Ainsworth Game Technology Ltd
ABN 37 068 516 665

10 Holker Street,
Newington NSW 2127
Tel: +61 2 9739 8000

www.agtslots.com.au

31 August 2023

ASX Market Announcements Office

Exchange Centre

20 Bridge Street

Sydney NSW 2000

ELECTRONIC LODGEMENT

Appendix 4D and Interim Financial Report - Six Months Ended 30 June 2023

We attach a copy of the Appendix 4D and Interim Financial Report in respect of Ainsworth Game Technology's results for the six months ended 30 June 2023.

For the purposes of ASX Listing Rule 15.5, this document is authorised for lodgment with the ASX by the Board.

Yours faithfully

Mark Ludski

Company Secretary

Ainsworth Game Technology Limited

ABN 37 068 516 665

APPENDIX 4D

Half Year Report

6 months ended: 30 June 2023

Previous Period: 6 months ended 31 December 2022

Results for announcement to the market

	Up/Down	% Change		6 months ended 30/06/23 A$'000
Revenue from operating activities	Up	16%	to	143,611
Reported profit from ordinary activities after tax attributable to members	Down	29%	to	4,191
Net profit for the period attributable to the members	Down	29%	to	4,191

Dividend Information

Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the half year ended 30 June 2023.

NTA backing	Current period	Previous half
Net tangible asset backing per ordinary security	$0.66	$0.65

Entities where control was gained or lost

Ainsworth Game Technology did not gain or lose control over any entities during the 6 months ended 30 June 2023.

Independent auditor's review report and other information required by Listing Rule 4.2A

This report is based on the financial reports that have been reviewed. Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the following pages.

Ainsworth Game Technology Limited

ABN: 37 068 516 665

INTERIM FINANCIAL REPORT
FOR THE 6 MONTHS ENDED
30 JUNE 2023

DIRECTORS' REPORT

The directors of Ainsworth Game Technology Limited (the "Company") present their report together with the interim financial report of the Group comprising the Company and its subsidiaries for the six months ended 30 June 2023 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
Mr Daniel Gladstone *Chairperson and Independent Non-Executive Director*	Director since 2010 and Chairperson from 26 November 2019.
Mr Graeme Campbell *Independent Non-Executive Director*	Director since 2007, Chairperson from 2016 until 26 November 2019, Lead Independent Director from 26 November 2019 until 11 July 2022.
Mr Colin Henson *Independent Non-Executive Director*	Director since 2013.
Ms Heather Alice Scheibenstock *Independent Non-Executive Director*	Re-appointed Director on 11 July 2022.
Dr Haig Asenbauer *Non-Executive Director*	Appointed Director 22 March 2023.

REVIEW OF OPERATIONS

Business Strategy

Ainsworth's strategy is built around our mission statement of 'A legacy to create' which is to provide high quality innovative gaming solutions globally and to secure sustainable profitability and growth for all stakeholders.

The Group continues to focus on executing its key priority actions as outlined below:

- employing the best talent available to drive effective and efficient product development;
- grow the Group's footprint and operating activities in domestic and international markets, particularly North America;
- targeted investment in research and development to produce innovative products with leading edge technology;
- manage product and overhead costs through improved efficiencies in supply chain and inventory management; and
- pursue initiatives to continually improve and reduce investment in working capital.

REVIEW OF OPERATIONS (CONTINUED)

The Group continues to invest in product, technological developments, and talent acquisition to further diversify and build business capabilities to drive share growth across all key markets. These investments undertaken have contributed to improved Group revenue increasing by 16% during the reported period compared to six months ended 31 December 2022. Throughout the reporting period, the Group has continued to maintain a strong balance sheet to allow the necessary investments to assist in further accelerating of growth objectives in future periods.

The Group actively monitors and manages key risks that may threaten its ability to meet its objectives. During the reporting period, the Group identified increased financial risks relating to its investment assets in Argentina. These risks arise from the continuing hyperinflationary economic conditions in that country and include the potential for ongoing devaluation of the Argentinian Pesos against the US Dollar and increased limitations within Argentina for the transfer of monies held. The Company is pursuing the necessary actions to protect its investments and is proactively monitoring these risks and related mitigation strategies.

The Group is experiencing a greater risk of regulatory and legislative change within its Australian business by State and Territory governments. These changes include the potential introduction of additional requirements that gaming operators will be required to comply with including the potential introduction of cashless gaming systems and functionality that assists players in managing their play of gaming machines and minimises the incidence of problem gambling. The Group through its membership of the industry peak body, the Gaming Technologies Association, is working with State and Territory governments to ensure any potential regulatory and legislative changes are both sustainable and functionally effective.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Earnings and Performance Summary

During the reporting period, there are certain components of the prior half financial statements (i.e. 6 months ended 31 December 2022) that have been restated due to error. Please refer to **Note 2** of this financial report for further details.

In millions of AUD	**6 months ended 30 Jun 2023 (Current period)**	**6 months ended 31 Dec 2022 (Prior half)**	**6 months ended 30 Jun 2022 (pcp)**	**Current period vs Prior half**	**Current period vs pcp**
Reported Results					
Total Revenue	143.6	124.1	119.5	19.5	24.1
Profit before tax	7.9	7.3	1.9	0.6	6.0
Profit after tax	4.2	5.9	2.7	(1.7)	1.5
EBITDA	14.0	14.9	12.5	(0.9)	1.5
EBIT	3.6	4.0	1.1	(0.4)	2.5
Earnings per share (fully diluted)	1.2 cents	1.8 cents	0.7 cents	(0.6 cents)	0.5 cents
Underlying Results (1)					
Profit before tax	23.3	18.8	18.8	4.5	4.5
Profit after tax	18.5	15.5	18.2	3.0	0.3
EBITDA	29.4	26.4	29.4	3.0	-
Balance sheet and cash flow					
Total assets	429.6	425.7	406.5	3.9	23.1
Net assets	327.9	320.2	311.3	7.7	16.6
Operating cashflow	12.1	(5.3)	20.7	17.4	(8.6)
Closing net cash	24.6	29.3	45.3	(4.7)	(20.7)

(1) Underlying results excludes foreign currency impacts and one-off items that are outside the ordinary course of business. These items are outlined below:

Reconciliation of Underlying Profit before tax

In millions of AUD	**6 months ended 30 Jun 2023 (Current period)**	**6 months ended 31 Dec 2022 (Prior half)**	**6 months ended 30 Jun 2022 (PCP)**	**Current period vs prior half**	**Current period vs PCP**
Profit / (Loss) Before Tax	7.9	7.3	1.9	0.6	6.0
Foreign currency losses / (gains)	4.4	2.1	(4.7)	2.3	9.1
GAN exclusivity revenue	(1.9)	-	-	(1.9)	(1.9)
Investment writedown	12.9	-	-	12.9	12.9
Impairment losses - LATAM and Australia and Other CGU	-	3.9	5.2	(3.9)	(5.2)
Provision for Mexican duties and other charges*	-	5.5	16.5	(5.5)	(16.5)
Rent concessions	-	-	(0.1)	-	0.1
Adjusted for Currency and One-Off items	**23.3**	**18.8**	**18.8**	**4.5**	**4.5**

REVIEW OF OPERATIONS (CONTINUED)

Reconciliation of Underlying Profit after tax

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
Profit / (Loss) After Tax	4.2	5.9	2.7	(1.7)	1.5
Foreign currency losses / (gains)	2.9	1.3	(3.8)	1.6	6.7
GAN exclusivity revenue	(1.5)	-	-	(1.5)	(1.5)
Investment writedown	12.9	-	-	12.9	12.9
Impairment losses - LATAM and Australia and Other CGU	-	3.4	4.8	(3.4)	(4.8)
Provision for Mexican duties and other charges*	-	4.9	14.6	(4.9)	(14.6)
Rent concessions	-	-	(0.1)	-	0.1
Adjusted for Currency and One-Off items	**18.5**	**15.5**	**18.2**	**3.0**	**0.3**

* The increase in provision for Mexican duties and other charges recognised in this reporting period relates to CPI adjustments and therefore has not been considered as one-off item.

