CURRENT		
Mr Michael Bruce Yates B.Com (with merit), LLB Independent Non-Executive Director	60 yrs	— Michael has extensive commercial and corporate law experience in a career spanning over 34 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 — Chairperson of Regulatory and Compliance Committee and member of Remuneration and Nomination Committee since 30 June 2013
Mr Daniel Eric Gladstone Executive Director and Chief Executive Officer	59 yrs	— Danny has held senior positions within the gaming industry over a successful career spanning 40 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	66 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 QuayPay Ltd and Videlli Limited — Lead associate with Madison Cross Corporate Advisory Pty Ltd, a leading Asia Pacific management consultancy practice, effective 2 July 2014 — 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 — Director (subject to regulatory approval) since 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	58 yrs	— David has an extensive career spanning over 40 years experience in transport and the construction industry specialising in the hospitality and gaming industry — Currently the Managing Director of a major Australian construction company — Formerly the Executive Chairman and director of an ASX listed Australian company 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 — Awarded the Australian National Medal in 2014 — Director (subject to regulatory approval) since 2013 — Chairperson of Remuneration and Nomination Committee and member of Audit Committee since 30 June 2013

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 had experience in providing audit, taxation and business advisory services.

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:

	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings		Regulatory & Compliance Committee Meetings	
Director	A	B	A	B	A	B	A	B
LH Ainsworth	10	10	–	–	–	–	–	–
GJ Campbell	10	10	2	2	–	–	4	4
MB Yates	10	10	–	–	5	5	4	4
DE Gladstone	10	10	–	–	–	–	4	4
CJ Henson	10	10	2	2	5	5	–	–
DH Macintosh	10	10	2	2	5	5	–	–

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 activities of the Group during the course of the financial year were the design, development, production, lease, sale and servicing of gaming machines and other related equipment and services. The Group also operates or has strategies to expand its activities within the on-line gaming markets, both social and real money.

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 that 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 and result 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 opportunities within on-line gaming markets, both social and real money.

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 to produce innovative products with leading edge technology;
- 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 Group's performance for the current and prior corresponding period is set out below:

In millions of AUD	12 months to 30 June 2014	12 months to 30 June 2013	Variance %
Reported results			
Total segment revenue from ordinary activities	244.1	198.1	23.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	89.4	74.1	20.7
Earnings before interest and tax (EBIT)	79.1	66.0	19.8
Profit before income tax	82.0	69.3	18.3
Profit after income tax	61.6	52.2	18.0
Earnings per share (fully diluted)	19.0c	16.0c	18.8
Total dividends per share	10.0c	8.0c	25.0

The Group's profit for the year ended 30 June 2014 was a profit after tax of $61.6 million, an increase of 18% on the $52.2 million in 2013. This result was achieved on revenue of $244.1 million, an increase of 23% on the revenue of $198.1 million in 2013. Further, revenue gains in the key market of the Americas have assisted in increasing the contribution of revenue from international markets from 37% in 2013 to 41% in the current year.

Profit before tax was $82.0 million, an increase of 18% compared to $69.3 million in 2013. Excluding the effect of net foreign currency gains the current year result was an increase of $14.8 million (22%) compared to 2013.

Further expansion and market share gains were achieved during the current period following the development initiatives introduced within all geographical markets. The key growth market of the Americas increased revenue by 44% in the period through the commercialisation of the A560SL™ in North America and by the strong foundation of the Las Vegas operations established in prior periods. The Group continues to invest in new product development to assist in the capture of further market share in new markets and provide revenue growth in established markets.

Shareholder returns

	2014	2013	2012	2011	2010
Profit/(loss) attributed to owners of the company	$61,570,000	$52,202,000	$64,275,000	$23,121,000	$(2,721,000)
Basic EPS	$0.19	$0.16	$0.23	$0.08	($0.01)
Dividends paid	$32,211,000	$9,661,000	$–	$–	$–
Change in share price	($0.29)	$1.93	$1.74	$0.27	$0.02

Net profit/(loss) amounts for 2010 to 2014 have been calculated in accordance with Australian Accounting Standards (AASBs). The profit amount for 2012 included an income tax benefit of $18.1 million following the recognition of previously unrecognised deferred tax assets.

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.

The implementation of an on-line strategy continues for both real money and social gaming applications. The Company was granted a licence by the Alderney Gaming Commission in the Channel Islands in June 2014 to enable distribution of content via the GameConnect™ Remote Gaming Server (RGS) with selected operators in both European and North American regulated markets.

5. OPERATING AND FINANCIAL REVIEW (continued)

It is expected that by the end of the calendar year desktop and mobile content applications will be launched into the United Kingdom on-line gaming market. Entry into the social gaming environment is well underway with the Group establishing an agreement with Digital 616 LLC, an online social platform provider, to jointly progress development and marketing of a social gaming offering on both desktop and mobile, leveraging the extensive game content library established for land based markets. It is expected that this launch will take effect by the end of calendar year 2014.

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 2014 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.

Review of principal businesses

Results in the current period and prior corresponding period are summarised as follows:

In millions of AUD	12 months to 30 June 2014	12 months to 30 June 2013	Variance	Variance %
Segment revenue				
Australia	143.3	124.4	18.9	15.2
Americas	90.4	62.6	27.8	44.4
Rest of World	10.4	11.1	(0.7)	(6.3)
Total segment revenue	**244.1**	**198.1**	**46.0**	**23.2**
Segment result				
Australia	83.6	69.9	13.7	19.6
Americas	36.3	26.2	10.1	38.5
Rest of World	6.1	6.2	(0.1)	(1.6)
Total segment result	**126.0**	**102.3**	**23.7**	**23.2**
Unallocated expenses				
Net foreign currency gains	0.8	2.9	(2.1)	(72.4)
R&D expense	(26.4)	(23.2)	(3.2)	13.8
Corporate	(20.3)	(15.2)	(5.1)	33.6
Total unallocated expenses	**(45.9)**	**(35.5)**	**(10.4)**	**29.3**
EBIT	**79.1**	**66.0**	**13.1**	**19.8**
Net interest	2.9	3.3	(0.4)	(12.1)
Profit before income tax	**82.0**	**69.3**	**12.7**	**18.3**
Income tax	(20.4)	(17.1)	(3.3)	(19.3)
Profit after income tax	**61.6**	**52.2**	**9.4**	**18.0**

Key performance metrics	% of revenue 12 months 30 June 2014	12 months 30 June 2013	Variance Points
Segment result margin			
Australia	58.3	56.1	2.2
Americas	40.2	41.9	(1.7)
Rest of World	58.2	55.9	2.3
Segment result margin	**51.6**	**51.6**	**–**
R&D expense	10.8	11.7	(0.9)
EBIT[1]	32.1	32.3	(0.2)
Profit before income tax (excluding net foreign currency gains)	33.3	33.5	(0.2)
Profit after income tax	25.2	26.4	(1.2)
Effective tax rate	24.9	24.7	0.2

(1) Excludes net foreign currency gains of $0.8 million (2013: $2.9 million)

Revenue

Sales revenue of $244.1 million was recorded in the year under review compared to $198.1 million in 2013, an increase of 23%. This increase represents the fifth consecutive year of double digit revenue growth achieved by the Group and is consistent with the objective of increasing shareholder value and the vision to become a globally recognised provider of gaming solutions.

Within domestic markets revenue achieved was $143.3 million, an increase of 15% over 2013. 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, which provided continued high yielding performance, and the expansion of the cabinet variants within the A560™ product family. The Victorian market contributed revenue of $30.8 million, an increase of 84% over 2013. This result was achieved due to the continued leading performance of the Group's range of products and the stabilisation of this market subsequent to its transition from a previous duopoly. The release of branded products including the *Players Paradise*™ linked jackpot product, the highly successful *Quad Shot*™ game range and the *A560*™ *Wide Boy*™ *Reels of Wheels*™ cabinet assisted in building on market share gains achieved in previous periods.

International revenue was $100.8 million compared to $73.7 million in 2013, representing an increase of 37%. The Group expects to achieve further increases in international revenue in FY15 from the ongoing release of newly developed product initiatives combined with an established operational base in Las Vegas, Nevada.

The key market of the Americas contributed 90% of total international revenue, an increase of 44% over the corresponding year in 2013. The North American market realised revenue of $58.5 million in the current period, an increase of 36% on the $42.9 million in 2013. The release of the A560SL™ within North America in March 2014 continues to provide revenue opportunities with game brands such as *Sweet Zone*™ and *Whopper Reels*™. The recent granting of licenses and progression of product approvals in Missouri, Mississippi and Arizona are expected to contribute to revenue growth in the short term.

In conjunction with the revenue increase in outright sales the Group achieved an 84% increase in gaming units under participation arrangements in the reporting period. At the reporting date the Group had 1,105 units under gaming operations in North America, an increase of 503 units from those at 30 June 2013. Release of products such as *The Magnificent 7*™ and *Cash Challenge*™ together with the previously released *Reels of Wheels*™ continue to achieve high performance in venues where those products are operating.

Revenue from South America was $31.9 million, an increase of 62% on the corresponding period in 2013. In addition to the above, the Group has increased its footprint and at the report date has 884 gaming machines under gaming operation in this market. This represents an increase of 60% compared to the 554 units under gaming operation as at 30 June 2013. Continued high performance of products such as the *Multi Win*™ multi game range, *Rio Grande Rapids*™ and *Quad Shots*™, along with strategies previously undertaken have facilitated the achievement of the Group's growth within this geographical region. The Company is well positioned to build on its reputation as a provider of high performing gaming products in this region and expects to continue to expand its established footprint of products under gaming operation.

