Ainsworth Game Technology Limited
ABN 37 068 516 665
and its controlled entities

APPENDIX 4D
Half Year Report
Half Year Ended: 31 December 2018

Previous corresponding period: 31 December 2017

Results for announcement to the market

	Up / Down	% Change		Half Year ended 31/12/18 A$'000
Revenue from ordinary activities	Down	2%	to	118,005
Profit from ordinary activities after tax attributable to members	Up	25%	to	12,144

Dividends (distributions)	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current Year – 2019			
- Interim dividend	-	-	N/A
Previous Year – 2018			
- Interim dividend	1.5¢	1.5¢	6th March 2018
- Final dividend	2.5¢	2.5¢	5th October 2018

Refer "Review of operations' section within the attached Directors' Report.

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$0.96	$0.86

Ainsworth Game Technology Limited

ABN 37 068 516 665

31 DECEMBER 2018

INTERIM FINANCIAL REPORT

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Directors' report

The directors of Ainsworth Game Technology Limited (the "Company") present their report together with the condensed consolidated financial statements of the Group comprising the Company and its subsidiaries for the six months ended 31 December 2018 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	**Period of directorship**
Executive	
Mr Daniel Gladstone *Executive Director and Chief Executive Officer*	Director since 2010
Non-executive	
Mr Graeme Campbell *Chairman and Independent Non-Executive Director*	Director since 2007 and Chairman since 2016
Mr Michael Yates *Independent Non-Executive Director*	Director since 2009
Mr Colin Henson *Independent Non-Executive Director*	Director since 2013
Ms Heather Scheibenstock *Independent Non-Executive Director*	Director since 2016
Mr Harald Neumann *Non-Executive Director*	Director since 2017

Review of operations

Operating results

The Company today announced profit before tax, excluding the impact of foreign currency gains, of $8.9 million (H1FY18: pre-currency profit before tax impact of $16.2 million), a decrease of 45% compared to the prior corresponding period. Included in H1FY18 results was $2.5 million of gains from one off, non-recurring items, i.e. the gain on the sale of surplus portion of land sold in Las Vegas. Normalised for currency effects and the gains noted above, profit before tax was $13.7 million in H1FY18. Using the same normalised PBT basis, the results are 35% lower in this half compared to the prior corresponding period.

The result from operating activities was $7.3 million, a decrease of 43% on the prior corresponding period (excluding the one off, non-recurring gains in H1FY18). This decrease was primarily due to reduction in sales contribution from the domestic market and increased sales, service and marketing and research and development costs in this half.

Net profit after tax reported in the current period was $12.1 million, an increase of 25% compared to the prior corresponding period. The Group's tax effective rate was 17.7% compared to 17.8% in the prior corresponding period.

Directors' report (continued)

Review of operations (continued)

Operating results (continued)

The Group's performance for the current and previous corresponding period is set out below:

In millions of AUD	6 months to 31 Dec 2018	6 months to 31 Dec 2017	Variance %
Total Revenue	118.0	120.3	(1.9%)
Underlying EBITDA	23.9	26.9	(11.2%)
Reported EBITDA	29.7	24.6	20.7%
EBIT	**13.1**	**10.8**	**21.3%**
Profit before tax	14.7	11.8	24.6%
Profit for the year	**12.1**	**9.7**	**24.7%**
Total assets	497.8	468.4	6.3%
Net assets	394.0	352.2	11.9%
Earnings per share (fully diluted)	3.6 cents	2.4 cents	50.0%
Total dividends per share	-	1.5 cents	(100.0%)

A reconciliation of the reported EBITDA to the underlying EBITDA is shown in the following table:

In millions of AUD	6 months to 31 Dec 2018	6 months to 31 Dec 2017	Variance %
Reconciliation:			
Profit before tax	**14.7**	**11.8**	**24.6%**
Net Interest	(1.6)	(1.0)	60.0%
Depreciation and amortisation	16.6	13.8	20.3%
Reported EBITDA	**29.7**	**24.6**	**20.7%**
Foreign currency (gains)/ losses	(5.8)	4.4	231.8%
Impairment losses (Receivables)	-	0.4	(100.0%)
Gain on sale of land	-	(2.5)	100.0%
Underlying EBITDA	**23.9**	**26.9**	**(11.2%)**

The information presented in this review of operations has not been audited in accordance with the Australian Auditing Standards.

The earnings performance in the Americas, now represents 83% ($34.9 million) of total segment profit compared to 65% ($28.0 million) in the previous corresponding period.

Directors' report (continued)

Review of operations (continued)

Review of principal businesses
Results in the current period and previous corresponding period are summarised as follows:

In millions of AUD	6 months to 31 Dec 2018	6 months to 31 Dec 2017	Variance	Variance %
Segment revenue				
Australia	19.7	37.1	(17.4)	(46.9%)
Americas	89.5	74.9	14.6	19.5%
Rest of World	8.8	8.3	0.5	6.0%
Total segment revenue	**118.0**	**120.3**	**(2.3)**	**(1.9%)**
Segment result				
Australia	2.0	10.2	(8.2)	(80.4%)
Americas	34.9	28.0	6.9	24.6%
Rest of World	5.0	5.2	(0.2)	(3.8%)
Total segment result	**41.9**	**43.4**	**(1.5)**	**(3.5%)**
Unallocated expenses				
Net foreign currency gains / (losses)	5.8	(4.4)	10.2	231.8%
R&D expenses	(19.1)	(16.5)	(2.6)	(15.8%)
Corporate expenses	(12.8)	(9.8)	(3.0)	(30.6%)
Share of loss profit of equity-accounted investee	(0.1)	(0.1)	-	-
Total unallocated expenses	**(26.2)**	**(30.8)**	**4.6**	**14.9%**
Less : interest included in segment result	(2.6)	(1.8)	(0.8)	44.4%
EBIT	**13.1**	**10.8**	**2.3**	**21.3%**
Net interest	1.6	1.0	0.6	60.0%
Profit before income tax	**14.7**	**11.8**	**2.9**	**24.6%**
Income tax expense	(2.6)	(2.1)	(0.5)	(23.8%)
Profit after income tax	**12.1**	**9.7**	**2.4**	**24.7%**

	% of revenue		**Variance**
Key performance metrics	**6 months to 31 Dec 2018**	**6 months to 31 Dec 2017**	**Points**
Segment result margin			
Australia	10.2	27.5	(17.3)
Americas	39.0	37.4	1.6
Rest of World	56.8	62.7	(5.9)
Segment result margin	**35.5**	**36.1**	**(0.6)**
R&D expense	16.2	13.7	2.5
Adjusted EBIT(1)	6.2	12.6	(6.4)
Adjusted profit before income tax(1)	7.5	13.5	(6.0)
Adjusted profit after income tax(1)	5.3	11.7	(6.4)
	%		**Variance**
Effective Tax Rate	17.7	17.8	(0.1)

(1)Excludes net foreign currency gains of $5.8 million (H1FY18: $4.4 million foreign currency losses)

Review of operations (continued)

Revenue

Revenue for the period was $118.0 million, compared to $120.3 million for the previous corresponding period in FY18, a decrease of 2%. International revenue contributed 83% of total revenue, compared to 69% in the previous corresponding period.

Domestic revenue was $19.7 million a decrease on the $37.1 million in the previous corresponding period. The reduction in domestic revenue reflects the challenging domestic market and competitor factors, especially in NSW and QLD. Further product releases are expected to provide increased opportunities within all domestic markets in the second half of FY19.

International revenue was $98.3 million compared to $83.2 million in the previous corresponding period, an increase of 18%. The key markets of the Americas now constitute 76% ($89.5 million) of total revenues, up from 62% ($74.9 million) in the prior corresponding period in FY18. The increase in international revenue is predominantly from North America, an increase of 40% from prior corresponding period as a result of the success of the Quick Spin range of products. Revenue from participation and leased machines under operation was $20.9 million, a decrease of 11% on the prior corresponding period. This represented a contribution of 21% of total international revenue, a decrease of 7% compared to the prior corresponding period. Units under gaming operations for the period was 6,207 units, an increase of 6% from the prior corresponding period. The decrease in North America gaming operations of 694 has been offset by the increase 1,051 units in Latin America, resulting in a net increase of 357 units.

North America contributed $53.8 million in revenue, an increase of 40% on the previous corresponding period. Unit sales increased by 38% to 1,342 units in the period. Units under gaming operation within North America at period end were 2,303, a decrease of 23% on the previous corresponding period resulting in lower participation and lease revenue compared to prior corresponding period. This decrease was primarily due to customers choosing to purchase top performing titles outright and reduce non performing titles for optimal floor mix. During this half, we also saw a reduction in the number of gaming operations placed under PacMan. The Class II machines placed under participation at the reporting date were 949 units representing 41% of total machines under gaming operation within North America.

Latin America delivered revenue of $35.7 million, a decrease of 2% on the previous corresponding period. Unit sales of 1,391 were down by 10% in the period. Units under gaming operation at period end were 3,904 an increase of 37% from the 2,853 at the previous corresponding period. Argentina and Colombia unit sales decreased by 70% and 53%, respectively, compared to the prior corresponding period. Mexico remains as an important market for the Latin America segment, with units increasing by 55% compared to prior corresponding period. Continued strong product performance of the Quad Shot™ and Dream Strike™ range of products within this region was achieved in the period.

Rest of the world encompassing Europe, Asia and New Zealand achieved revenue of $8.8 million, an increase on the $8.3 million in the prior corresponding period. Although Asia and Europe both resulted in an increase from prior corresponding period, New Zealand has suffered a decline in revenue due to a decline in distributor sales.

Review of operations (continued)

Operating costs

Cost of sales in the period were $46.6 million compared to $51.2 million in the previous corresponding period in FY18. Gross margin achieved for the current half year period was 60%, compared to 57% for first half FY18. The increase in margin was assisted with increased sales of parts and conversions and higher margin contributions from the North America and Europe segment.

Operating costs, excluding cost of sales and financing costs, were $64.5 million compared to $56.3 million in the previous corresponding period in FY18, an increase of 15%. Excluding the $2.5 million reversal of previously recognised 2015 Performance Rights share based payment expense amortisation that occurred in H1FY18, administrative costs are fairly consistent with prior corresponding period. Sales, service and marketing expenses increased by $2.8 million due to increase in depreciation recognised for leased assets and increase in product and brand marketing costs. The weakening of the AUD against the USD has also contributed to the increase of operating costs by $2.5 million across all three cost categories.