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

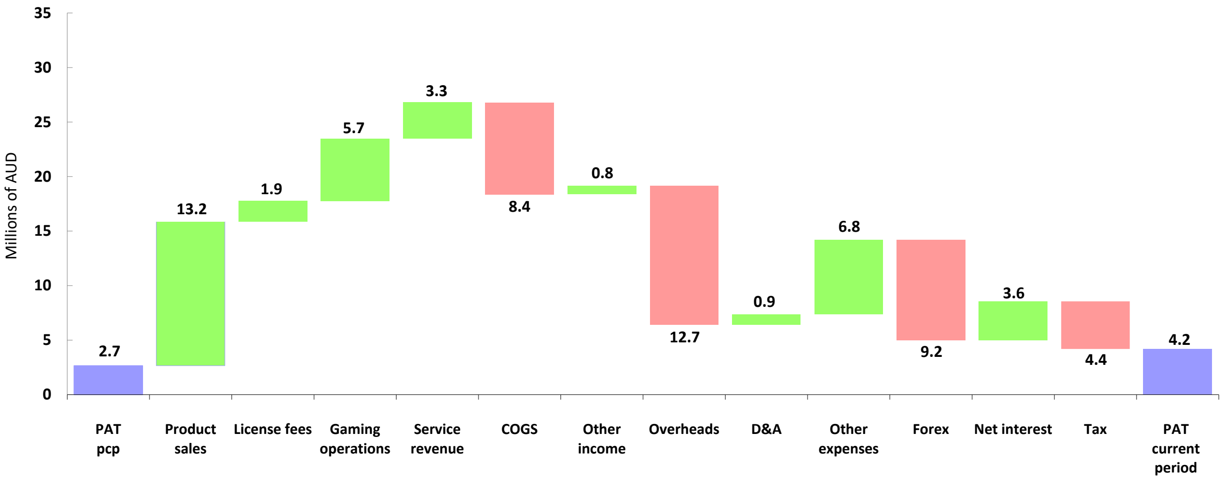
Key earnings and performance highlights are outlined below:

- Reported revenue improvement in this period compared to the pcp and the prior half was predominantly attributable to the North America and Latin America regions with improved product performance;
- Participation and lease revenue increased slightly to $34.8 million (prior half: $34.2 million), contributing to 24% of the Group's total revenue (prior half: 28%);
- Ainsworth's leading Historical Horse Racing ("HHR") products and system continues to incrementally contribute to the Group's results with recurring connection fees of $12.4 million reported in the current period, an increase from $10.8 million on the prior half;
- Outright sales momentum continued mainly in North America and Latin America;
- Net cash position of $24.6 million at 30 June 2023 compared to $29.3 million at 31 December 2022 (restated). While operating cash flows improved by $17.4 million, net cash position remained consistent;
- Trade receivables balances remain fairly similar as prior half despite increased sales in the current period;
- Foreign exchange losses of $4.4 million predominantly related to the devaluation of Argentinian Pesos against USD within the investment made in Argentina. This devaluation was predominately offset by interest income received from this investment;
- Underlying EBITDA margin for the period remained consistent at 20%; and
- Underlying PBT in the current period of $23.3 million, an improvement of $4.5 million compared to the $18.8 million in the prior half and the pcp.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Net profit after tax movement current period to pcp (A$ million)



The Group achieved a Profit after Tax (PAT) of $4.2 million in the current period compared to the $2.7 million in the pcp. Notable movements from PAT in this period when compared to prior half are set out below:

- Increase in product sales in the two major markets of the Group; North America and Latin America, as well as an increase in the online revenue as a result of amendment to GAN Limited ("GAN") contract during the current period;
- Increase in gaming operations revenue contribution resulting from the continuation of performance on Class II products in North America and increase in average fee per day in Latin America compared to the pcp;
- Increase in overheads resulting from increased development initiatives taken by the company during the half to expedite growth as well as global inflationary cost pressures;
- Significant reduction in other expenses due to no impairment relating to recoverability of CGU's carrying value recognised in the current period as well as much lower recognition of expense relating to the provision for Mexican duties and other charges offset by the full write down of investment in Argentina (see note 17);
- Tax expense of $3.7 million recognised for the current period, compared to $0.7 million tax benefit recognised for the pcp; and
- Unfavourable foreign exchange rate predominately relating to the devaluation of investments held in Argentina and strengthening of the Mexican Pesos against USD relating to Mexican Tax Authority ("SAT") provision.

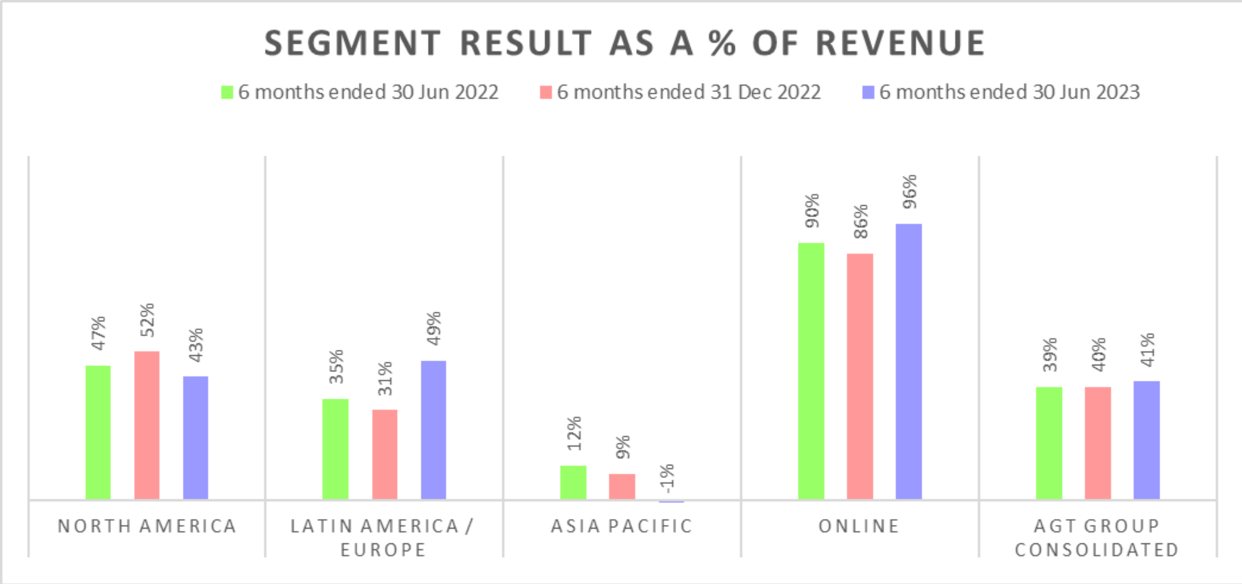
REVIEW OF PRINCIPAL BUSINESSES

During this reporting period, the presentation of operating segments has changed compared to prior periods following the change in how the Group's Chief Executive Officer (CEO) now reviews internal performance and operating segments. Prior to this change, the segment reporting was previously presented as follows: Australia and Rest of the World which includes Online, North America and Latin America.