5. OPERATING AND FINANCIAL REVIEW (continued)

Revenue from other international markets ("Rest of World" segment) of New Zealand, Europe and Asia contributed $10.4 million and represented 10% of international revenue compared to 15% in 2013. Despite an overall decrease in Rest of World revenue of 5%, revenue from the New Zealand market increased by 48% compared to 2013. This increase was a direct result of interest in the Group's products by the major trust groups within the hotel and club segment within New Zealand. The Asian market continues to present challenges following the introduction of new gaming standards, including dual language requirements within Macau, which required additional development of operating base software and related games. It is expected that revenue increases within Asia will be steadily realised in future periods as the newly revised gaming standards are introduced, and the planned new venue openings provide growth opportunities. Newly developed products, including the *Treasure Storm*™ linked product with game titles *888 Blue Dragon*™, *888 Red Dragon*™ and *888 Yellow Dragon*™ have been recently released within this market.

Operating costs

Gross margin of 64% was achieved, compared to 66% in 2013. The Company noted that margins within domestic markets remained strong and the margin decrease in the year relates to stronger competition within international markets and was consistent with the 64% achieved and reported in the first half of FY14. The maintenance of gross margin was achieved despite further revenue increases from South America, which represented 32% of total international revenue (2013: 27%), and which are at a lower margin. Continued cost reduction initiatives combined with higher sales volumes, 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. Overall segment profit margins were maintained at 52% of revenue across the Group.

Operating costs, excluding cost of sales, other expenses and financing costs were $77.3 million, an increase of 17% over 2013. 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 in the Group's operational facility in Las Vegas, Nevada. Operating costs relating to global expansion are first assessed to ensure these costs are aligned to the achievement of revenue growth before being incurred.

Research and development (R&D) expense was $26.4 million, an increase of 14% over 2013 and represented 11% of revenue (2013: 12%). Additional resources and development within the on-line gaming division accounted for 35% of the increase in R&D expenditure. Further investment into the A560™ cabinet range with the addition of a Slant Bench Top model A560SBT™ and the completion of development of the new A560SL™ occurred in the current period. These hardware initiatives have allowed enhanced game presentation leveraging off the intellectual property in the A560™ game library so as to facilitate an expanded library of the Premium Plus range of recurring revenue games targeted for international markets.

Administration costs were $20.3 million, an increase of $5.1 million compared to 2013. This increase was primarily due to the full year impact of expansion of the American facility established part way into FY13 which accounted for 43% of the overall increase and additional support functions to progress expansion strategies in global markets. These overhead costs as a percentage of total revenue were 8% and remained consistent with 2013.

Financing income and costs

Net financing income was $3.8 million in the current period, a reduction of $2.4 million on the net financing costs of $6.2 million in 2013. This reduction was primarily a result of the reduction in net foreign exchange gains in the current year whereby gains of $0.8 million were recorded compared to $2.9 million in 2013, an adverse change of $2.1 million.

Review of financial condition

Capital structure and treasury policy

The Company currently has on issue 322,193,331 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. In addition to cash and term deposits held of $71.9 million (2013: $66.7 million), the Group has in place a $30 million facility with a leading Australian bank consistent with strategies previously outlined. This facility will allow the Group to pursue traditional financing alternatives, including the ability to minimise working capital investment through cash reserves.

Cash flows from operations
Net cash inflows from operations for the year ended 30 June 2014 was $57.6 million, an increase of 82% on the corresponding period in 2013. The Group actively monitors its working capital requirements and has further increased the investment in establishing machines under gaming operation so as to pursue recurring revenue streams in the Americas under 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. 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.

6. DIVIDENDS

The following dividends were declared by the Company for year ended 30 June 2014:

	Cents per share	Total amount $'000	Date of payment
Declared and paid during the year 2014			
Final 2013 ordinary (unfranked)	5.0	16,101	27 September 2013
Interim 2014 ordinary (unfranked)	5.0	16,110	8 April 2014
Total amount		32,211	

Declared after end of year
The dividends have not been provided and there are no income tax consequences. 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	16,110	26 September 2014
Total amount		16,110	

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports, and there are no income tax consequences.

Dividends have been dealt with in the financial report as:

	Note	$'000
- Dividends		32,211
- Noted as a subsequent event	*19(c)*	16,110

DIRECTORS' REPORT (continued)

for the year ended 30 June 2014

7. EVENTS SUBSEQUENT TO REPORTING DATE

After the reporting date, the Company declared an unfranked dividend of 5.0 cents per ordinary share amounting to $16,110,000 with an expected payment date of 26 September 2014. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

Subsequent to 30 June 2014 the Company settled all previous legal proceedings with a competitor claiming that certain products of the Company infringe that competitor's patents. The settlement had no effect on the Group's financial position and did not result in any financial payments between the parties and no amount was or is required to be recognised with respect to this matter.

Other than the 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 continues to pursue development initiatives and the necessary product approvals to help ensure sustainable revenue growth and continued financial improvement in future periods.

Further execution of strategies through the strategic investment in a social on-line gaming company is expected to provide complementary revenue gains within e on-line social and real money gaming segments. 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.

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	Performance rights over ordinary shares
Mr LH Ainsworth	172,187,521	–
Mr GJ Campbell	300,000	–
Mr MB Yates	22,400	–
Mr CJ Henson	50,000	–
Mr DH Macintosh	40,000	–
Mr DE Gladstone	5,000	137,536

10. SHARE OPTIONS/PERFORMANCE RIGHTS

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	Instrument	Exercise price	Number of shares
1 March 2016	Options	$0.225	373,045
22 July 2018	Rights	$Nil	1,442,931
			1,815,976

All unissued shares are ordinary shares of the Company.

All options and performance rights expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the performance rights is conditional on the Group achieving annual growth in Earnings Per Share of at least eight per cent each year over four years and ranking according to Total Shareholder Return in the fiftieth percentile compared to companies in the ASX 300 index with the same Consumer Services GICS industry sector as the Group. Further details about share based payments to directors and KMP are included in the Remuneration report in section 15. These options and rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

In addition to the share options issued by the Company, an incentive plan introduced in a prior period 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 60,738 options were forfeited due to cessation of employment and 4,814,459 were exercised leaving a balance of 586,699 share options under issue.

The options under the ASOT plan have vesting conditions, which were satisfied on 1 March 2014. The vesting conditions were 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 2014 under the ASOT plan issued to key management personnel, totalled nil (2013:1,788,627). Share options exercised by key management personnel during the year were 1,788,627 (2013: 1,018,628) options following completion of the final vesting condition during the year.

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
167,455	$0.225

DIRECTORS' REPORT (continued)

for the year ended 30 June 2014

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 only provided audit and review services over the financial statements.

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

	2014 $
Audit and review of financial statements	**258,000**
Total paid to KPMG	**258,000**

13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 87 and forms part of the directors' report for the financial year ended 30 June 2014.

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, directly or indirectly, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group that are named in this report.

Compensation levels for key management personnel 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.

The remuneration and nominated committee has initiated a review of fixed compensation levels by an independent remuneration consultant to assist with determining an appropriate mix between fixed and performance linked compensation for senior executives of the Group.

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.

As outlined above, a review is currently being undertaken by an independent remuneration consultant on behalf of the remuneration and nomination committee to assess current performance linked compensation arrangements - STI and LTI plans. This review will assist the Group to determine appropriate remuneration levels for FY15 taking into consideration the Group's growth objectives, industry specific and market considerations and related retention of key employees.

Short-term incentive bonus

Each year the remuneration and nomination committee determines the objectives and KPIs of 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, 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 2014 has taken place in accordance with this process.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (continued)

15.1 Principles of compensation – audited (continued)

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 2014, the Group exceeded the minimum performance targets outlined in the incentive plan approved by the Board in August 2013, with most segments either meeting or exceeding operational targets. This resulted in short-term incentives being earned during 2014, which were confirmed by the Board on 26 August 2014. Currently, the performance linked component of compensation comprises approximately 30% (2014: 35%) of total payments to key management personnel.

Long-term incentive

Employee Share Option Plans

In prior years 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.

Performance Rights Plan

During the year a new employee incentive plan was established whereby performance rights were granted under the Rights Share Trust (RST). Under the RST, eligible employees and executives 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 performance rights convert to ordinary shares of the Company on a one-for-one basis. The performance rights were granted to all eligible Group employees and executives in two tranches subject to separate performance and vesting conditions. 50% of the performance rights vest on 1 September 2016 and the remaining 50% vest on 1 September 2017 depending on the extent to which the performance hurdles are achieved.

Of each tranche that vests on 1 September 2016 and 1 September 2017, 70% vest subject to Earnings Per Share (EPS) targets and 30% vest subject to Total Shareholder Return (TSR) targets. The relevant weighting of performance conditions of 70% EPS and 30% TSR were determined as appropriate due to the following:

- EPS is more reflective of the Group's underlying performance in terms of long term sustainable growth;
- To ensure relevance of the LTI for international employees;
- International expansion requires looking beyond ASX listed companies for a more meaningful performance comparison;
- Inherent volatility of the gaming industry makes TSR less relevant and reflective of underlying performance; and
- There are limited numbers of gaming industry companies in the ASX.

EPS growth is an absolute performance measure that refers to consolidated results of operating activities. Relative TSR measures the Group's notional return in the form of share price increases and dividends over the term against a comparison group of companies in the ASX300 that have the same Consumer Service GICS industry sector as the Company.

The Board believes that these two performance hurdles, in combination, serve to align the interests of the individual executives and employees with the interests of the Company's shareholders, as EPS growth is a key driver of company long-term share price performance, and relative TSR compared to the ASX300 comparator companies provides a comparison of the entities performance against potential alternative shareholder investment.

Vesting on each tranche is as follows:

Tranche 1		Tranche 2	
EPS growth	Vesting outcome	Company TSR percentile ranking	Vesting outcome
Less than 8.0% per annum	Nil vesting	Below 50th percentile	Nil vesting
8.0% per annum	25% vesting plus 1.25% for each 0.1% increase in EPS	50th percentile	50% vesting
10.0% per annum	50% vesting plus 2.0% for each 0.1% increase in EPS	Between 50th and 75th percentile	Pro-rata (sliding scale) percentage vesting
12.5% per annum or more	100% vesting	At or above 75th percentile	100% vesting

Rights that do not vest at the end of the vesting periods will lapse, unless the Board in its discretion determine otherwise. Upon cessation of employment prior to the vesting date, rights will be forfeited and lapse. Performance rights do not entitle holder to dividends that are declared during the vesting period. No adjustments to reported results from operating activities are made when the remuneration committee determines whether the EPS hurdle is achieved.