Research and Development (R&D) expense in the period was $19.1 million, an increase of $2.6 million (16%) compared to the previous corresponding period. The increase in R&D expense resulted from the reduction of capitalised development costs, increase in amortisation costs as a result of commercialisation of previously capitalised projects and investment in product offerings initiatives.

Net financing income

Net financing income was $7.4 million compared to a net financing loss of $3.4 million in the previous corresponding period in FY18. Net unrealised foreign exchange gain from balance sheet translations in the current period totalled $5.8 million compared to a loss of $4.4 million in the previous corresponding period, a favourable variance of $10.2 million. Net interest income was $1.6 million in the current period compared to $1.0 million in the previous corresponding period.

Cashflow

Total cash held as at 31 December 2018 was $51.7 million compared to $28.7 million at the previous corresponding period end. The net cashflow in the current period resulted in an increase of $14.5 million (H1 FY18: increase of $7.8 million) as a result of disciplined working capital management across the Group.

Cash inflows from operations for the current period were $30.8 million, an increase of $23.9 million from the previous corresponding period. Cash receipts for the period increased by 27% to $168.1 million which includes the receipt of the significant sales to CDI in H2FY18.

During this first half, net cash used in investing activities decreased by $0.8 million due to decrease in acquisitions of property, plant and equipment and development expenditure. Capitalised development expenditure decreased by 43% compared to prior corresponding period due to the finalisation of R&D work across the Group.

Net cash used in financing activities was $14.4 million during this half, a movement of $17.9 million compared to prior corresponding period. The improved cash flow has allowed the Group to commence its debt reduction strategy whereby USD8.0 million was repaid towards the Group's secured bank loan during this period.

Market Capitalisation

An analysis based upon the share price at 31 December 2018 ($0.795) implies a market capitalisation of $267,748 thousand, a deficit of $126,237 thousand to the net assets value as at 31 December 2018. The share price does not include a premium for control. Despite including a control premium in the share price, a deficit to the net assets value as at 31 December 2018 would result.

Review of operations (continued)

Market Capitalisation (continued)
The directors believe that while there could be other factors affecting the Company's share price, the main factor contributing to the decrease in share price is the market's reaction to the Group's 'Australia and other' segment performance. As such, the Group has undertaken an in-depth value in use calculation to assess the recoverability of the carrying value of the Australia and other cash generating unit ("CGU") as at 31 December 2018. As other CGUs (i.e. North America, Latin America and Development) within the Group are performing in line with the Group's budgets and forecasts, in-depth reviews of the recoverability of the carrying value of these CGUs at 31 December 2018 was considered not necessary (see Note 12).

Events subsequent to reporting date

There has not arisen in the interval between the end of the half 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.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 33 and forms part of the directors' report for the six months ended 31 December 2018.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191 and in accordance with that instrument, amounts in the condensed consolidated interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

Graeme Campbell
Chairman

Dated at Sydney this 26th day of February 2019.

Condensed consolidated statement of financial position

As at 31 December 2018

In thousands of AUD

	Note	31-Dec-18	30-Jun-18
Assets			
Cash and cash equivalents		51,692	35,667
Receivables and other assets		116,820	153,464
Current tax assets		2,707	324
Inventories		80,830	79,304
Prepayments		7,148	5,239
Total current assets		**259,197**	**273,998**
Receivables and other assets		36,230	39,259
Deferred tax assets		6,114	5,001
Property, plant and equipment		128,222	118,593
Intangible assets	*12*	66,103	67,496
Equity-accounted investee		1,954	2,001
Total non-current assets		**238,623**	**232,350**
Total assets		**497,820**	**506,348**
Liabilites			
Trade and other payables		24,816	37,500
Loans and borrowings	*14*	10,803	239
Employee benefits		8,603	9,513
Current tax liability		1,515	4,069
Provisions		1,057	1,100
Total current liabilities		**46,794**	**52,421**
Loans and borrowings	*14*	53,840	71,721
Employee benefits		580	589
Deferred tax liabilities		2,621	2,818
Total non-current liabilities		**57,041**	**75,128**
Total liabilities		**103,835**	**127,549**
Net assets		**393,985**	**378,799**
Equity			
Share capital		207,709	203,032
Reserves		188,475	179,787
Accumulated losses		(2,199)	(4,020)
Total equity		**393,985**	**378,799**

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

For six months ended 31 December 2018

In thousands of AUD

	Note	31-Dec-18	31-Dec-17
Revenue	*7*	118,005	120,315
Cost of sales		(46,643)	(51,164)
Gross profit		**71,362**	**69,151**
Other income		476	2,459
Sales, service and marketing expenses		(32,330)	(29,553)
Research and development expenses		(19,109)	(16,526)
Administrative expenses		(12,777)	(9,847)
Other expenses		(289)	(357)
Results from operating activities		**7,333**	**15,327**
Finance income		8,538	1,747
Finance costs		(1,128)	(5,098)
Net finance income / (loss)		**7,410**	**(3,351)**
Share of loss of equity accounted investee		(57)	(142)
Profit before tax		**14,686**	**11,834**
Income tax expense	*10*	(2,542)	(2,181)
Profit for the year		**12,144**	**9,653**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		7,211	(567)
Total other comprehensive income		**7,211**	**(567)**
Total comprehensive income for the year		**19,355**	**9,086**
Profit attributable to owners of the Company		**12,144**	**9,653**
Total comprehensive income attributable to the owners of the Company		**19,355**	**9,086**
Earnings per share:			
Basic earnings per share (AUD)		$0.04	$0.03
Diluted earnings per share (AUD)		$0.04	$0.02