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

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
Segment revenue					
Asia Pacific	21.2	24.9	22.8	(3.7)	(1.6)
North America	68.5	59.7	60.5	8.8	8.0
Latin America & Europe	45.5	33.1	30.3	12.4	15.2
Online Gaming	8.4	6.4	5.9	2.0	2.5
Total segment revenue	**143.6**	**124.1**	**119.5**	**19.5**	**24.1**
Segment result					
Asia Pacific	(0.2)	2.3	2.8	(2.5)	(3.0)
North America	29.5	30.9	28.4	(1.4)	1.1
Latin America & Europe	22.1	10.4	10.7	11.7	11.4
Online Gaming	8.1	5.5	5.3	2.6	2.8
Total segment result	**59.5**	**49.1**	**47.2**	**10.4**	**12.3**
Unallocated expenses					
Net foreign currency (losses) / gains	(4.4)	(2.1)	4.7	(2.3)	(9.1)
Research and development expenses	(21.8)	(19.4)	(17.3)	(2.4)	(4.5)
Administrative expenses	(14.0)	(12.9)	(10.1)	(1.1)	(3.9)
Other expenses	(14.3)	(9.4)	(21.8)	(4.9)	7.5
Total unallocated expenses	**(54.5)**	**(43.8)**	**(44.5)**	**(10.7)**	**(10.0)**
Less : interest included in segment result	(1.4)	(1.3)	(1.6)	(0.1)	0.2
EBIT	**3.6**	**4.0**	**1.1**	**(0.4)**	**2.5**
Net interest income	4.3	3.3	0.8	1.0	3.5
Profit before income tax	**7.9**	**7.3**	**1.9**	**0.6**	**6.0**
Income tax (expense) / benefit	(3.7)	(1.4)	0.8	(2.3)	(4.5)
Profit after income tax	**4.2**	**5.9**	**2.7**	**(1.7)**	**1.5**

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)



Segment result as a percentage of revenue on a consolidated level was at consistent levels for the 6 months ended 30 June 2023, 31 December 2022 and 30 June 2022. The earnings performance in the Americas now represents 87% ($51.6 million) of the total segment result compared to 84% ($41.3 million) in the prior half and 83% ($39.1 million) in the pcp. The improved segment performance in Latin America resulted from increased outright sales generated from Argentina which are driven by strong game performance. North America contributed strongly to the Group's result but had a lower segment result as a percentage of revenue due to higher cost of sales. Fixed costs base with lower revenue during this period affected Asia Pacific segment result. Online segment remained fairly consistent with prior half but a decrease compared to pcp due to higher costs incurred during the half with further investments in talent to remain competitive in the online industry.

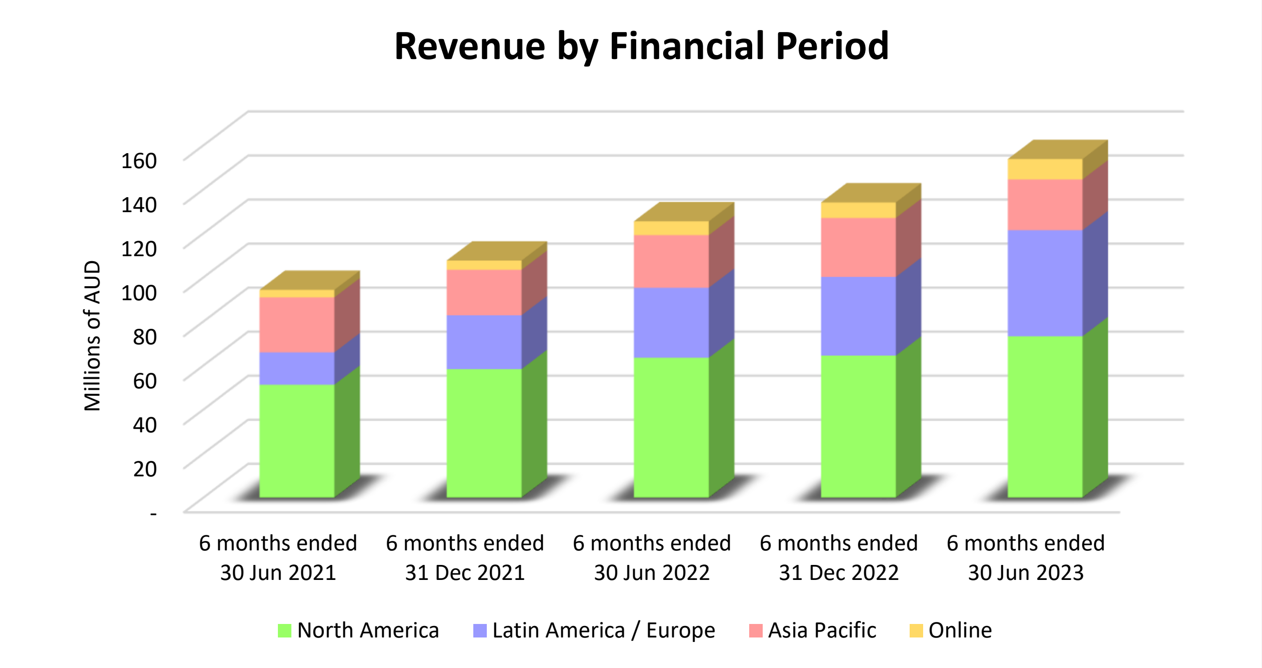
DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Financial performance in the current period, the prior half, and the pcp is summarised as follows:

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
Domestic revenue	17.9	23.2	22.2	(5.3)	(4.3)
International revenue	125.7	100.9	97.3	24.8	28.4
Total revenue	**143.6**	**124.1**	**119.5**	**19.5**	**24.1**
Cost of sales	(56.7)	(44.4)	(48.3)	(12.3)	(8.4)
Gross profit	**86.9**	**79.7**	**71.2**	**7.2**	**15.7**
Gross profit margin %	61%	64%	60%	(3%)	1%
Other income	0.6	0.4	(0.2)	0.2	0.8
Sales, service & marketing expenses	(30.3)	(31.1)	(27.0)	0.8	(3.3)
Research and development expenses	(21.8)	(19.4)	(17.3)	(2.4)	(4.5)
Administrative expenses	(14.0)	(12.9)	(10.1)	(1.1)	(3.9)
Writeback / (impairment) of trade receivables	0.9	(1.2)	1.5	2.1	(0.6)
Other expenses	(14.3)	(9.4)	(21.7)	(4.9)	7.4
Net foreign currency (losses) / gains	(4.4)	(2.1)	4.7	(2.3)	(9.1)
Net finance income	4.3	3.3	0.8	1.0	3.5
Profit before income tax	**7.9**	**7.3**	**1.9**	**0.6**	**6.0**
Income tax (expense) / benefit	(3.7)	(1.4)	0.8	(2.3)	(4.5)
Profit after income tax	**4.2**	**5.9**	**2.7**	**(1.7)**	**1.5**