Short-term and long-term incentive structure

The remuneration and nomination committee considers that the above performance-linked remuneration structure is generated the desired outcome. The evidence of this is:

- the strong growth in profits in recent years;
- the performance-linked element of the structure appears to be appropriate because senior executives achieved a level of performance which qualifies them for performance limited incentives; and
- the high levels of retention among senior executives and key personnel.

In the current year the Group did not achieve the stretch targets although most segments met budgeted financial results. As a result the maximum short-term incentives were not achieved.

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.

	2014	2013	2012	2011	2010
Profit/(loss) attributable to owners of the company	$61,570,000	$52,202,000	$64,275,000	$23,121,000	$(2,721,000)
Dividends paid	$32,211,000	$9,661,000	$–	$–	$–
Change in share price	**($0.29)**	**$1.93**	**$1.74**	**$0.27**	**$0.02**

Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. Profit/(loss) amounts for 2010 to 2014 have been calculated in accordance with Australian Accounting Standards (AASBs).

Other benefits

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

Service contracts

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

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

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

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

The CEO has no entitlement to 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.

15. REMUNERATION REPORT – AUDITED (continued)

15.1 Principles of compensation – audited (continued)

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 receive in performance related compensation and are not provided with retirement benefits apart from statutory superannuation.

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. Current fees for directors excluding superannuation, are set out below.

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

Services from remuneration consultants

The remuneration and nomination committee (RNC), comprising of independent non-executive directors only, has secured the services of an independent remuneration consultant to review current compensation levels of senior executives, including the structure, amount and elements of performance linked compensation of the key management personnel remuneration and provide recommendations in relation thereto. This review is expected to provide a basis for performance linked compensation for the FY15 STI and any proposed expansion of current LTI arrangements. No amounts were paid to remuneration consultants during the year.

The engagement of a remuneration consultant by the RNC is subject to protocols which both members of the RNC and key management personnel are required to follow in developing and recommending remuneration matters to the Board.

The protocols include the prohibition of the consultant providing advice or recommendations to key management personnel, before the advice or recommendations are given to members of the RNC and only if the consultant is provided approval by the RNC to do so.

These arrangements will ensure that the independent consultant will 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 expected to undertake its own inquiries and review of the processes and procedures followed by the remuneration consultant during the course of their assignment to ensure that they are satisfied that any remuneration recommendations are made free from undue influence.

The Board's inquiries will include a summary of the way in which the remuneration consultant carried out any work, details of any interaction with key management personnel in relation to the assignment and other services, and further questions in relation to the assignment.

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 (D) $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Super-annuation benefits $	(D) $	Termination benefits $	Options & rights (B&C) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors												
Current												
Mr GJ Campbell	2014	128,000	–	–	128,000	11,858	–	–	–	139,858	–	–
	2013	134,000	–	–	134,000	12,060	–	–	–	146,060	–	–
Mr MB Yates	2014	126,000	–	–	126,000	11,672	–	–	–	137,672	–	–
	2013	110,000	–	–	110,000	9,900	–	–	–	119,900	–	–
Mr CJ Henson (appointed 3 April 2013)	2014	116,000	–	–	116,000	10,740	–	–	–	126,740	–	–
	2013	24,383	–	–	24,383	2,194	–	–	–	26,577	–	–
Mr DH Macintosh (appointed 3 April 2013)	2014	119,000	–	–	119,000	11,019	–	–	–	130,019	–	–
	2013	24,383	–	–	24,383	2,194	–	–	–	26,577	–	–
Former												
Mr SL Wallis (retired 30 June 2013)	2014	–	–	–	–	–	–	–	–	–	–	–
	2013	151,508	–	–	151,508	–	–	–	–	151,508	–	–
Sub-total non-executive directors' remuneration	2014	489,000	–	–	489,000	45,289	–	–	–	534,289	–	–
	2013	444,274	–	–	444,274	26,348	–	–	–	470,622	–	–

DIRECTORS' REPORT (continued)

for the year ended 30 June 2014

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 (D) $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Super-annuation benefits $	(D) $	Termination benefits $	Options & rights (B & C) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executive directors												
Mr LH Ainsworth (Executive Chairman)	2014	250,000	–	30,000	280,000	23,125	–	–	–	303,125	–	–
	2013	250,000	–	30,000	280,000	–	–	–	–	280,000	–	–
Mr DE Gladstone (Chief Executive Officer)	2014	650,611	510,686	129,819	1,291,116	99,526	56,057	–	117,137	1,563,836	33%	7%
	2013	602,834	600,000	203,706	1,406,540	95,975	50,126	–	21,525	1,574,166	38%	1%
Total directors' remuneration	2014	1,389,611	510,686	159,819	2,060,116	167,940	56,057	–	117,137	2,401,250	21%	5%
	2013	1,297,108	600,000	233,706	2,130,814	122,323	50,126	–	21,525	2,324,788	26%	1%
Executives												
Mr ML Ludski – Chief Financial Officer / Company Secretary	2014	330,152	338,979	91,131	760,262	62,742	30,899	–	53,375	907,278	37%	6%
	2013	321,246	366,246	95,053	782,545	62,790	30,065	–	12,425	887,825	41%	1%
Mr V Bruzzese – General Manager Technical Services	2014	268,477	244,528	24,000	537,005	48,064	25,127	–	41,024	651,220	38%	6%
	2013	261,929	271,929	24,000	557,858	48,727	24,514	–	12,915	644,014	42%	2%
Mr I Cooper – General Manager Manufacturing	2014	236,066	216,215	26,064	478,345	42,377	22,093	–	36,807	579,622	37%	6%
	2013	230,308	240,308	28,534	499,150	42,956	17,420	–	12,915	572,441	42%	2%

In AUD		Short-term				Post-employment	Other long term benefits		Share-based payments			
		Salary & fees (D) $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Super-annuation benefits $	(D) $	Termination benefits $	Options & rights (B & C) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives												
Mr PS Clarebrough - Group General Manager Strategy and Development	2014	461,363	373,024	40,000	874,387	78,113	35,489	–	68,154	1,056,143	35%	6%
	2013	450,110	420,110	40,000	910,220	79,370	34,624	–	17,220	1,041,434	40%	2%
Total executives remuneration	2014	1,296,058	1,172,746	181,195	2,649,999	231,296	113,608	–	199,360	3,194,263	37%	6%
	2013	1,263,593	1,298,593	187,587	2,749,773	233,843	106,623	–	55,475	3,145,714	41%	2%
Total directors' and executive officers' remuneration	2014	2,685,669	1,683,432	341,014	4,710,115	399,236	169,665	–	316,497	5,595,513	30%	6%
	2013	2,560,701	1,898,593	421,293	4,880,587	356,166	156,749	–	77,000	5,470,502	35%	1%

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 2014 financial year using the criteria set out on page 29. The amount was considered on 23 July 2014 by the 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 as an expense in each reporting period.

C. The fair value of performance rights with the relative TSR and EPS conditions is calculated at the date of grant using the Black Scholes Merton simulation model after taking into account the impact of the TSR and EPS growth conditions during the vesting period. The value disclosed is the portion of the fair value of the rights recognised as an expense in each reporting period.

D. As disclosed in Note 3 (f), the Group changed its accounting policy in respect of employee benefits with the adoption of AASB119 *Employee Benefits*. One of the impacts of this change is that annual leave has changed from a short-term benefit to an other long-term employee benefit. Consistent with that change, annual leave is now classified as other long term in the remuneration table in both current and prior periods.

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 29–31. Short term incentive bonuses have been provided for in the year ended 30 June 2014.

15. REMUNERATION REPORT – AUDITED (continued)

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	510,686	100%	38%
Executives			
Mr ML Ludski	338,979	100%	29%
Mr V Bruzzese	244,528	100%	29%
Mr I Cooper	216,215	100%	29%
Mr S Clarebrough	373,024	100%	29%

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 short term incentive bonus schemes for the 2014 financial year. The remuneration and nomination committee reviewed and approved these amounts on 23 July 2014 based on the criteria previously established and approved.

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

15.4 Equity instruments – audited

All rights and options refer to rights and options 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.

15.4.1 Rights and options over equity instruments granted as compensation – audited

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

Options(1)	Number of options granted during 2014	Grant date	Number of options vested during 2014	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
Mr DE Gladstone	–	1 March 2011	500,000	0.079	0.225	1 March 2016
Mr ML Ludski	–	1 March 2011	288,627	0.079	0.225	1 March 2016
Mr V Bruzzese	–	1 March 2011	300,000	0.079	0.225	1 March 2016
Mr I Cooper	–	1 March 2011	300,000	0.079	0.225	1 March 2016
Mr PS Clarebrough	–	1 March 2011	400,000	0.079	0.225	1 March 2016

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

Rights	Number of rights granted during 2014	Vesting condition	Grant date	Fair value at grant date ($)	Expiry date
Mr DE Gladstone	87,649	Earnings per share	22 July 2013	$3.20	22 July 2018
	49,887	Relative TSR	22 July 2013	$2.41	22 July 2018
Mr ML Ludski	38,928	Earnings per share	22 July 2013	$3.20	22 July 2018
	22,156	Relative TSR	22 July 2013	$2.41	22 July 2018
Mr V Bruzzese	28,621	Earnings per share	22 July 2013	$3.20	22 July 2018
	16,290	Relative TSR	22 July 2013	$2.41	22 July 2018
Mr I Cooper	25,166	Earnings per share	22 July 2013	$3.20	22 July 2018
	14,324	Relative TSR	22 July 2013	$2.41	22 July 2018
Mr PS Clarebrough	49,184	Earnings per share	22 July 2013	$3.20	22 July 2018
	27,994	Relative TSR	22 July 2013	$2.41	22 July 2018

All rights and 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. The rights are exercisable on 1 September 2016 and 1 September 2017. In addition to a continuing employment service condition, vesting of rights is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 30. For rights granted in the current year, the earliest vesting date is 1 September 2016.