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For six months ended 31 December 2018

In thousands of AUD

	Attributable to owners of the Company						
	Issued Capital	**Equity compensation reserve**	**Fair value reserve**	**Translation reserve**	**Profit reserve**	**Accumulated losses**	**Total Equity**
Balance at 1 July 2017	**200,245**	**5,547**	**9,684**	**5,363**	**132,273**	**(8,476)**	**344,636**
Total comprehensive income for the period							
Profit	-	-	-	-	-	9,653	9,653
Transfer between reserves	-	-	-	-	7,698	(7,698)	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	(567)	-	-	(567)
Total other comprehensive income	-	-	-	(567)	-	-	(567)
Total comprehensive income for the period	-	-	-	(567)	7,698	1,955	9,086
Transactions with owners, recorded directly in equity							
Issue of ordinary shares under the Dividend Reinvestment Plan	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-
Share-based payment amortisation	-	931	-	-	-	-	931
Reversal of share-based payment amortisation	-	(2,442)	-	-	-		(2,442)
Total transactions with owners	-	(1,511)	-	-	-	-	(1,511)
Balance at 31 December 2017	**200,245**	**4,036**	**9,684**	**4,796**	**139,971**	**(6,521)**	**352,211**
Restated balance at 30 June 2018	**203,032**	**4,329**	**9,684**	**10,987**	**154,787**	**(4,020)**	**378,799**
Adjustment from intial application of AASB 15 (net of tax)	-	-	-	-	-	34	34
Adjustment from intial application of AASB 9 (net of tax)	-	-	-	-	-	(812)	(812)
Adjusted balance at 1 July 2018	**203,032**	**4,329**	**9,684**	**10,987**	**154,787**	**(4,798)**	**378,021**
Total comprehensive income for the period							
Profit	-	-	-	-	-	12,144	12,144
Transfer between reserves	-	-	-	-	9,545	(9,545)	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	7,211	-	-	7,211
Total other comprehensive income	-	-	-	7,211	-	-	7,211
Total comprehensive income for the period	-	-	-	7,211	9,545	2,599	19,355
Transactions with owners, recorded directly in equity							
Issue of ordinary shares under the Dividend Reinvestment Plan	4,677	-	-	-	(4,677)	-	-
Dividends to owners of the Company	-	-	-	-	(3,636)	-	(3,636)
Share-based payment amortisation	-	245	-	-	-	-	245
Total transactions with owners	4,677	245	-	-	(8,313)	-	(3,391)
Balance at 31 December 2018	**207,709**	**4,574**	**9,684**	**18,198**	**156,019**	**(2,199)**	**393,985**

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For six months ended 31 December 2018

In thousands of AUD

	Note	31-Dec-18	31-Dec-17
Cash flows from operating activities			
Cash receipts from customers		168,098	131,845
Cash paid to suppliers and employees		(130,347)	(115,527)
Cash generated from operations		**37,751**	**16,318**
Income taxes paid		(6,081)	(9,289)
Borrowing costs paid		(893)	(161)
Net cash from operating activities		**30,777**	**6,868**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		28	4,605
Interest received		2,691	1,747
Acquisitions of property, plant and equipment		(2,971)	(6,178)
Development expenditure		(1,575)	(2,808)
Net cash used in investing activities		**(1,827)**	**(2,634)**
Cash flows (used in) / from financing activities			
Proceeds from borrowings		-	3,130
Repayment of borrowings		(11,279)	-
Proceeds from finance lease		707	586
Payment of finance lease liabilities		(239)	(178)
Dividend paid		(3,636)	-
Net cash (used in) / from financing activities		**(14,447)**	**3,538**
Net increase in cash and cash equivalents		14,503	7,772
Cash and cash equivalents at 1 July		35,667	21,094
Effect of exchange rate fluctuations on cash held		1,522	(193)
Cash and cash equivalents at 31 December		**51,692**	**28,673**

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Ainsworth Game Technology Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at 10 Holker Street, Newington, NSW, 2127 or at www.agtslots.com.

2. Basis of preparation
Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all of the information required for a complete set of annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2018.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were approved by the Board of Directors on 26 February 2019.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the condensed consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* (see Note 3a) and AASB 9 *Financial Instruments* (see Note 3b) from 1 July 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying these standards is mainly attributable to the following:
- defer recognition of revenue related to installation of machines (see Note 3a)
- an adjustment in timing of revenue recognition for performance obligations on multi-element arrangement contracts (see Note 3a)
- an increase in impairment losses recognised on financial assets (see Note 3b)

3a. AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenues*, AASB 111 *Construction Contracts* and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Accordingly, the information presented for the comparative period has not been restated, i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

The Group has elected to use the following practical expedients in relation to sale of machines and multi-element arrangement contracts:

- The promised amount of consideration was not adjusted for the effects of a significant financing component for contracts if the Group, at contract inception, expects that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be of one year or less; and
- The incremental costs of obtaining a contract was recognised as an expense when incurred where the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Where the amortisation period is more than one year the incremental costs of obtaining a contract were minimal.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018.