Revenue



REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Ainsworth's key market, North America, continues to show strong revenue growth contributing $68.5 million which represented 48% of the Group's total revenue. Historical Horse Racing ("HHR") high performing products continue to positively contribute to revenues within this segment. As at 30 June 2023, a total of 6,811 HHR units were connected to Ainsworth's HHR system generating recurring revenue. This is an increase from the 5,510 units as at 31 December 2022 an increase of 1,301 units in the current period. MTD products (Poker and Keno games) have continued to positively contribute to the North America segment profit. MTD's latest game set combines the best-in-class games from both Ainsworth and MTD and this game set has exhibited leading product performance within South Dakota and Louisiana in the current period.

Despite challenging local operating environment in Latin America, progressive improvement has been achieved within this region with improved game performance. Revenue improved by 38% in the current period when compared to the prior half and 50% when compared to the pcp. It is expected that this region will continue to deliver segment profit with activity levels now returning to pre-pandemic levels.

Asia Pacific achieved a lower revenue in the current period compared to the prior half as well as the pcp. This was due to lower unit sales in Australia during the current period across all states with minimal corporate sales contribution and competitive market conditions. It is expected that with the release of new hardware (A100 cabinet) in the second half of CY2023, revenue improvement will be achieved in this region.

On 29th March 2023, an amended and restated integration and content distribution agreement ("Amended Agreement") was executed, replacing the previously executed Content Distribution Agreement ("Previous Agreement"). Under the Previous Agreement, the Group provided GAN (Game Account Network) with the exclusive use of current and future Ainsworth real money online game assets within the U.S. for a minimum guaranteed consideration of US$30 million for a period of 5 years, commencing 1st July 2021. Under the Amended Agreement, this exclusivity with GAN terminates on 31st March 2024, instead of 1st November 2026 and the Group has received additional compensation of 1,250,000 ordinary shares in GAN. The Amended Agreement has triggered a reassessment of revenue recognition and as a result, additional revenue of $1.9 million has been recognised in current period. Revenue from GAN accounts for 79% of the total Online revenue.

Cost of sales and operating costs

Gross margin of 61% was achieved in this period compared to 64% in the prior half, a decrease of 3%. The decline in margin is mainly attributable to a lower proportion of high margin recurring revenue in current period compared to prior periods. Cost pressures on materials continue to impact the Group's gross margin.

Operating costs, excluding cost of sales, other expenses, (writeback) / impairment of trade receivables, and financing costs for the current period were $66.1 million compared to $63.4 million in the prior half and $54.4 million in the pcp. These operating costs over total revenue reported were 46%, a drop from 51% in the prior half. The implementation of cost minimisation measures initiated from prior periods have been maintained to ensure maximum return on expenditure.

Sales, service and marketing (SSM) expenses in the current period were $30.3 million compared to $31.1 million in the prior half and $27.0 million in the pcp. The increase in SSM expenses is directly attributable to increased variable selling costs, personnel costs and marketing costs.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Research and development (R&D) expenses in the current period were $21.8 million compared to $19.4 million in the prior half and $17.3 million in the pcp. Increase in R&D expenses were mainly attributable to evaluation and testing, personnel costs and engagement of new game studios in North America. The Group's strategic investment in R&D talent remains to be the Group's top priority to ensure Ainsworth remains competitive in the industry, delivering high quality products.

Administration costs were $14.0 million in the current period compared to $12.9 million in the prior half and $10.1 million in the pcp. This increase was primarily due to an increase in personnel costs and professional fees. Cost control initiatives are continually being implemented to ensure that administration costs remain relevant to the Group's overall profitability.

Financing income

Net financing income was $4.3 million in the current period, compared to $3.3 million income in the prior half and $0.8 million income in the pcp.

Interest income was $4.8 million in the current period compared to $3.9 million in the prior half and $1.6 million in the pcp. The interest income includes $3.5 million received in the Group's bank account from investments in Argentina and $1.5 million received from customers predominately relating to the Latin America region.

Interest expenses were consistent at $0.4 million in the current period compared to $0.6 million in the prior half and $0.8 million in the pcp.

Segment review

- **North America**

In millions of AUD	**6 months ended 30 Jun 2023 (Current period)**	**6 months ended 31 Dec 2022 (Prior half)**	**6 months ended 30 June 2022 (PCP)**	**Current period vs Prior half**	**Current period vs PCP**
Revenue	**68.5**	**59.7**	**60.5**	**8.8**	**8.0**
Gross Profit	43.8	43.4	38.8	0.4	5.0
Segment EBITDA	35.5	36.7	33.8	(1.2)	1.7
Segment Profit	**29.5**	**30.9**	**28.4**	**(1.4)**	**1.1**
Segment Profit (%)	43%	52%	47%	(9%)	(4%)

North America segment profit decreased by 5% to $29.5 million compared to the prior half, despite an increase in revenue by 15%. This decrease was a result of increased costs of sales and change in mix of revenue contribution affecting gross profit during this period. Higher sales, service and marketing costs directly attributable to the higher revenue also impacted margin. Also contributing to the reduced segment profit was the impairment of trade receivables during the current period of $0.6 million in comparison to the writeback of impairment on trade receivables of $0.9 million in the prior half.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Participation and lease revenue was $23.5 million in the current period, similar to the $23.7 million revenue in the prior half and an increase of 20% compared to the pcp. The average fee per day comprising of participation and fixed lease of Class II, III and HHR machines was US$33, consistent with prior half. The continuing performance of the Class II products has allowed this segment to maintain the average fee per day of US$33.

While there has been an increase in the total gaming operation units placed under Class II machines at 30 June 2023 (2,258 units) compared to 31 December 2022 (1,979 units), these machines were only placed in the last quarter in the current period. Key game titles from the high denomination game suites, particularly the Super Charged 7's classic and Thunder Cash, continue to drive sales momentum.

High performing HHR products continue to contribute to the revenue growth in this segment. As at 30 June 2023, a total of 6,811 units (31 December 2022: 5,510 units) were installed in various markets on the Group's HHR system, generating recurring connection fees. The new property opening in VictoryLand in Alabama and additional placements in existing Kentucky's properties contributed to these additional 1,301 placements opportunities in this highly profitable market segment.

MTD (wholly owned subsidiary) continues to positively contribute within this particular market segment. The game set released in South Dakota and Louisiana continues to perform in this market and contributed to the majority of the revenue achieved in the current period for MTD products. The improvement in game functionality in Nevada resulting from field trials in 2022 is expected to hit the market in future periods. It is expected that this investment should increase Ainsworth's footprint of the products.