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 and performance rights 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 167,455 shares (2013: 213,101 shares) were issued under the ESOT plan on the exercise of options previously granted as compensation. Options under the ASOT plan exercised during 2014 were 4,814,459 (2013: 3,690,067) which were transferred to the ASOT on behalf of employees from the Company's Executive Chairman, Mr LH Ainsworth.

15.4.4 Details of equity incentives affecting current and future remuneration – audited

Details of vesting profiles of rights and options held by each key management person of the Group are detailed below:

	Instrument (A)	Number	Grant date	% vested in year	% forfeited in year (B)	Financial years in which grant vests
Mr DE Gladstone	Options	1,000,000	1 March 2011	50%	–%	2012-2014
	Rights	137,536	22 July 2013	–%	–%	2017-2018
Mr ML Ludski	Options	577,255	1 March 2011	50%	–%	2012-2014
	Rights	61,084	22 July 2013	–%	–%	2017-2018
Mr V Bruzzese	Options	600,000	1 March 2011	50%	–%	2012-2014
	Rights	44,911	22 July 2013	–%	–%	2017-2018
Mr I Cooper	Options	600,000	1 March 2011	50%	–%	2012-2014
	Rights	39,490	22 July 2013	–%	–%	2017-2018
Mr PS Clarebrough	Options	800,000	1 March 2011	50%	–%	2012-2014
	Rights	77,178	22 July 2013	–%	–%	2017-2018

A. Options were granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth and rights granted over ordinary shares in the Company.

B. The % forfeited in the year represents the reduction from the maximum number of options available to vest.

15. REMUNERATION REPORT – AUDITED (continued)

15.4 Equity instruments – audited (continued)

15.4.5 Analysis of movements in equity instruments – audited

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

	Granted in year $ (A)	Amount paid on exercise $	Value of rights or options exercised in year $ (B)	Forfeited in year $
Mr DE Gladstone	401,062	112,500	1,957,500	–
Mr ML Ludski	178,124	64,941	1,129,975	–
Mr V Bruzzese	130,963	67,500	1,174,500	–
Mr I Cooper	115,155	67,500	1,174,500	–
Mr S Clarebrough	225,055	90,000	1,566,000	–

A. The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2013 to 30 June 2018).

B. 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.

15.4.6 Options and rights over equity instruments – audited

The movement during the reporting period, by number of rights and 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 2013	Granted as compensation	Exercised	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Options(1)						
Mr DE Gladstone	500,000	–	(500,000)	–	500,000	–
Mr ML Ludski	288,627	–	(288,627)	–	288,627	–
Mr V Bruzzese	300,000	–	(300,000)	–	300,000	–
Mr I Cooper	300,000	–	(300,000)	–	300,000	–
Mr PS Clarebrough	400,000	–	(400,000)	–	400,000	–
Rights						
Mr DE Gladstone	–	137,536	–	137,536	–	–
Mr ML Ludski	–	61,084	–	61,084	–	–
Mr V Bruzzese	–	44,911	–	44,911	–	–
Mr I Cooper	–	39,490	–	39,490	–	–
Mr PS Clarebrough	–	77,178	–	77,178	–	–

(1) The above options were over a portion of the personal shareholding of Mr LH Ainsworth under the ASOT Plan.

Rights and options held by key management personnel that are vested and exercisable at 30 June 2014 were Nil (2013: Nil). No rights or options were held by related parties of key management personnel.

15.5 Key management personnel transactions – audited

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 2013	Received on exercise of options	Sales on exercise of options under ASOT plan	Other changes*	Held at 30 June 2014
Mr LH Ainsworth	209,906,225	–	(4,814,459)	(2,431,121)	202,660,645
Mr GJ Campbell	500,000	–	–	(200,000)	300,000
Mr MB Yates	108,400	–	–	(86,000)	22,400
Mr CJ Henson	50,000	–	–	–	50,000
Mr DH Macintosh	–	–	–	40,000	40,000
Mr DE Gladstone	5,000	500,000	(500,000)	–	5,000
Mr M Ludski	–	288,627	(288,627)	–	–
Mr V Bruzzese	2,700	300,000	(300,000)	800	3,500
Mr I Cooper	–	300,000	(300,000)	–	–
Mr PS Clarebrough	261,000	400,000	(400,000)	(261,000)	–

* Other changes represent shares that were purchased or sold during the year.

No shares were granted to key management personnel during the reporting period as compensation in 2014 or 2013.

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.

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

LH Ainsworth
Executive Chairman

Dated at Sydney this 26th day of August 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

In thousands of AUD	*Note*	2014	2013
Assets			
Cash and cash equivalents	*18*	71,929	40,135
Receivables and other assets	*17*	93,663	106,394
Inventories	*16*	39,862	29,931
Prepayments		1,404	766
Total current assets		**206,858**	**177,226**
Receivables and other assets	*17*	21,690	22,042
Deferred tax assets	*15*	3,467	12,409
Property, plant and equipment	*13*	35,096	16,535
Intangible assets	*14*	21,549	17,864
Total non-current assets		**81,802**	**68,850**
Total assets		**288,660**	**246,076**
Liabilities			
Trade and other payables	*24*	28,582	27,641
Loans and borrowings	*21*	347	533
Employee benefits	*22*	11,343	9,830
Current tax liability		11,601	2,356
Provisions	*25*	687	248
Total current liabilities		**52,560**	**40,608**
Loans and borrowings	*21*	116	421
Employee benefits	*22*	682	629
Total non-current liabilities		**798**	**1,050**
Total liabilities		**53,358**	**41,658**
Net assets		**235,302**	**204,418**
Equity			
Share capital		182,327	182,290
Reserves		74,491	50,639
Accumulated losses		(21,516)	(28,511)
Total equity		**235,302**	**204,418**

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

In thousands of AUD	*Note*	2014	2013
Revenue	*8*	244,118	198,147
Cost of sales		(88,542)	(67,536)
Gross profit		**155,576**	**130,611**
Other income	*9*	396	156
Sales, service and marketing expenses		(30,626)	(27,516)
Research and development expenses		(26,380)	(23,162)
Administrative expenses		(20,288)	(15,186)
Other expenses		(432)	(1,812)
Results from operating activities		**78,246**	**63,091**
Finance income	*12*	3,857	6,264
Finance costs	*12*	(89)	(88)
Net finance income		**3,768**	**6,176**
Profit before income tax		**82,014**	**69,267**
Income tax expense	*15*	(20,444)	(17,065)
Profit for the year		**61,570**	**52,202**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign operations – foreign currency translation differences		284	93
Total other comprehensive income		**284**	**93**
Total comprehensive income for the year		**61,854**	**52,295**
Profit attributable to owners of the Company		**61,570**	**52,202**
Total comprehensive income attributable to the owners of the Company		**61,854**	**52,295**
Earnings per share:			
Basic earnings per share (dollars)	*20*	$0.19	$0.16
Diluted earnings per share (dollars)	*20*	$0.19	$0.16

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Attributable to equity holders of the Company						
In thousands of AUD	Issued capital	Equity compensation reserve	Fair value reserve	Translation reserve	Profits reserve	Accumulated losses	Total equity
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	49,271	2,931	52,295
Transactions with owners, recorded directly in equity							
Issue of ordinary shares on exercise of share options	48	–	–	–	–	–	48
Dividend 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	–	–	(9,661)	5	(9,401)
Balance at 30 June 2013	**182,290**	**1,228**	**9,684**	**117**	**39,610**	**(28,511)**	**204,418**
Balance at 1 July 2013	**182,290**	**1,228**	**9,684**	**117**	**39,610**	**(28,511)**	**204,418**
Total comprehensive income for the year							
Profit	–	–	–	–	–	61,570	61,570
Transfer between reserves	–	–	–	–	54,581	(54,581)	–
Other comprehensive income							
Foreign currency translation reserve	–	–	–	284	–	–	284
Total other comprehensive income	–	–	–	284	–	–	284
Total comprehensive income for the year	–	–	–	284	54,581	6,989	61,854
Transactions with owners, recorded directly in equity							
Issue of ordinary shares on exercise of share options	37	–	–	–	–	–	37
Dividends to owners of the Company	–	–	–	–	(32,211)	–	(32,211)
Share based payment transactions	–	1,204	–	–	–	–	1,204
Share based payment adjustment on non-vesting options	–	(6)	–	–	–	6	–
Total transactions with owners	37	1,198	–	–	(32,211)	6	(30,970)
Balance at 30 June 2014	**182,327**	**2,426**	**9,684**	**401**	**61,980**	**(21,516)**	**235,302**

NOTE: An amendment was made in relation to the accumulated losses balance as at 30 June 2013 representing dividends paid of $9,661,000 being re-classified against profits reserve consistent with the face of the consolidated statement of financial position.

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

In thousands of AUD	*Note*	2014	2013
Cash flows from/(used in) operating activities			
Cash receipts from customers		243,750	181,320
Cash paid to suppliers and employees		(183,775)	(148,135)
Cash generated from operations		59,975	33,185
Income taxes paid		(2,288)	(691)
Borrowing costs paid		(90)	(928)
Net cash from operating activities	*18(a)*	**57,597**	**31,566**
Cash flows from/(used in) investing activities			
Proceeds from sale of property, plant and equipment		–	389
Interest received		2,590	2,964
Acquisitions of property, plant and equipment		(14,493)	(6,028)
Proceeds from call deposits		26,518	3,482
Payment for business acquisition		(548)	–
Development expenditure	*14*	(7,099)	(4,681)
Net cash from/(used in) investing activities		**6,968**	**(3,874)**
Cash flows from/(used in) financing activities			
Proceeds from exercise of share options		37	48
Re-purchase of convertible notes		–	(121)
Payment of finance lease liabilities		(593)	(962)
Dividends paid		(32,211)	(9,661)
Net cash (used in) financing activities		**(32,767)**	**(10,696)**
Net increase in cash and cash equivalents		31,798	16,996
Cash and cash equivalents at 1 July		40,135	22,928
Effect of exchange rate fluctuations on cash held		(4)	211
Cash and cash equivalents at 30 June	*18*	**71,929**	**40,135**

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

INDEX TO NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

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 2014 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 26 August 2014.