In thousands of AUD	**Note**	**Impact of adopting AASB 15 at 1 July 2018**
Retained earnings		
Machine sale contracts	(i)	(62)
Multi-element arrangements	(ii)	96
Impact at 1 July 2018		**34**

The following tables summarise the impacts of adopting AASB 15 on the Group's interim statement of financial position as at 31 December 2018 and its interim statement of profit or loss and other comprehensive income for the six months ended 31 December 2018 for each line item affected. There was no material impact on the Group's interim statement of cash flows for the six month period ended 31 December 2018.

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

3a. AASB 15 *Revenue from Contracts with Customers* (continued)

Impact on the condensed interim consolidated statement of financial position

31 December 2018 *In thousands of AUD*	**As reported**	**Adjustments**	**Amounts without adoption of AASB 15**
Assets			
Current Assets			
Trade and other receivables	116,576	(13)	116,563
Total Current Assets	**116,576**	**(13)**	**116,563**
Non-Current Assets			
Trade and other receivables	36,475	(141)	36,334
Total Non-Current Assets	**36,475**	**(141)**	**36,334**
Equity			
Accumulated losses	(2,199)	(154)	(2,353)
Total Equity	**(2,199)**	**(154)**	**(2,353)**

Impact on the condensed interim consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2018
In thousands of AUD

	As reported	**Adjustments**	**Amounts without adoption of AASB 15**
Revenue	**118,005**	**(154)**	**117,851**
Gross profit	**71,362**	**(154)**	**71,208**
Operating profit	**7,333**	**(154)**	**7,179**
Profit before tax	**14,686**	**(154)**	**14,532**
Profit for the year	**12,144**	**(154)**	**11,990**
Total comprehensive income for the year	**12,144**	**(154)**	**11,990**

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services offering are set out below.

Under AASB 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – which requires judgement.

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

3a. AASB 15 *Revenue from Contracts with Customers* (continued)

Type of product/ service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
i. **Machines sales**	Customers obtain control of machines when the goods are delivered and have been accepted by the customer. Invoices are generated and revenue is recognised at that point in time.	Under AASB 118, revenue for these contracts was recognised when persuasive evidence exists usually in the form of an executed sale 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. For machine sales in which the Group is also responsible for fulfilling performance obligation related to installation of the machines sold, under AASB 15 the installation is considered as a separate performance obligation. This is because the promise to install is implicit in the contract based on established business practices and creates a valid expectation that the Group will provide the service to the customer. Therefore, the amount of revenue recognised is adjusted for machines that are yet to be installed by the Group. In such circumstances, a reversal of revenue is recorded. The impact of these changes on items other than revenue is a decrease in trade and other receivables.

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

3a. AASB 15 *Revenue from Contracts with Customers* (continued)

Type of product/service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
ii. Multi element arrangements	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 conversion option material rights on a straight-line basis over the licence term. Where a contract contains a significant financing component, there is no change from current practice in recognising interest income over time.	Under AASB 118, the Group determines the portion of the transaction price that it allocates to each performance obligation within this arrangement using the relative standalone selling price. The transaction price is allocated to each performance obligation based on the proportion of the standalone selling price of each performance obligation to the sum of the standalone selling prices of all performance obligations. Under AASB 15, the standalone selling price of the conversion option material right now reflects the discount the customer would obtain when exercising the option, adjusted for the likelihood that the option will be exercised. This results in a lower proportion of transaction price allocated to the conversion option material right, and therefore less revenue is deferred. The timing of the recognition of conversion option material right is now the earlier of the exercising of the conversion option or expiry of the option. These changes impact the timing and amount of revenue recognition. The impact of these changes on items other than revenue is trade and other receivables.
iii. License income	Licence income, including those received from online gaming business, is recognised when all obligations in accordance with the agreement have been met which may be at the time of sale or over the life of the agreement.	AASB 15 did not have a significant impact on the Group's accounting policies.
iv. Services	Revenue from services rendered is recognised in profit or loss when the services are performed. The Group has concluded that revenue from services meets the criteria set with AAS15 for revenue recognised over time and progress will be measured by using the inputs method.	AASB 15 did not have a significant impact on the Group's accounting policies.

3. Changes in significant accounting policies (continued)

Operating lease revenues including participation and rental which falls outside the scope of AASB 15 and fall within AASB 16 *Leases* (see Note 4).

3b. AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. This standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement and impairment. The Group has elected not to restate its comparatives and as a result at the date of initial application, that is, at 1 July 2018, the Group adjusted its opening retained earnings for changes in the impairment provision amount of its financial assets from inception of those assets to this date.

The following table summarises the impact, net of tax, of transition to AASB 9 on the opening balance of reserves and retained earnings.

In thousands of AUD	**Note**	**Impact of adopting AASB 9 at 1 July 2018**
Retained earnings		
Recognition of expected credit losses under AASB 9 recognised over time	(i)	(1,214)
Related tax		402
Impact at 1 July 2018		**(812)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Impairment of financial assets – trade receivables

AASB 9 replaces the 'incurred loss' model in AASB 139 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

Under AASB 9, loss allowances are measured on either of the following basis:
- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and forward-looking information.