- **Latin America / Europe**

In millions of AUD	**6 months ended 30 Jun 2023 (Current period)**	**6 months ended 31 Dec 2022 (Prior half)**	**6 months ended 30 June 2022 (PCP)**	**Current period vs Prior half**	**Current period vs PCP**
Revenue	45.5	33.2	30.3	12.3	15.2
Gross Profit	29.5	21.8	18.4	7.7	11.1
Segment EBITDA	21.3	9.7	10.0	11.6	11.3
Segment Profit	**22.1**	**10.4**	**10.7**	**11.7**	**11.4**
Segment Profit (%)	49%	31%	35%	18%	13%

Despite macro-economic conditions in Argentina continuing to be challenging which affected the recoverability of the investment in Argentina, overall the Latin America segment has delivered improvement in results. During the current period, a total of 1,277 units were sold compared to 911 units in the prior half and 1,007 units in pcp. Increase in average selling price and the change in product mix in the current period contributed to the revenue increase within this segment.

As at 30 June 2023, all 3,550 game operations units installed were operating compared to 3,690 in the prior half and 3,818 in the pcp. The decrease in machines placed under participation and lease were driven by machines converted to sale during the period. Participation and lease revenue in the current period was $11.3 million, compared to $10.2 million in the prior half and $9.6 million in the pcp. The increase was assisted by improved yield of US$12 compared to US$11 in June 2022. Improvement in segment profit is directly attributable to the increase in revenue, leveraging off fixed costs. The demand continues to

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

grow for the A-STAR™ range of cabinets, coupled with high performing game titles such as Pan Chang™, Cash Stacks™, Xtension Link™ and Multi-Win™ Games.

- **Asia Pacific**

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 June 2022 (PCP)	Current period vs Prior half	Current period vs PCP
Revenue	21.2	24.9	22.7	(3.7)	(1.5)
Gross Profit	5.1	8.0	7.5	(2.9)	(2.4)
Segment EBITDA	0.1	3.1	3.5	(3.0)	(3.4)
Segment Profit	**(0.2)**	**2.3**	**2.8**	**(2.5)**	**(3.0)**
Segment Profit (%)	(1%)	9%	12%	(10%)	(13%)

This segment delivered revenue of $21.2 million in the current period, a decrease of 15% compared to the prior half and 7% compared to the pcp revenue. While Grand Fortune™ and Treasure Spirits™ continued to outperform in NSW and QLD, local regulatory changes with the introduction of new gaming regulations in NSW and Victoria have impacted revenue this period. Despite competitive market conditions, higher average selling price of A$24,200 was achieved during the current period, offsetting lower unit sales and continuing cost pressures.

The segment loss for Asia Pacific was 1% in the current period, compared to a profit of 9% in the prior half and a profit of 12% in the pcp. Ongoing Inflationary pressures, fixed cost base with lower revenue contribution and weakening of AUD against USD adversely impacting costs of productions and gross profit which contributed to the drop in segment profit in the current period.

- **Online**

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 June 2022 (PCP)	Current period vs Prior half	Current period vs PCP
Revenue	8.4	6.4	5.9	2.0	2.5
Gross Profit	8.4	6.4	5.9	2.0	2.5
Segment EBITDA	8.1	5.5	5.3	2.6	2.8
Segment Profit	**8.1**	**5.5**	**5.3**	**2.6**	**2.8**
Segment Profit (%)	96%	86%	90%	10%	6%

Online revenue increased during the current period to $8.4 million compared to $6.4 million in the prior half and $5.9 million in the pcp. Majority of the online revenue is attributable to the execution of a 5-year integration and distribution agreement with GAN on 1 July 2021. The revenue increase in the current period predominately relates to the contract modification resulting from the amendment on the GAN distribution agreement on 29th March 2023.

REVIEW OF FINANCIAL CONDITION

Capital structure and treasury policy

The Company currently has on issue 336,793,929 ordinary shares. The Board continues to ensure a strong capital base is maintained to enable investment in the development of the business. Group performance is monitored to oversee an acceptable return on capital is achieved and dividends are able to be provided to ordinary shareholders as and when considered appropriate. There were no changes in the Group's approach to capital management.

The Group is exposed to translational foreign currency risks that are denominated in currencies other than AUD. The Group continually monitors and reviews the financial impact of currency variations to minimise the volatility of changes and adverse financial effects in foreign currency exchange rates. During the reporting period, investments were made in Argentina to hedge the devaluation of the Argentinian ("ARG") Pesos against the US Dollar as well as the increased limitations within Argentina to restrict the transfer of monies held in this region. As the macro-economic conditions in Argentina continuing to be challenging which affected the recoverability of this investment in Argentina, the Group based on limited available information, has fully written down the investments during this period.

Cash flows

The movement in cash is set out as below:

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
EBITDA	**14.0**	**14.9**	**12.5**	**(0.9)**	**1.5**
Change in working capital	6.7	(36.1)	(1.1)	42.8	7.8
Subtotal	20.7	(21.2)	11.4	41.9	9.3
Interest and tax	(3.4)	0.4	1.4	(3.8)	(4.8)
Other cash and non-cash movements	(5.2)	15.5	7.9	(20.7)	(13.1)
Operating cash flow	**12.1**	**(5.3)**	**20.7**	**17.4**	**(8.6)**

In millions of AUD	6 months ended 30 Jun 2023 (Current period)	6 months ended 31 Dec 2022 (Prior half)	6 months ended 30 Jun 2022 (PCP)	Current period vs prior half	Current period vs PCP
Operating cash flow	**12.1**	**(5.3)**	**20.7**	**17.4**	**(8.6)**
Capex	(3.1)	(2.0)	(0.9)	(1.1)	(2.2)
Development expenditure	(3.4)	(1.9)	(1.4)	(1.5)	(2.0)
Proceeds from investments	1.1	-	-	1.1	1.1
Payments for investments	(10.0)	(4.9)	(4.9)	(5.1)	(5.1)
Proceeds from sale of PPE	0.1	0.1	-	-	0.1
Interest received	-	-	0.1	-	(0.1)
Investing cash flow	**(15.3)**	**(8.7)**	**(7.1)**	**(6.6)**	**(8.2)**
Proceeds from borrowings	-	0.4	0.2	(0.4)	(0.2)
Repayment of borrowings	(0.6)	(0.4)	(14.6)	(0.2)	14.0
Proceeds from finance lease liabilities	0.2	0.7	0.1	(0.5)	0.1
Repayment from finance lease liabilities	(1.1)	(1.1)	(1.0)	-	(0.1)
Borrowing costs paid	(0.5)	(0.6)	(0.8)	0.1	0.3
Financing cash flow	**(2.0)**	**(1.0)**	**(16.1)**	**(1.0)**	**14.1**
Net increase/(decrease) in cash	**(5.2)**	**(15.0)**	**(2.5)**	**9.8**	**(2.7)**

REVIEW OF FINANCIAL CONDITION (CONTINUED)

The Group's net cash inflows from operations for the current period were $12.1 million, an increase of $17.4 million compared to the prior half. This was mainly attributable to the increase in customer collections as a result of higher sales achieved during this period.