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). As of 1 January 2014, The Company's US branch activities became a foreign operation.

These consolidated financial statements are presented in Australian dollars, which is the Company's primary functional 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 14 - 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. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

a. *Disclosure – Offsetting Financial Asset and Financial Liabilities* (Amendments to AASB 7)
b. AASB 10 *Consolidated Financial Statements* (2011) (see (a))
c. AASB 11 *Joint Arrangements* (see(b))
d. AASB 12 *Disclosure of Interests in Other Entities* (see(c))
e. AASB 13 *Fair Value Measurement* (see (d))
f. AASB 119 *Employee Benefits* (2011) (see (e))
g. *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to AASB 136) (2013)

3. CHANGES IN ACCOUNTING POLICIES (continued)

The nature and effects of the changes are explained below.

a. Offsetting of financial assets and financial liabilities

The amendments to the disclosure requirements in AASB 7 Financial Instruments: Disclosure requires information about all recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar arrangements even if they are not set off under AASB 132. The Group does not have any financial assets and financial liabilities that could be set off, thus, the amendment to AASB 7 has no impact on the financial statements of the Group.

b. Consolidated financial statements (2011)

As a result of the adoption of AASB 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees.

In accordance with the transitional provision of AASB 10, the Group re-assessed the control conclusion for its investees at 1 July 2013. As all the entities within the Group are wholly owned subsidiaries of the Company there has been no change to the entities consolidated by the Group, and thus no change to the financial statements as a result of applying the new standard.

The Group's revised accounting policy is set out in Note 4(a)(i).

c. Joint arrangements

The Group did not have any joint arrangements in the current or previous reporting period. AASB 11 has therefore had no impact on the financial statements of the Group.

d. Disclosures of interests in other entities

AASB 12 requires the Group to make certain disclosures regarding its interests in other entities. Other than interests in wholly owned subsidiaries, the Company and the Group do not have interests in any other entities. As such, and as the composition of the Group is consistent with that disclosed in the consolidated financial statements of the Group as at and for the year ended 30 June 2013, and as there are no restrictions on the ability of the entities within the group to access or use assets and settle liabilities of other entities within the Group, the standard has no material impact on the financial statements of the Group.

e. Fair value measurements

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. As a result, the Group has included the additional disclosures in this regard (see Note 26).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

f. Employee benefits

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 is classified as an other long-term employee benefit, resulting in a change in the recognition and measurement of the liability. The transitional provisions of AASB 119 require the changes to be applied retrospectively. However, the Group assessed the impact of the change on the measurement of the Group's prior period financial results and position and concluded that it was not material and as such, the Group has not restated the comparative information. The Group has applied the new recognition and measurement guidance prospectively, and has not provided any comparative information for new disclosures. The change had no material impact on the measurements of the Group's assets and liabilities.

g. Recoverable amount disclosures for non-financial assets

The amendments to AASB 136 Impairment of Assets require certain disclosures when an impairment is recognised or reversed and recoverable amount is based on the fair value less costs of disposal. As the Group did not recognise any impairment in the current and previous period, this amendment has no impact on the financial statements of the Group.

4. 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 Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii. Transactions eliminated on consolidation

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

iii. Acquisitions prior to 1 July 2004

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

iv. Acquisitions on or after 1 July 2004

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

b. Foreign currency

i. Foreign currency transactions

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

ii. Foreign operations

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

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

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

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

c. Financial instruments

i. Non-derivative financial assets

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 4(a)(iii) and (iv). Goodwill is subsequently carried at cost less accumulated impairment losses (refer Note 4(h)).

ii. 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.

iii. 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.

iv. 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.

v. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 otherwise consider 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.

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

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

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

i. Employee benefits

i. Defined contribution superannuation funds

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

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

ii. Other long term employee benefits

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

iii. Termination benefits

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

iv. Short term benefits

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

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

v. Share-based payment transactions

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

j. Provisions

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

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

k. Warranties

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

l. Revenue

i. Goods sold

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

When 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 revenue earned when the Group's owned machines are placed in venues either directly by the Group or indirectly through a licensed operator for a fee. The fee is calculated as either a daily fee or an agreed fee based upon a percentage of turnover of participating machines, depending on the agreement.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Lease payments

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

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

n. Finance income and finance costs

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

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

o. Income tax

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

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

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

Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, see Note 15.

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 2013, 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.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirement of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

This change will not have a significant effect on the consolidated financial statements of the Group. AASB 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted.

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

5. DETERMINATION OF FAIR VALUES

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

i. Intangible assets

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

ii. Trade and other receivables/payables

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

iii. Non-derivative financial instruments

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

iv. Loans and borrowings

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

v. Finance lease liabilities

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

5. DETERMINATION OF FAIR VALUES (continued)

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.

6. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, including the default risk of the industry and country in which customers operate. The Group's concentration of credit risk arises from its two most significant receivable amounts represented by a customer in Australian and customer in South America. They account for $9,746 thousand (2013: $3,920 thousand) and $4,369 thousand (2013: $4,427 thousand) of the trade receivables carrying amount at 30 June 2014 respectively.

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 2014 no guarantees were outstanding (2013: none).

Liquidity risk

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

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

Market risk

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

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the US dollar (USD). The currencies in which these transactions primarily are denominated are AUD, USD, Euro and New Zealand dollars (NZD). The Group regularly monitors and reviews, dependant on available facilities, the hedging of net assets denominated in a foreign currency. The Group has 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

7. 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). 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.

The Group has a large and dispersed customer base. The Group's largest customer accounts for only 6.3% of the total reportable revenue.

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

Information about reportable segments

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales and servicing of gaming machines.

For the year ended 30 June 2014	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	61,689	41,333	31,955	8,281	58,512	31,883	4,158	5,313	994	244,118
Result										
Segment result	31,746	25,663	20,687	5,445	25,842	10,480	2,246	3,444	398	125,951
Interest revenue not allocated to segments										1,997
Interest expense										(89)
Foreign currency gain										823
R & D expense										(26,380)
Corporate and administrative expenses										(20,288)
Profit before tax										82,014
Income tax expense										(20,444)
Net profit after tax										61,570

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 30 June 2014 are $31,732 thousand (2013: $25,231 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 30 June 2014 total $24,913 thousand (2013: $9,168 thousand), of which $22,682 thousand (2013: $5,533 thousand), are located in North America.

Information about reportable segments

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales and servicing of gaming machines.

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	28,186	24,752	13,879	3,029	21,814	4,398	3,235	2,352	638	102,283
Interest revenue not allocated to segments										2,498
Interest expense										(88)
Foreign currency gain										2,922
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

Note: The Company has updated the format of Operating Segments for period ending 30 June 2013 in line with the information the Chief Operating decision maker utilises to better measure the performance of the individual segments. Consistent with the new format, the foreign currency gain previously disclosed in the North and South America segment result has now being disclosed separately. In addition, there has been a correction of allocated overheads totalling $4,947 thousand between North and South America resulting in a change in segment result for period ending 30 June 2013.

8. REVENUE

In thousands of AUD	*Note*	2014	2013
Sale of goods		225,479	185,019
Rendering of services		5,692	5,255
Rental and participation revenue		12,947	7,873
		244,118	198,147

9. OTHER INCOME

In thousands of AUD	2014	2013
Net gain on sale of property, plant and equipment	–	18
Other income	396	138
	396	156

10. EXPENSES BY NATURE

In thousands of AUD		2014	2013
Changes in raw material and consumables, finished goods and work in progress	*16*	79,944	62,600
Employee benefits expense	*11*	50,455	43,202
Depreciation and amortisation expense	*13,14*	10,364	8,130
Legal expenses		1,949	1,004
Evaluation and testing expenses		4,903	3,879
Marketing expenses		3,320	2,661
Operating lease expenses	*27*	2,612	2,316
Impairment loss		595	1,812
Other expenses		12,126	9,608
		166,268	135,212

11. EMPLOYEE BENEFIT EXPENSES

In thousands of AUD	*Note*	2014	2013
Wages and salaries		39,099	33,530
Short term incentives		6,303	5,675
Contributions to defined contribution superannuation funds		3,229	2,995
Increase in liability for annual leave	*22*	166	466
Increase in liability for long service leave	*22*	446	310
Termination benefits		8	14
Equity settled share-based payment transactions		1,204	212
		50,455	43,202

12. FINANCE INCOME AND FINANCE COSTS

In thousands of AUD	2014	2013
Interest income on trade receivables	1,037	844
Interest income on bank deposits	1,997	2,498
Net foreign exchange gain	823	2,922
Finance income	3,857	6,264
Interest expense on financial liabilities	(89)	(88)
Finance costs	(89)	(88)
Net financing income recognised in profit or loss	3,768	6,176

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Land and buildings	Plant and equipment	Leasehold Improvements	Total
Cost				
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	–	(3,965)	(98)	(4,063)
Effect of movements in foreign exchange	–	85	72	157
Balance at 30 June 2013	–	30,462	3,192	33,654
Balance at 1 July 2013	–	30,462	3,192	33,654
Re-classification of inventory to plant and equipment	–	15,461	–	15,461
Additions	7,833	6,598	1,100	15,531
Disposals	–	(8,151)	(1)	(8,152)
Effect of movements in foreign exchange	–	684	–	684
Balance at 30 June 2014	7,833	45,054	4,291	57,178
Depreciation and impairment losses				
Balance at 1 July 2012	–	14,609	160	14,769
Depreciation charge for the year	–	3,618	257	3,875
Disposals	–	(1,433)	(173)	(1,606)
Effect of movements in foreign exchange	–	51	30	81
Balance at 30 June 2013	–	16,845	274	17,119
Balance at 1 July 2013	–	16,845	274	17,119
Depreciation charge for the year	–	5,859	658	6,517
Disposals	–	(1,755)	–	(1,755)
Effect of movements in foreign exchange	–	201	–	201
Balance at 30 June 2014	–	21,150	932	22,082
Carrying amounts				
At 1 July 2012	–	10,152	575	10,727
At 30 June 2013	–	13,617	2,918	16,535
At 30 June 2014	7,833	23,904	3,359	35,096

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of $430 thousand (2013: $864 thousand) at net book value.