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

3b. AASB 9 *Financial Instruments* (continued)

(i) Impairment of financial assets – trade receivables (continued)

Measurement of ECLS
ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets
At each reporting date, the Group will assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Impact of the new impairment model
For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in an additional impairment allowance as outlined below:

In thousands of AUD	**Impact of adopting AASB 9 at 1 July 2018**
Loss allowance at 30 June 2018 under AASB 139	**3,931**
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018	1,214
Loss allowance at 1 July 2018 under AASB 9	**5,145**

The ECLs on trade and other receivables were calculated based on actual credit loss experience over the past four years. Exposures within each group were segmented based on common credit risk characteristics for each geographical region. The Group performed the calculation of ECL rates based on the customers geographic region and applied the calculated ECL to the closing trade receivables amounts at reporting date.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 1 July 2018 upon adoption of AASB 9.

In thousands of AUD

Geographical region	**Loss rate**	**Debtor Balance**	**Impairment loss allowance under AASB 9**	**Impairment loss allowance under AASB 139**
Australia & Other	3.2%	33,414	(1,085)	(942)
North America	1.6%	69,930	(1,126)	(967)
Latin America	3.1%	93,309	(2,934)	(2,022)
		196,653	**(5,145)**	**(3,931)**

Notes to the condensed consolidated interim financial statements

3. Changes in significant accounting policies (continued)

3b. AASB 9 *Financial Instruments (continued)*

(i) Impairment of financial assets – trade receivables (continued)

The methodology described above has also been used at the interim reporting date. Changes during the period to the Group's exposure to credit risk are shown in the following table which provides information about exposure to credit risk and ECLs for trade and other receivables as at 31 December 2018.

In thousands of AUD

Geographical region	Loss rate	Debtor Balance	Impairment loss allowance under AASB 9
Australia & Other	6.1%	22,899	(1,390)
North America	2.5%	44,481	(1,105)
Latin America	3.1%	90,970	(2,805)
		158,350	**(5,300)**

4. Changes in new standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted, however, the Group has not early adopted the following new or amended standards in preparing these condensed consolidated interim financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

AASB 16 Leases

AASB 16 replaces the current AASB 117 *Leases* standard. The standard is effective for annual periods beginning 1 January 2019. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees, effectively treating all leases as finance leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Thus far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of office, warehouse, factory facilities and office equipment. As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to $11,871 thousand. The Group does not expect any further material impact to its financial statement as at 30 June 2019.

Notes to the condensed consolidated interim financial statements

4. Changes in new standards and interpretations not yet adopted (continued)

AASB 16 Leases (continued)
In addition, the nature of expenses related to those leases will now change because AASB 16 replaces the straight-line operating leases expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

i. Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under Interpretation 4.

On transition to AASB 16, the Group can choose whether to:

- apply the AASB 16 definition of a lease to all its contracts, or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition whereby all contracts entered into before 1 July 2019 been identified as leases under AASB 117 and Interpretation 4.

ii. Transition to AASB 16

As the lessee, the Group can either apply the standard using a:

- retrospective approach or
- modified retrospective approach with optional practical expedients

The lessee applies the election consistently to all of its leases.

The Group plans to apply AASB 16 initially on 1 July 2019, using a modified retrospective approach. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating leases under AASB 117, the lessee can elect, on a lease-lease basis, whether to apply a number of practical expedients on transition.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

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

Notes to the condensed consolidated interim financial statements

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2018.

6. Operating segments

Information reported to the Group's Chief Executive Officer (CEO) for the purposes of resource allocation and assessment of performance is focused on the geographical location of customers of gaming machines. The primary geographical location of customers and therefore the Group's reportable segments under AASB 8 are outlined in the table on the following page.

The NSW and North and Latin America segments include the aggregation of the Group's other operating segments that are not separately reportable. Included in the NSW and North and Latin America segments are the results of the operating segments related to the servicing of gaming machines in those geographical regions. These operating segments are considered to have similar economic characteristics as the nature of the products and services is complementary and the nature of the regulatory environment and type of customer are consistent. Performance of each reportable segment is 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.

Notes to the condensed consolidated interim financial statements

6. Operating segments (continued)

For the six months ended 31 December 2018

In thousands of AUD	NSW	QLD / NT	VIC / TAS	South Australia	North America	Latin America	Asia	New Zealand	Europe / Other	Total
	------------------- Australia			---------------------	------- Americas	-------	-------------- Others		--------------	
Reportable segment revenue	11,299	2,238	5,072	1,154	53,790	35,669	2,383	1,381	5,019	118,005
Result										
Segment result	(470)	31	2,020	408	21,609	13,327	739	483	3,758	41,905
Interest revenue not allocated to segments										5
Interest expense										(1,128)
Foreign currency gain										5,847
Share of loss of equity-accounted investee										(57)
R & D expenses										(19,109)
Corporate and administrative expenses										(12,777)
Profit before tax										14,686
Income tax expense										(2,542)
Net profit after tax										12,144

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

Notes to the condensed consolidated interim financial statements

6. Operating segments (continued)

For the six months ended 31 December 2017

In thousands of AUD	NSW	QLD / NT	VIC / TAS	South Australia	North * America	Latin America	Asia	New Zealand	Europe / Other	Total
	Australia				Americas		Others			
Reportable segment revenue	20,564	10,501	4,722	1,377	38,308	36,574	1,686	2,630	3,953	120,315
Result										
Segment result	4,300	3,781	1,885	255	14,742	13,228	755	1,170	3,318	43,434
Interest revenue not allocated to segments										13
Interest expense										(726)
Foreign currency loss										(4,372)
Share of profit of equity-accounted investee										(142)
R & D expenses										(16,526)
Corporate and administrative expenses										(9,847)
Profit before tax										11,834
Income tax expense										(2,181)
Net profit after tax										9,653

*Included in the North America segment result is gain on sale of land amounting to $2.5 million.