Liquidity and funding

AGT had cash balances at 30 June 2023 of $24.6 million, compared to $29.9 million at 31 December 2022 (restated). Net cash at 30 June 2023 was $24.6 million, compared to net cash of $29.3 million at 31 December 2022 (restated).

The Group maintained strong overall liquidity and balance sheet in the reporting period. The Group also has a secured bank loan facility of US$32.0 million with Western Alliance Bancorporation (WAB). In this facility, the Company's US-based operating subsidiary, Ainsworth Game Technology Inc., is established as the borrower and party to the relevant credit agreements while its parent entities within the AGT Group of companies, AGT Pty Ltd and Ainsworth Game Technology Limited, serve as guarantors. This facility is currently undrawn. During this reporting period, all financial covenants were met.

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 licenses 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 licenses.

EVENTS SUBSEQUENT TO REPORTING DATE

In August 2023, the Group was notified by the investment company that a reorganization petition had been filed by the trustor of the investments, following difficulties to meet its payment obligations. While the announcement of the reorganisation petition occurred after the end of the reporting period, it is indicative of credit impairment of the investment at 30 June 2023 and based on the limited information available to assess the recoverability of this investment, the Group has fully written down this investment at 30 June 2023.

Apart from the event outlined above, there has not arisen in the interval between the end of the financial period 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 significantly affect 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 46 and forms part of the directors' report for the six months ended 30 June 2023.

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 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:

D. Gladstone

Danny Gladstone
Chairman

Dated at Sydney this 31st day of August 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
In thousands of AUD

	Note	30 June 2023	31 December 2022 Restated*
Assets			
Cash and cash equivalents	19	24,592	29,861
Receivables and other assets		97,151	89,935
Current tax assets		2,063	2,697
Inventories		89,229	90,124
Prepayments		7,629	7,701
Investment in financial asset	12, 17	3,448	7,537
Total current assets		**224,112**	**227,855**
Receivables and other assets	12	21,368	25,601
Deferred tax assets	9	20,791	17,149
Property, plant and equipment	10	78,846	70,189
Right-of-use assets		7,168	7,631
Intangible assets	11	77,267	77,247
Total non-current assets		**205,440**	**197,817**
Total assets		**429,552**	**425,672**
Liabilites			
Trade and other payables		33,372	43,384
Loans and borrowings	13	43	596
Lease liabilities		2,215	2,111
Employee benefits		12,399	9,149
Deferred income	14	5,250	8,281
Current tax liability		5,058	4,678
Provisions	15	31,844	24,321
Total current liabilities		**90,181**	**92,520**
Trade and other payables	12	571	1,051
Lease liabilities		10,524	11,492
Employee benefits		356	367
Total non-current liabilities		**11,451**	**12,910**
Total liabilities		**101,632**	**105,430**
Net assets		**327,920**	**320,242**
Equity			
Share capital		207,709	207,709
Reserves		138,051	134,564
Accumulated losses		(17,840)	(22,031)
Total equity		**327,920**	**320,242**

**Refer to Note 2 for further information on the restatements.*
The notes on pages 22 to 42 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

For the six months ended 30 June 2023

In thousands of AUD

	Note	6 months ended 30 June 2023	6 months ended 31 December 2022 Restated*
Revenue	*6*	143,611	124,147
Cost of sales		(56,732)	(44,409)
Gross profit		**86,879**	**79,738**
Other income		555	393
Sales, service and marketing expenses		(30,296)	(31,151)
Research and development expenses		(21,832)	(19,446)
Administrative expenses		(13,978)	(12,871)
Writeback / (impairment) of trade receivables	*8*	925	(1,170)
Other expenses	*18*	(14,341)	(9,410)
Results from operating activities		**7,912**	**6,083**
Finance income		4,782	3,868
Finance costs		(434)	(573)
Net finance income		**4,348**	**3,295**
Foreign exchange losses		(4,411)	(2,101)
Profit before tax		**7,849**	**7,277**
Income tax expense	*9*	(3,658)	(1,352)
Profit for the year		**4,191**	**5,925**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		2,879	2,328
Total other comprehensive income		**2,879**	**2,328**
Total comprehensive income for the period		**7,070**	**8,253**
Profit attributable to owners of the Company		**4,191**	**5,925**
Total comprehensive income attributable to the owners of the Company		**7,070**	**8,253**
Earnings per share:			
Basic earnings per share (AUD)		$ 0.01	$ 0.02
Diluted earnings per share (AUD)		$ 0.01	$ 0.02

**Refer to Note 2 for further information on the restatements.*

The notes on pages 22 to 42 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2023

In thousands of AUD

	Attributable to owners of the Company						
	Issued Capital	Equity compensation reserve	Fair value reserve	Translation reserve	Profit reserve	Retained Earnings / (Accumulated losses)	Total Equity
Balance at 1 July 2022	**207,709**	**5,431**	**9,684**	**21,022**	**95,438**	**(27,956)**	**311,328**
Total comprehensive income for the period							
Profit	-	-	-	-	-	5,925	5,925
Transfer between reserves	-	-	-	-	-	-	-
Other comprehensive income							-
Foreign currency translation reserve	-	-	-	2,328	-	-	2,328
Total other comprehensive income	-	-	-	2,328	-	-	2,328
Total comprehensive income for the period	-	-	-	2,328	-	5,925	8,253
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	661	-	-	-	-	661
Total transactions with owners	-	661	-	-	-	-	661
Balance at 31 December 2022	**207,709**	**6,092**	**9,684**	**23,350**	**95,438**	**(22,031)**	**320,242**
Balance at 1 January 2023	**207,709**	**6,092**	**9,684**	**23,350**	**95,438**	**(22,031)**	**320,242**
Total comprehensive income for the period							
Profit	-	-	-	-	-	4,191	4,191
Transfer between reserves	-	-	-	-	-	-	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	2,879	-	-	2,879
Total other comprehensive income	-	-	-	2,879	-	-	2,879
Total comprehensive income for the period	-	-	-	2,879	-	4,191	7,070
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	608	-	-	-	-	608
Total transactions with owners	-	608	-	-	-	-	608
Balance at 30 June 2023	**207,709**	**6,700**	**9,684**	**26,229**	**95,438**	**(17,840)**	**327,920**

The notes on pages 22 to 42 are an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For six months ended 30 June 2023
In thousands of AUD

	30 June 2023	31 December 2022 Restated*
Cash flows generated from / (used in) operating activities		
Cash receipts from customers	164,928	117,687
Cash paid to suppliers and employees	(152,851)	(123,407)
Cash generated / (used in) from operations	**12,077**	**(5,720)**
Interest received	4,782	3,868
Income taxes paid	(4,795)	(3,486)
Net cash generated from / (used in) operating activities	**12,064**	**(5,338)**
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	68	101
Proceeds from investments	1,166	-
Acquisitions of property, plant and equipment	(3,078)	(2,042)
Development expenditure	(3,396)	(1,898)
Payments for investments	(10,039)	(4,877)
Net cash used in investing activities	**(15,279)**	**(8,716)**
Cash flows used in financing activities		
Borrowing costs paid	(471)	(573)
Proceeds from borrowings	19	412
Repayment of borrowings	(578)	(419)
Proceeds from finance lease	170	657
Payment of lease liabilities	(1,121)	(1,077)
Net cash used in financing activities	**(1,981)**	**(1,000)**
Net decrease in cash and cash equivalents	(5,196)	(15,054)
Cash and cash equivalents at start of period	29,861	45,776
Effect of exchange rate fluctuations on cash held	(73)	(861)
Cash and cash equivalents at end of period	**24,592**	**29,861**

**Refer to Note 2 for further information on the restatements.*
The notes on pages 22 to 42 are an integral part of this interim financial report. statements.