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 $48 thousand (2013: $570 thousand). At 30 June 2014, the net carrying amount of leased plant and equipment was $764 thousand (2013: $1,558 thousand).

14. INTANGIBLE ASSETS

In thousands of AUD	Goodwill	Development costs	Intellectual property	Nevada licence costs	Service contracts	Total
Cost						
Balance at 1 July 2012	2,436	15,859	836	1,583	1,223	21,937
Development costs 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
Balance at 1 July 2013	2,436	20,540	836	1,583	–	25,395
Development costs / service contracts fully amortised and written off	–	–	–	–	–	–
Development costs / service contracts capitalised during the year	–	7,099	–	–	433	7,532
Balance at 30 June 2014	2,436	27,639	836	1,583	433	32,927
Amortisation and impairment losses						
Balance at 1 July 2012	–	2,932	419	–	1,148	4,499
Development costs 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
Balance at 1 July 2013	–	7,028	503	–	–	7,531
Development costs / service contracts fully amortised and written off	–	–	–	–	–	–
Amortisation for the year	–	3,763	84	–	–	3,847
Balance at 30 June 2014	–	10,791	587	–	–	11,378
Carrying amounts						
At 1 July 2012	2,436	12,927	417	1,583	75	17,438
At 30 June 2013	2,436	13,512	333	1,583	–	17,864
At 30 June 2014	2,436	16,848	249	1,583	433	21,549

14. INTANGIBLE ASSETS (continued)

Amortisation charge and impairment loss

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

In thousands of AUD	2014	2013
Cost of sales	84	84
Research and development expenses	3,763	4,171
	3,847	4,255

Impairment testing for development costs

The carrying amount of the Group's development costs amounts to $16,848 thousand (2013: $13,512 thousand), comprising of $14,993 thousand in development costs relating to product development and $1,855 thousand in development costs relating to online development activities. The impairment testing for these different development costs are performed separately as they generate or are expected to generate independent cash flows and are therefore allocated to separate cash-generating units ('CGUs'). The disclosure relating to the product development costs of $14,993 thousand are outlined below.

Product development costs

The determination of CGUs for the purposes of testing product development costs for impairment has changed from prior years. This change was triggered by a material increase in the asset base specific to generating cash flows in particular geographic jurisdictions. The Group has determined that the most reasonable and consistent basis upon which to allocate development costs is to have the Group's research and development function ('Development CGU') recharge product development costs to the Group's other CGUs, which are in line with the Group's geographic operating segments.

Product development costs include development costs relating to products that are not yet available for sale and as such their recoverable amount is assessed at the end of each reporting period.

Product development costs are recharged from the Development CGU to individual CGUs, based on the forecasted unit sales of each individual CGU. Other assets, primarily property, plant and equipment, are allocated to the individual CGUs to which they relate. Assets that cannot be allocated to individual CGUs are allocated to the minimum collection of CGUs ('Groups of CGUs') to which they can be allocated on a reasonable and consistent basis.

The three main CGUs or Group of CGUs are: Development, Australia and other (comprised of the New South Wales, Queensland, South Australia, Victoria, Tasmania, Asia, New Zealand and Europe individual CGUs), and Americas (comprised of the North and South America individual CGUs).

The recoverable amount of each CGU or Group of CGUs was estimated based on its value in use. Value in use for each individual CGU and Group of CGUs was determined by discounting the future cash flows generated from continuing use of the product development costs over a four year period. Future cash flows are expected to be generated from the sales of machines and products and are based on the following key assumptions:

CGU/Groups of CGUs	Discount rate(1)	Average annual revenue growth rate(2)
Development	22.5%	7.0%
Australia and other	19.7%	4.2%
Americas	17.4%	14.4%
North America	*19.7%*	*17.7%*
South America	*12.7%*	*9.2%*

(1) Discount rates are pre-tax discount rates, which are based on the weighted average cost of capital.

(2) The average annual revenue growth rate presented above is calculated based on forecast revenue for 2015 to 2017, having regard to Board approved budgets, the Group's three year business plan, historical experience, actual operating results and strategic initiatives. Revenue growth for the fourth year was forecast at 3 percent.

The allocation of goodwill, indefinite useful life intangible assets and other assets to the Groups of CGUs are as follows:

CGU/Groups of CGUs	Goodwill/ indefinite useful life intangible assets '$000	Capitalised development costs '$000	Other assets '$000	Recoverable amount '$000
Development	–	14,993	6,261	34,066
Australia and other	–	–	9,271	131,369
Americas	1,583	–	23,331	45,652
North America	*1,583*	–	*9,829*	*41,081*
South America	–	–	*2,232*	*3,844*

The recoverable amount of each CGU and Group of CGUs was estimated to be higher than the carrying amount of the unit and as such no impairment was required.

The determination of the recoverable amount of the South American CGU, which exceeds its carrying amount by $1,683 thousand, is particularly sensitive to changes in the following key assumptions:

- An increase of 2.2 percent in the discount rate used would cause the recoverable amount of the CGU to equal its carrying amount; and
- A 2.5 percent reduction in annual revenue growth rates would cause the recoverable amount of the CGU to equal its carrying amount.

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.

Value in use for the CGU was determined by discounting the future cash flows generated from the servicing of gaming machines and are based on the following key assumptions:

- Cash flows were projected based on actual operating results over a projected four year period. Cash flows for a further 10 year period were extrapolated using a constant growth rate of 3 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;
- An average revenue annual growth rate of 5.2% for 2015 to 2017 based on the three year Board approved business plan, historical experience and actual operating results. All future years of the model use a constant growth rate of 3.0% which does not exceed the long term average growth rate for the industry; and
- A pre-tax discount rate of 9.2% 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.

15. TAXES

Current tax expense

In thousands of AUD	2014	2013
Tax recognised in profit or loss		
Current tax expense		
Current year	(31,450)	(23,967)
Prior year adjustments	495	1,311
	(30,955)	(22,656)
Deferred tax benefit		
Timing differences movement	779	277
Recognition of R&D tax credits	9,732	5,314
	10,511	5,591
Total income tax expense	(20,444)	(17,065)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

15. TAXES (continued)

Reconciliation of effective tax rate

In thousands of AUD	2014	2014	2013	2013
Profit before income tax		82,014		69,267
Income tax expense using the Company's domestic tax rate	(30.00%)	(24,604)	(30.00%)	(20,780)
Effective tax rates in foreign jurisdictions	0.12%	102	(0.63%)	(433)
Non-deductible expenses	(10.01%)	(8,209)	(7.79%)	(5,393)
Non-assessable income and concessions	11.87%	9,735	11.49%	7,956
Other tax concessions	1.54%	1,259	–	–
Prior year adjustments	0.60%	495	2.29%	1,585
Utilisation of previously unrecognised tax losses	–	–	–	–
Recognition of previously unrecognised tax losses and timing differences	0.95%	778	–	–
	(24.93%)	(20,444)	(24.64%)	(17,065)

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets	
In thousands of AUD	2014	2013
Employee benefits	2,002	1,533
Provisions	1,739	896
Other items	(418)	178
R&D non-refundable tax offset credits	–	9,658
Tax loss carry-forwards	144	144
Net tax assets	3,467	12,409

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 $3,467 thousand should be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

16. INVENTORIES

In thousands of AUD	2014	2013
Raw materials and consumables	13,519	9,215
Finished goods	22,231	15,981
Stock in transit	4,112	4,735
Inventories stated at the lower of cost and net realisable value	39,862	29,931

During the year ended 30 June 2014 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $79,944 thousand (2013: $62,600 thousand).

A re-classification from inventory to property, plant and equipment of $15,461 thousand (2013: $5,466 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 2014, the write down of inventories to net realisable value amounted to $6 thousand (2013: $991 thousand). The write down is included in cost of sales.

17. RECEIVABLES AND OTHER ASSETS

In thousands of AUD	*Note*	2014	2013
Current			
Trade receivables		95,384	80,953
Less impairment losses	*26*	(2,105)	(2,089)
		93,279	78,864
Call deposits		–	26,518
Other assets		384	1,012
		93,663	106,394
Non-current			
Trade receivables		21,690	22,042
		21,690	22,042

The Group realised impairment losses of $363 thousand (2013: $1,812 thousand) for the year ended 30 June 2014.

Receivables denominated in currencies other than the functional currency comprise $58,211 thousand of trade receivables denominated in US dollars (2013: $49,959 thousand), $1,406 thousand in New Zealand Dollars (2013: $650 thousand), $20 thousand in Great Britain Pounds and $nil thousand in Euro (2013: $2 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	2014	2013
Minimum lease payments under finance leases are receivable as follows:		
Within one year	1,900	3,390
Later than one year but not later than 5 years	2,918	3,069
	4,818	6,459
Unearned finance income		
Within one year	177	434
Later than one year but not later than 5 years	350	409
	527	843
The present value of minimum lease payments is as follows:		
Within one year	1,723	2,956
Later than one year but not later than 5 years	2,568	2,660
	4,291	5,616
Lease receivables are classified as follows:		
Within one year	1,723	2,956
Later than one year but not later than 5 years	2,568	2,660
	4,291	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.