**The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated.*

7. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenues is derived from contracts with customers.

The nature and effect of applying AASB 15 on the Group's interim financial statements are disclosed in Note 3.

a) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market major products and service lines and timing of revenue recognition.

	------------------- Australia	---------------------			------- Americas -------		------------- Others -------------			
In thousands of AUD	**NSW**	**QLD / NT**	**VIC / TAS**	**South Australia**	**North America**	**Latin America**	**Asia**	**New Zealand**	**Europe / Other**	**Total**
Major products/service lines										
Machine and part sales	6,368	1,473	3,726	632	35,531	25,563	2,365	1,344	1,304	78,306
Multi element arrangements	1,754	761	1,334	522	-	-	-	-	-	4,371
Sale type leases	-	-	-	-	2,141	2,553	-	-	-	4,694
Rendering of services	3,156	-	-	-	1,652	(25)	-	-	-	4,783
License income	21	4	12	-	626	539	18	37	3,715	4,972
Rental and participation	-	-	-	-	13,840	7,039	-	-	-	20,879
	11,299	**2,238**	**5,072**	**1,154**	**53,790**	**35,669**	**2,383**	**1,381**	**5,019**	**118,005**
Timing of revenue recognition										
Products and services transferred at a point in time	7,997	2,122	4,955	1,130	37,890	28,441	2,383	1,381	2,289	88,588
Products and services transferred over time	3,302	116	117	24	15,900	7,228	-	-	2,730	29,417
	11,299	**2,238**	**5,072**	**1,154**	**53,790**	**35,669**	**2,383**	**1,381**	**5,019**	**118,005**

Notes to the condensed consolidated interim financial statements

8. Write-down of inventory

During the six months ended 31 December 2018, the write-down of inventories to net realisable value amounted to $1,791 thousand (six months ended 31 December 2017: $577 thousand). Write-downs of inventory are included in cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income.

9. Impairment of trade receivables

During the six months ended 31 December 2018, the Group recognised impairment losses of $289 thousand (six months ended 31 December 2017: $357 thousand), included in other expenses, in the condensed consolidated statement of profit or loss and other comprehensive income. Refer to Note 3b for details on the Groups adoption of AASB 9 relating to impairment loss recognition.

10. Income tax expense

As at 31 December 2018, The Group had not completed the 30 June 2018 tax return and as a result any true up pertaining to the income tax calculation for the year ended 30 June 2018 is not been reflected in the interim financial statements (six months ended 31 December 2017: $2,181 thousand). The Group expects to complete its 30 June 2018 tax return in the second half of FY19 and any adjustments will be reflected in the 12 months financial statements.

The Groups consolidated effective tax rate for the six months ending 31 December 2018 is 17.7%, consistent with prior corresponding period of 17.8%.

11. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2018, the Group capitalised assets with a cost of $22,263 thousand (six months ended 31 December 2017: $21,987 thousand). Included in the $22,263 thousand are assets with a cost of $19,293 thousand (six months ended 31 December 2017: $14,714 thousand) associated with gaming products under rental and participation arrangements. In addition, $5,089 thousand (six months ended 31 December 2017: $5,102 thousand) gaming product assets were transferred to inventory after being returned or sold to customers.

12. Intangible assets

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

31 Dec 2018				
CGUs	Goodwill '$000	Indefinite life intangible assets '$000	Capitalised Development costs '$000	Other assets '$000
Development	-	-	27,236	1,326
Australia and other	2,436	-	-	8,038
North America	21,580	1,583	-	99,879
Latin America	-	-	-	32,309

30 Jun 2018				
CGUs	Goodwill '$000	Indefinite life intangible assets '$000	Capitalised Development costs '$000	Other assets '$000
Development	-	-	28,451	581
Australia and other	2,436	-	-	7,981
North America	20,608	1,583	-	99,382
Latin America	-	-	-	25,067

Notes to the condensed consolidated interim financial statements

12. Intangible assets (continued)

Impairment of cash generating units ('CGUs') including goodwill and indefinite life assets

In accordance with the Group's accounting policies, the Group has evaluated whether the carrying amount of a CGU or group of CGUs exceeds its recoverable amount as at 31 December 2018. The Group has determined the CGUs to be Australia and other, Development, North America and Latin America. The recoverable amount is determined using a value-in-use model.

The Group has undertaken an in-depth value in use calculation to assess the recoverability of the carrying value of the Australia and other cash generating unit ("CGU") as at 31 December 2018 as noted in the Directors Report. Other regions/CGUs are performing in line with their budgets and forecasts and given there is only an annual requirement to perform an impairment testing which was completed as at 30 June 2018, in-depth reviews of the recoverability of the carrying value of these CGUs at 31 December 2018 were considered not necessary.