NOTES TO THE INTERIM FINANCIAL REPORT

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 condensed consolidated interim financial report as at and for the 6 months ended 30 June 2023 comprised of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is for-profit entity and primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

The consolidated financial report of the Group as at and for the 6 months ended 31 December 2022 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

This interim financial report is general purpose financial statements prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with the International Accounting Standards (IAS) 34 *Interim Financial Reporting*. The reporting period for the six month period ended 30 June 2023 is the first reporting period following the Group's changed financial year to a calendar year basis ending 31 December. The comparative period for this interim financial report is the last audited financial report which is the six month period ended 31 December 2022.

This interim financial report does not include all of the information required for a complete set of financial statements and should be read in conjunction with the consolidated financial report of the Group as at and for the 6 months ended 31 December 2022. In addition to the information outlined in the 6 months ended 31 December 2022 consolidated financial statements, a new accounting policy was adopted - Investments in financial assets. Further details regarding this policy are outlined in Note 17 within this Financial Report.

This interim financial report was approved by the Board of Directors on 31 August 2023.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191 and in accordance with the legislative Instrument, amounts in the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated. The interim financial report has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

Going Concern

The directors have, at the time of approving the interim financial report, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the current interim financial report.

2. BASIS OF PREPARATION (CONTINUED)

Judgements and Estimates

The preparation of the interim financial report 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 the Group 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 6 months ended 31 December 2022 except for the following:

The Group has a subsidiary which operates in Argentina. Historically this subsidiary has had a USD functional currency as the sales to customers were priced and paid in USD and it purchased its inventory from the Group in USD as well. Due to the deteriorating economic conditions in Argentina and the devaluation of the Argentinian peso, the government has imposed strict foreign exchange regulations which has limited the amount of foreign currency within the country and therefore, sales to customers are now being settled in Argentinian pesos. The Group has continued to reassess the functional currency of the Argentinian subsidiary by considering both the primary and secondary indicators in AASB 121 *The Effects of Changes in Foreign Exchange Rates*. As a result of this assessment, the Group has acknowledged that there is significant judgement required to conclude on the functional currency as a result of the change in the economic environment stemming from the tightening regulations. When considering all factors, it was ultimately determined that since the sales prices continue to be set globally in USD, this remains the appropriate functional currency. However, the Directors acknowledge that should the macro-economic conditions in Argentina continue to deteriorate this would increase the Group's exposure to changes in the Argentinian peso and could result in a change to the functional currency from USD to Argentinian peso. The Group will continue to monitor the conditions and other factors in Argentina to ensure that the functional currency remains appropriate. Should the functional currency be changed to the Argentinian peso in the future, the Group will need to adopt AASB 129 *Financial Reporting in Hyperinflationary Economies*.

Errors identified during the reporting period and re-statements of prior reporting period (i.e. 31 December 2022 financial statements)

The following errors have been identified during the reporting period:

i. Recognition of cash and cash equivalents at 31 December 2022

An error was identified during this reporting period whereby certain balances in cash and cash equivalents did not meet the definition of cash equivalents as they were investments which were not highly liquid and were not subject to an insignificant risk of changes in value due to the nature of the investment entity. Therefore, it was concluded that these investments could not be readily converted to cash (paragraph 7 AASB 107 *Statement of Cash Flows*). Instead, these balances should be classified as 'investments in financial assets' and recorded at amortised cost as required under AASB 9 *Financial instruments*.

Similarly, certain balances in prepayments should also have been classified as 'investments in financial assets' Following the requirements of paragraph 42 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has restated the Condensed Consolidated Statement of Financial Position for the comparative period, i.e. 31 December 2022. This

NOTES TO THE INTERIM FINANCIAL REPORT

2. BASIS OF PREPARATION (CONTINUED)

restatement has also resulted in adjustments to payments for investments in investing activities and restatement of related interest received into operating activities within the Condensed Consolidated Statement of Cash Flows. The investment balance as at 1 July 2022 of $4,542 thousand has also been restated in the Condensed Consolidated Statement of Cash Flows. The relevant changes made in the interim financial report are outlined as below:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
As at 31 December 2022 *In thousands of AUD*			
	As previously Stated	**Adjustments**	**As restated**
Assets			
Cash and cash equivalents	37,094	(7,233)	29,861
Prepayments	8,005	(304)	7,701
Investment in financial asset	-	7,537	7,537
Total current assets	**227,855**	**-**	**227,855**

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS			
For the six months ended 31 December 2022 *In thousands of AUD*			
	As previously Stated	**Adjustments**	**As restated**
Cash flows used in operating activities			
Interest received	1,245	2,623	3,868
Net cash used in operating activities	**(7,961)**	**2,623**	**(5,338)**
Cash flows used in investing activities			
Interest received	2,623	(2,623)	-
Payments for investments	-	(4,877)	(4,877)
Net cash used in investing activities	**(1,216)**	**(7,500)**	**(8,716)**
Cash flows used in financing activities			
Net decrease in cash and cash equivalents	(10,177)	(4,877)	(15,054)
Cash and cash equivalents at start of period	50,318	(4,542)	45,776
Effect of exchange rate fluctuations on cash held	(3,047)	2,186	(861)
Cash and cash equivalents at end of period	**37,094**	**(7,233)**	**29,861**

ii. Presentation of depreciation expenses placed under rental and participation arrangement as ‘sales, service and marketing expenses’ for six months ended 31 December 2022

NOTES TO THE INTERIM FINANCIAL REPORT

2. BASIS OF PREPARATION (CONTINUED)

An error was identified during this reporting period regarding the presentation of depreciation expenses for cabinets placed under rental and participation arrangements. This depreciation expense was previously presented as 'sales, service and marketing expenses' for six months ended 31 December 2022, instead of appropriately presenting this depreciation expense as 'cost of sales'. The depreciation expenses relate to capitalised machines recognised in property, plant and equipment that are leased to customers and therefore are directly attributable to generating revenue.

Following the requirements of paragraph 42 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has restated the Condensed Consolidated Statement of Profit or Loss and other comprehensive income or loss for the comparative period, i.e. for the six months ended 31 December 2022. The relevant changes made in the interim financial report are outlined as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS			
For the six months ended 31 December 2022			
In thousands of AUD			
	As previously Stated	**Adjustments**	**As restated**
Cost of sales	(40,510)	(3,899)	(44,409)
Gross profit	**83,637**	**(3,899)**	**79,738**
Sales, service and marketing expenses	(35,050)	3,899	(31,151)
Profit for the year	**5,925**	**-**	**5,925**

3. 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 January 2023. The following new standards and interpretations are applicable to the Group:

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.*

The directors of the Company do not anticipate that the amendments will have a material impact on the Group but may change the disclosure of accounting policy information included in the interim financial report.