18. CASH AND CASH EQUIVALENTS

In thousands of AUD	2014	2013
Bank balances	20,854	5,492
Call deposits	51,075	34,643
Cash and cash equivalents in the statement of cash flows	71,929	40,135

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

18A. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	*Note*	2014	2013
Cash flows from operating activities			
Profit for the period		61,570	52,202
Adjustments for:			
Depreciation	*13*	6,517	3,875
Impairment losses on trade receivables	*26*	363	1,812
Amortisation of intangible assets	*14*	3,847	4,255
Net finance income	*12*	(3,768)	(6,176)
Loss/(Gain) on sale of property, plant and equipment	*9*	12	(18)
Equity-settled share-based payment transactions	*11*	1,204	212
Income tax expense	*15*	20,444	17,065
Operating profit before changes in working capital and provisions		**90,189**	**73,227**
Change in trade and other receivables	*17*	(12,725)	(33,695)
Change in inventories	*16*	(24,947)	(18,845)
Change in other assets		(638)	(265)
Change in trade and other payables		6,091	11,687
Change in provisions and employee benefits		2,005	1,076
		59,975	33,185
Interest paid		(90)	(928)
Income taxes paid		(2,288)	(691)
Net cash from operating activities		57,597	31,566

19. CAPITAL AND RESERVES

(a) Share capital

In thousands of shares	Ordinary shares 2014	2013
In issue at 1 July	322,026	321,813
Exercise of share options	167	213
In issue at 30 June – fully paid	322,193	322,026

(i) 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, 167 thousand ordinary shares were issued as a result of the exercise of vested options arising from the ESOT. Options were exercised at a price of $0.225 per option (see Note 23).

(b) Nature and purpose of reserve

(i) Equity compensation reserve

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

(ii) 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.

(iii) 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.

(iv) 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.

(c) Dividends

The following dividends were declared and paid by the Company for the year:

In thousands of AUD	2014	2013
10.0 cents per qualifying ordinary share (2013: 3.0 cents)	32,211	9,661

After the reporting date, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

In thousands of AUD	2014	2013
5.0 cents per qualifying ordinary share (2013: 5.0 cents)	16,110	16,101

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $61,570 thousand (2013: $52,202 thousand) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 322,092 thousand (2013: 321,932 thousand), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD	*Note*	2014	2013
Profit for the period		61,570	52,202
Profit attributable to ordinary shareholders		61,570	52,202

Weighted average number of ordinary shares

In thousands of shares			
Issued ordinary shares at 1 July	*19*	322,026	321,813
Effect of shares issued		66	119
Weighted average number of ordinary shares at 30 June		322,092	321,932

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $62,774 thousand (2013: $52,204 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 323,830 thousand (2013: 322,241 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	2014	2013
Profit attributable to ordinary shareholders	61,570	52,202
Amortisation of performance rights (RST)	1,204	–
Interest expense on convertible notes and options, net of tax	–	2
Profit attributable to ordinary shareholders (diluted)	62,774	52,204

Weighted average number of ordinary shares (diluted)

In thousands of shares		
Weighted average number of ordinary shares at 30 June	322,092	321,932
Effect of rights and options on issue	1,738	309
Weighted average number of ordinary shares (diluted) at 30 June	323,830	322,241

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.

In thousands of AUD	2014	2013
Current		
Finance lease liabilities	347	533
Non-current		
Finance lease liabilities	116	421

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2014		2013	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Finance lease liabilities	AUD	2.90-8.39%	2014-2018	484	463	1,017	954
Total interest-bearing liabilities				484	463	1,017	954

Convertible notes

In thousands of AUD	2014	2013
Proceeds from issue of 19,714,717 convertible notes on 20 December 2004	–	25,629
Transaction costs	–	(1,085)
Net proceeds	–	24,544
Amount classified as equity	–	(2,842)
Transaction costs classified as equity	–	121
Accreted interest capitalised	–	782
Re-purchase of convertible notes	–	(540)
Redemption of convertible notes	–	(5,460)
Convertible notes converted into share capital	–	(16,732)
Equity component of convertible notes repurchased and converted	–	127
Carrying amount of liability at 30 June	–	–
Current	–	–
Non-current	–	–
	–	–

21. LOANS AND BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Future minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013
Less than one year	362	15	347	577	44	533
Between one and five years	122	6	116	440	19	421
	484	21	463	1,017	63	954

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	2014	2013
Current		
Accrual for salaries and wages	667	273
Accrual for short term incentive plan	6,290	5,730
Liability for annual leave	2,912	2,746
Liability for long service leave	1,474	1,081
	11,343	9,830
Non–current		
Liability for long service leave	682	629
	682	629

23. SHARE-BASED PAYMENTS

(a) Description of share-based payment arrangements

(i) Share option and rights programmes (equity-settled)

On 1 March 2011, the Group established share option programmes that entitled all eligible Group personnel to purchase shares in the Company at an exercise price of $0.225 per share. The Employee Share Option Trust (ESOT) granted share options over new ordinary shares to all American employees. The LH Ainsworth Share Option Trust (ASOT) granted share options to all Australian employees, excluding directors apart from the CEO, Mr Danny Gladstone, over a portion of the personal share holding of the Company's Executive Chairman, Mr LH Ainsworth.

The ESOT and AOST share option plans were a replacement to the employee share option plans previously granted.

On 22 July 2013 a new employee incentive plan was established whereby performance rights were granted to all eligible Group employees under the Rights Share Trust (RST). Under the RST eligible employees were allocated performance rights over ordinary shares in the Company at nil consideration or exercise price however are dependent on service conditions, vesting conditions and performance hurdles.

The key terms and conditions related to the grants under these programmes are as follows; all options and rights are to be settled by the 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	373,045	Three years of service as per ESOT below	5 years
Total share options ESOT	**373,045**		
Option grant to senior and other employees at 1 March 2011	586,699	Three years of service as per ASOT below	5 years
Total share options ASOT	**586,699**		
Rights grant to key management at 22 July 2013	360,199	Four years service and performance hurdles from grant date as per RST below	5 years
Rights grant to senior and other employees at 22 July 2013	1,092,368	Four years service and performance hurdles from grant date as per RST below	5 years
Total rights RST	**1,452,567**		

To be eligible to participate in the ESOT and ASOT the employee was 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%

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%

In addition to the vesting conditions on rights granted under the RST, specific performance hurdles relative to Total Shareholder Return (TSR) relative targets and Earnings per Share (EPS) targets are required to be met as follows:

Vesting date of 1 September 2016:

- 30% vest subject to the TSR target below with a fair value at grant date of $2.4349;
- 70% vest subject to the EPS target below with a fair value at grant date of $3.2375; and

The remaining 50% of the rights vest on 1 September 2017, of which:

- 30% vest subject to the TSR target below with a fair value at grant date of $2.3892; and
- 70% vest subject to the EPS target below with a fair value at grant date of $3.1693.

Total Shareholder Return (TSR) Relative Targets

TSR rank	Proportion of TSR rights that vest
Less than 50% percentile	0%
50th percentile	50%
Between 50th and 75th percentile	Pro-rata (sliding scale) percentage
At or above 75th percentile	100%

The Comparison Group of Companies for the TSR hurdle is companies in the ASX 300 Index that have the same Consumer Services GICS industry sector as Ainsworth.

EPS Targets

EPS achievement	Proportion of EPS rights that vest
Less than 8.0% p.a.	0%
8.0% p.a.	25% plus 1.25% for each 0.1% increase in EPS
10% p.a.	50% plus 2.0% for each 0.1% increase in EPS
12.5% p.a.	100%

(b) Reconciliation of outstanding share options and rights

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 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at the beginning of the period	$0.225	567	$0.225	808
Forfeited during the period	$0.225	(27)	$0.225	(28)
Cancelled during the period		–		–
Exercised during the period	$0.225	(167)	$0.225	(213)
Granted during the period		–	–	–
Outstanding at the end of the period		373	$0.225	567
Exercisable at the end of the period		373		182

The options outstanding at 30 June 2014 have an exercise price of $0.225 and a remaining life of 1.67 years. The weighted-average share price at the dates of exercise for share options exercised in 2014 was $4.29 (2013: $3.07).

ASOT plan

The share options granted under the ASOT to Australian employees on 1 March 2011 totalled 9,899,182. During the year 60,738 previously granted share options were cancelled and 4,814,459 were exercised with 586,699 share options outstanding as at 30 June 2014. The weighted-average share price at the dates of exercise for share options exercised in 2014 was $4.32 (2013: $3.20).

RST plan

The rights granted under the RST to all eligible Group employees totalled 1,489,358. During the year 36,791 were cancelled with 1,452,567 rights outstanding as at 30 June 2014. No rights were exercisable as at 30 June 2014.

(c) Measurement of fair values

The following factors and assumptions were used in determining the fair value of options under the ESOT 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 fair value of the rights under the RST were as follows:

Fair value at grant date	TSR Target	EPS Target
– Vesting date 1 September 2016	$2.43	$3.24
– Vesting date 1 September 2017	$2.39	$3.17

The inputs used in the measurement of the above fair values at grant date of the equity settlement share based payment plan under the RST were as follows:

	RST Plan
Share price at grant date	$3.46
Exercise price	–
Expected volatility	40.3%
Expected life	5 years
Expected dividends	2.1%
Risk-free interest rate (based on Treasury Bonds)	2.6%

23. SHARE-BASED PAYMENTS (continued)

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 and rights granted are measured by reference to the fair value of share options and rights granted. The contractual life of the option and right 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 or rights), adjusted for any expected changes to future volatility due to publicly available information.

(d) Expense recognised in profit or loss

For details on the related employee benefit expenses, see Note 11.

24. TRADE AND OTHER PAYABLES

In thousands of AUD	2014	2013
Current		
Trade payables	12,544	12,651
Other payables and accrued expenses	15,958	14,980
Amount payable to director/shareholder controlled entities	80	10
	28,582	27,641

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 $12,061 thousand of payables denominated in US Dollars (2013 $10,830 thousand), $13 thousand of payables denominated in Euro (2013: $3 thousand), $423 thousand of payables denominated in New Zealand Dollars (2013: $384 thousand), and $2 thousand of payables denominated in Great Britain Pounds (2013: $137 thousand), $10 thousand of payables denominated in Canadian Dollars (2013:$0) and $7 thousand of payables denominated in Hong Kong Dollars (2013:$0).