The key components of the calculation and the basis for the Australia and other CGU are detailed below:

(i) Cash flows

Year 1 Cash flows are based upon H1FY19 actuals and H2FY19 forecasts. Years 2 to 5 cash flows are based on the following assumptions:

- The revenue growth rates are determined based on management's current strategic initiatives, past performance and expected market conditions.
- The associated direct expenses are assumed to increase by either revenue growth rate or CPI rate, depending on the nature of the expenses.
- Indirect overheads are assumed to increase by CPI.
- Gross margins are determined based on past performance, market competition, and the release of future products which are currently under development.

(ii) Terminal growth factor

A terminal growth factor that estimates the long-term growth for this CGU is applied to the year 5 cash flows into perpetuity. These terminal growth rates do not exceed long term expected industry growth rates. The terminal growth rate used in the value in use calculation is 2%.

(iii) Discount rate

The discount rate is an estimate rate that reflects current market assessment of the time value of money and the risks specific to the Australian and other CGU. The pre-tax and post-tax discount rates applied to this CGU's cash flow projections are 16.2% and 12.5% respectively (30 June 2018 pre-tax and post-tax discount rates: 15.2% and 10.8% respectively).

As the recoverable amount of the Australia and other CGU was estimated to be higher than the carrying amount of the CGU's assets, no impairment was considered necessary.

Impact of possible changes in key assumptions

A key assumption in the Australia and Other CGU value in use calculation is forecast revenue growth rates and in particular, the growth rate forecast for FY20. From a sensitivity perspective, should actual revenue growth rates for FY20 fall short of management's expectation of returning to the FY18 trading level, this could result in impairment recognition. Management believes that FY18 is an indicative representation of expected business performance for FY20. The value in use calculation is also subject to the Australia and other CGU not declining any further from the forecasted FY19 results.

Whilst the achievement of forecast revenue growth rates is dependent on the success of current strategic initiatives, market conditions and product performance, management have confidence in the ability to meet forecast growth rates.

Notes to the condensed consolidated interim financial statements

13. Financial instruments

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

In thousands of AUD **Carrying amounts versus fair values**	**Carrying amount**	**Fair value**
31 December 2018		
Non-current financial assets		
Trade and other receivables	36,475	36,475
Non-current financial liabilities		
Loans and borrowings:		
Secured bank loan	53,840	53,840

14. Loans and borrowings

The following loans and borrowings (current and non-current) were obtained and repaid during the six months ended 31 December 2018:

In thousands of AUD	Currency	Nominal Interest Rate	Face Value	Carrying Amount	Year of Maturity
Balance at 1 July 2018			71,964	71,960	
New issues					
Insurance premium funding	AUD	1.73%	892	877	2019
Repayments					
Insurance premium funding	AUD	1.73%	(416)	(409)	2019
Secured bank loan	USD	LIBOR+0.85%	(11,169)	(11,169)	2021
The effects of foreign exchange rate					
Secured bank loan	USD	LIBOR+0.85%	3,384	3,384	2021
Balance at 31 December 2018			64,655	64,643	

Notes to the condensed consolidated interim financial statements

15. Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards. Key management personnel received total compensation of $1,648 thousand for the six months ended 31 December 2018 (six months ended 31 December 2017: $1,677 thousand).

Other related party transactions

	Transaction value Six months ended		Balance receivable/(payable)	
In thousands of AUD	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
Sale				
Novomatic AG and its related entities (i) – sale of goods	2,293	1,105	1,994	1,040
Expenses				
Novomatic AG and its related entities(i) director/shareholder – purchases and other charges made on behalf of Novomatic	899	524	433	-
Novomatic AG and its related entities(i) Companies controlled by director/shareholder – purchases and other charges made on behalf of the Company	1,288	-	(178)	-
Mr LH Ainsworth (ii) Companies controlled by director/shareholder – purchases and other charges	-	775	-	-

Note

(i) Transactions with Novomatic AG and its related entities are considered related party transactions as Mr HK Neumann (a Key Management Personnel of the Group) holds a directorship role in Novomatic AG.

(ii) Mr LH Ainsworth was a related party as he was the director of the company during financial year ending 30 June 2018. He ceased to be a related party on 5th January 2018.

16. Issue of share capital

During this half, additional 4,281,004 number of shares were issued (H1FY18: nil shares) due to shareholders participation in the Dividend Reinvestment Plan for the declared final FY18 dividend.

17. Subsequent events

There has not arisen in the interval between the end of the half 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.

Ainsworth Game Technology Limited

Directors' declaration

In the opinion of the directors of Ainsworth Game Technology Limited ("the Company"):

1. the financial statements and notes set out on pages 9 to 29, are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the six month period ended on that date; and

    (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors.

Graeme Campbell
Chairman

Dated at Sydney this 26th day of February 2019.

Independent Auditor's Review Report

To the shareholders of Ainsworth Game Technology Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Ainsworth Game Technology Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Ainsworth Game Technology Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Ainsworth Game Technology Limited (the Company) and the entities it controlled at the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ainsworth Game Technology Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Stephen May

Partner

Sydney

26 February 2019

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 review of Ainsworth Game Technology Limited for the half-year ended 31 December 2018, there have been:

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

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

KPMG

KPMG

Stephen May
Partner
Sydney
26 February 2019