25. PROVISIONS

In thousands of AUD	Service/ warranties	Legal	Total
Balance at 1 July 2013	203	45	248
Provisions made during the year	549	138	687
Provisions used during the year	(203)	(45)	(248)
Provision reversed during the year	–	–	–
Balance at 30 June 2014	549	138	687

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*	2014	2013
Receivables	*17*	114,969	100,906
		114,969	100,906

The Group's maximum exposure to credit risk at the reporting date was $114,969 thousand (2013: $100,906 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	2014	2013
Australia	55,278	49,643
Americas	59,500	49,711
Europe	63	6
New Zealand	1,406	1,350
Asia	827	2,285
	117,074	102,995

The Group's concentration of credit risk arises from its two most significant receivable amounts represented by a customer in Australian and customer in South America. They account for $9,746 thousand (2013: $3,920 thousand) and $4,369 thousand (2013: $4,427 thousand) of the trade receivables carrying amount at 30 June 2014 respectively.

Cash and cash equivalents

The Group held cash of $19,002 thousand at 30 June 2014 (2013: $5,492 thousand) and $52,927 thousand of cash deposits at 30 June 2014 (2013: $61,161 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 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	86,973	–	81,379	–
Past due 0-30 days	20,784	–	12,023	–
Past due 31-120 days	8,658	1,768	8,598	1,796
Past due 121 days to one year	659	337	950	248
More than one year	–	–	45	45
	117,074	2,105	102,995	2,089

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

In thousands of AUD	2014	2013
Balance at 1 July	2,089	102
Impairment loss written off	(319)	(7)
Provision during the year	363	1,812
Effect of exchange rate fluctuations	(28)	182
Balance at 30 June	2,105	2,089

The provision of $363 thousand (2013: $1,812 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.

An impairment allowance of $337 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.

26. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

30 June 2014

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	463	(484)	(232)	(130)	(70)	(52)
Trade and other payables	28,582	(28,582)	(28,582)	–	–	–
	29,045	(29,066)	(28,814)	(130)	(70)	(52)

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

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.

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:

	2014				2013			
In thousands	USD	Euro	NZD	GBP	USD	Euro	NZD	GBP
Trade receivables	58,211	–	1,406	20	49,959	2	650	–
Trade payables	(12,061)	(13)	(423)	(2)	(10,830)	(3)	(384)	(137)
Net exposure in statement of financial position	46,150	(13)	983	18	39,129	(1)	266	(137)

The following significant exchange rates applied during the year:

AUD	Average rate 2014	Average rate 2013	Reporting date spot rate 2014	Reporting date spot rate 2013
USD	0.9184	1.0271	0.9420	0.9275
Euro	0.6771	0.7949	0.6906	0.7095
NZD	1.1097	1.2497	1.0761	1.1871
GBP	0.5674	0.6549	0.5531	0.6072

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 2014 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 2013.

Effect in thousands of AUD	Equity	Profit or (loss)
30 June 2014		
USD	(4,926)	(3,805)
Euro	1	1
NZD	(89)	(89)
GBP	(2)	(2)
30 June 2013		
USD	(3,650)	(3,559)
Euro	–	–
NZD	(24)	(24)
GBP	12	12

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 2013.

Effect in thousands of AUD	Equity	Profit or (loss)
30 June 2014		
USD	7,397	4,184
Euro	(1)	(1)
NZD	98	98
GBP	2	2
30 June 2013		
USD	4,012	3,912
Euro	–	–
NZD	26	26
GBP	(13)	(13)

26. FINANCIAL INSTRUMENTS (continued)

Fair values

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

In thousands of AUD	*Note*	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Assets carried at amortised cost					
Receivables and other assets	*17*	115,353	115,353	128,436	128,436
Cash and cash equivalents	*18*	71,929	71,929	40,135	40,135
		187,282	187,282	168,571	168,571

In thousands of AUD		Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Liabilities carried at amortised cost					
Trade and other payables	*24*	28,582	28,582	27,641	27,641
Finance leases	*21*	463	463	954	954
		29,045	29,045	28,595	28,595

Estimates of fair values

The methods used in determining the fair values of financial instruments are discussed in Note 5.

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 2014 plus an adequate constant credit spread and are as follows:

	2014	2013
Receivables	6.00% - 10.25%	3.84% - 10.25%
Leases	2.90-8.39%	0.91% - 11.25%

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	2014	2013
Less than one year	2,386	2,172
Between one and five years	9,414	9,308
More than five years	2,982	4,741
	14,782	16,221

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 $2,612 thousand was recognised as an expense in profit or loss in respect of operating leases (2013: $2,316 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	2014	2013
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	565	663
Employee compensation commitments		
Key management personnel		
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	2,248	2,149

29. 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

Mr GJ Campbell

Mr MB Yates

Mr CJ Henson - (subject to regulatory approval in the jurisdictions of Missouri and Alberta)

Mr DH Macintosh - (subject to regulatory approval in the jurisdictions of Missouri and Alberta)

Executive directors

Mr LH Ainsworth (Executive Chairperson)

Mr DE Gladstone (Executive Director and Chief Executive Officer, Ainsworth Game Technology Limited)

Executives

Current

Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)

Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)

Mr I Cooper (General Manager, Manufacturing, Ainsworth Game Technology Limited)

Mr S Clarebrough (Group General Manager, Strategy and Development, Ainsworth Game Technology Limited).

Key management personnel compensation

The key management personnel compensation included in ‘employee benefit expenses’ (see Note 11) is as follows:

In AUD	2014	2013
Short-term employee benefits	4,710,115	4,880,587
Post-employment benefits	399,236	356,166
Share based payments	316,497	77,000
Other long term benefits	169,665	156,749
	5,595,513	5,470,502

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by 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.

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:

			Transactions value year ended 30 June		Balance receivable/ (payable) as at 30 June	
In AUD		Note	2014	2013	2014	2013
Key management person	**Transaction**					
Mr LH Ainsworth	Leased plant and equipment and other costs	*(i)*	62,400	62,400	–	–
Mr LH Ainsworth	Sales revenue	*(ii)*	931,326	1,315,062	–	6,221
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	*(ii)*	343,514	12,456	–	–
Mr LH Ainsworth	Operating lease rental costs	*(iii)*	1,627,982	1,536,135	(79,705)	110,729

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

(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) Operating leases rental costs of the premises at Newington from an entity controlled by Mr LH Ainsworth on normal commercial terms and conditions.

In addition to the transactions above, AGT Pty Argentina S.R.L. was incorporated in FY13 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 in the process of being transferred and was originally structured to facilitate the incorporation within Argentina.

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	2014	2013
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Trade receivables	–	6,221
Other assets	–	120,729
Current trade and other payables		
Amount payable to director/shareholder controlled entities	79,705	10,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

30. GROUP ENTITIES

	Country of incorporation	Ownership Interest 2014	Ownership Interest 2013
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%	100%
AGT Pty Peru S.A.C.	Peru	100%	100%
AGT Pty Argentina S.R.L.	Argentina	100%	100%
AGT Alderney Limited	Alderney	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%

31. SUBSEQUENT EVENTS

After the reporting date, the Company declared an unfranked dividend of 5.0 cents per ordinary share amounting to $16,110,000 with an expected payment date of 26 September 2014. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

Subsequent to 30 June 2014 the Company settled all previous legal proceedings with a competitor claiming that certain products of the Company infringe that competitor's patents. The settlement had no effect on the Group's financial position and did not result in any financial payments between the parties and no amount was or is required to be recognised with respect to this matter.

Other than the 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.

32. AUDITOR'S REMUNERATION

In AUD	2014	2013
Audit services		
Auditors of the Company – KPMG		
Audit and review of financial reports	258,000	222,000
Other services		
Auditors of the Company – KPMG		
In relation to regulatory, due diligence and other services	–	140,600

33. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2014 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of AUD	2014	2013
Result of parent entity		
Profit for the year	59,806	51,540
Total comprehensive income for the year	59,806	51,540
Financial position of parent entity at year end		
Current assets	194,233	172,598
Total assets	280,955	245,461
Current liabilities	45,526	35,845
Total liabilities	49,638	43,313
Total equity of parent entity comprising of:		
Share capital	182,327	182,290
Equity compensation reserve	2,759	1,228
Fair value reserve	9,684	9,684
Profit reserves	61,980	39,610
Accumulated losses	(25,433)	(30,664)
Total equity	**231,317**	**202,148**

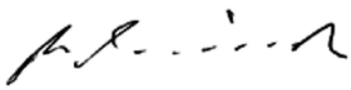
Parent entity capital commitments for acquisitions of property plant and equipment

In thousands of AUD	2014	2013
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	565	663

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 40 to 83 and the Remuneration report in sections 15.1 to 15.5 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 2014 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 2014.
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:



LH Ainsworth
Executive Chairman

Dated at Sydney this 26th day of August 2014.

INDEPENDENT AUDITOR'S REPORT

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 2014, 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 33 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 2014 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).

INDEPENDENT AUDITOR'S REPORT (continued)

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AINSWORTH GAME TECHNOLOGY LIMITED (continued)

Report on the remuneration report

We have audited the Remuneration Report included in sections 15.1 to 15.5 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Ainsworth Game Technology Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Tony Nimac

Partner

Sydney

26 August 2014

KPMG

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 2014 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
26 August 2014

CORPORATE DIRECTORY

CORPORATE DIRECTORY

Executive Chairman
Mr LH Ainsworth

Independent Non-Executive Directors
Mr GJ Campbell
Mr MB Yates
Mr CJ Henson
Mr DH Macintosh AM

Chief Executive Officer and Executive Director
Mr DE Gladstone

Company Secretary and Chief Financial Officer
Mr ML Ludski

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

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

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