- AASB 2021-5 Amendments to Australian Accounting Standards – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The Group currently accounts for deferred taxes arising from leases, decommissioning liabilities and similar items in respect of the transaction as a whole. For example, in respect of leases, the entity seeks to reflect the linkage between the right-of-use asset and the lease liability and recognise deferred tax on an aggregate temporary difference basis. On application of the amendments, deferred tax amounts will instead be recognised in respect of each separate part of the overall transaction, e.g. in respect of each of the right-of-use asset and lease liability.

3. CHANGES IN NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

Therefore, the amendments will not impact the net assets of the Group but may change the makeup of net deferred taxes recognised in the condensed consolidated statement of financial position.

Apart from the new standards and interpretations outlined above, there are currently no new standards, amendments to standards or accounting interpretations that are expected to affect the Group's consolidated financial statements in future periods.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for six months ended 31 December 2022.

5. OPERATING SEGMENTS

The activities of the entities within the Group are predominantly within a single business which is the design, development, manufacture, sale and service of gaming machines and other related equipment and services.

During this reporting period, Management has reviewed and determined that a change on the operating segment is appropriate. This change is consistent with how information is now reported to the Group's Chief Executive Officer (CEO) as the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographical location of customers of gaming machines and online business segment. As such, effective 1 January 2023, the Group's reportable segments are as follows:

- Asia Pacific (consists of Australia, New Zealand and Asia);
- North America;
- Latin America and Europe; and
- Online Gaming.

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 results includes segment revenues and expenses that are directly attributable to the segment, which management believes is the most relevant approach in evaluating segment performance. Items that are not part of the ordinary course of business or one-off items do not form part of the segment results. The revenue from external parties reported to the CEO is measured in a manner consistent within the condensed consolidated statement of profit or loss and other comprehensive income or loss.

The comparative table for six months ended 31 December 2022 has also been updated to reflect the current operating segments with no change to the total segment results for the prior reporting period.

NOTES TO THE INTERIM FINANCIAL REPORT

5. OPERATING SEGMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

In thousands of AUD	**Asia Pacific**	**North America**	**Latin America / Europe**	**Online**	**Total**
Reportable segment revenue	21,195	68,494	45,543	8,379	143,611
Result					
Segment result	(248)	29,518	22,090	8,162	59,522
Segment result (%)	-1%	43%	49%	97%	41%
Segment EBITDA	105	35,486	21,271	8,162	65,024
Interest revenue not allocated to segments					3,323
Interest expense					(434)
Foreign currency loss					(4,411)
R & D expenses					(21,832)
Corporate and administrative expenses					(13,978)
Other expenses not allocated to segments					(14,341)
Profit before tax					7,849
Income tax expense					(3,658)
Net profit after tax					4,191

The full write down on the investment in Argentina has been recognised in 'Other expenses not allocated to segments' (refer to Note 17).

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

In thousands of AUD	**Asia Pacific**	**North America**	**Latin America / Europe**	**Online**	**Total**
Reportable segment revenue	24,899	59,705	33,162	6,381	124,147
Result					
Segment result	2,348	30,823	10,351	5,533	49,055
Segment result (%)	9%	52%	31%	87%	40%
Segment EBITDA	3,055	36,661	9,686	5,533	54,935
Interest revenue not allocated to segments					2,623
Interest expense					(573)
Foreign currency loss					(2,101)
R & D expenses					(19,446)
Corporate and administrative expenses					(12,871)
Other expenses not allocated to segments					(9,410)
Profit before tax					7,277
Income tax expense					(1,352)
Net profit after tax					5,925

6. REVENUE

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

Disaggregation of Revenue

- In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. To ensure consistency of the geographical market presentation outlined in Note 5 Operating Segments, the presentation by geographical market within this note has been updated as well for current and prior period.

FOR THE SIX MONTHS ENDED 30 JUNE 2023

In thousands of AUD	Asia Pacific	North America	Latin America / Europe	Online	Total
Major products/service lines					
Machine and part sales	14,892	28,846	17,653	-	61,391
Multi element arrangements	3,922	-	-	-	3,922
Finance leases	-	1,306	16,051	-	17,357
Rendering of services	2,380	12,690	(5)	-	15,065
License income	-	2,128	548	8,379	11,055
Rental and participation	1	23,524	11,296	-	34,821
	21,195	**68,494**	**45,543**	**8,379**	**143,611**
Timing of revenue recognition					
Products and services transferred at a point in time	18,785	30,935	33,852	-	83,572
Products and services transferred over time	2,410	37,559	11,691	8,379	60,039
	21,195	**68,494**	**45,543**	**8,379**	**143,611**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

In thousands of AUD	Asia Pacific	North America	Latin America / Europe	Online	Total
Major products/service lines					
Machine and part sales	18,359	19,947	14,060	-	52,366
Multi element arrangements	4,088	-	-	-	4,088
Finance leases	-	392	8,075	-	8,467
Rendering of services	2,451	11,438	79	-	13,968
License income	-	4,274	395	6,381	11,050
Rental and participation	1	23,654	10,553	-	34,208
	24,899	**59,705**	**33,162**	**6,381**	**124,147**
Timing of revenue recognition					
Products and services transferred at a point in time	22,420	23,253	22,145	-	67,818
Products and services transferred over time	2,479	36,452	11,017	6,381	56,329
	24,899	**59,705**	**33,162**	**6,381**	**124,147**

7. INVENTORIES

Write-down of Inventories

During the six months ended 30 June 2023, the write-down of inventories to net realisable value amounted to $4,360 thousand (six months ended 31 December 2022: $6,148 thousand). The write down in this period related to older style cabinets, predominately the A600 series cabinets. With the increased uptake of the A-Star series cabinets in the market, management assessed the saleability of these cabinets, and has determined it was necessary to write down these inventories to their net realisable value.

Write-downs of inventory are included in cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income or loss.

8. IMPAIRMENT OF TRADE RECEIVABLES

The Group measures expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for forward looking information including economic risks on factors affecting the ability of the customers to settle trade receivables.

The Group's expected credit losses for trade receivables was $7,784 thousand as at 30 June 2023 compared to $10,881 thousand as at 31 December 2022. The reduction in the expected credit losses predominantly related to Latin America (other than Argentina) with operations returning to pre-pandemic levels resulting in improved collections from customers.

The Group continues to reassess its expected credit loss at each reporting period taking into account new information that has arisen during the period.

9. INCOME TAXES

Management has assessed that the carrying amount of deferred tax assets of $20,791 thousand (six months ended 31 December 2022: $17,149 thousand) can be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

The Group's consolidated effective tax rate for the six months ended 30 June 2023 is 46.6% (six months ended 31 December 2022: 18.6%).

NOTES TO THE INTERIM FINANCIAL REPORT

10. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Land & buildings	Plant & equipment	Leasehold improvements	Total
Cost					
Balance as at 1 July 2022		61,224	144,620	4,361	210,205
Re-classification of inventory to plant and equipment		-	10,036	-	10,036
Additions		302	1,740	-	2,042
Disposals		-	(8,292)	(3)	(8,295)
Effect of movements in foreign exchange		1,030	1,970	7	3,007
Balance as at 31 December 2022		62,556	150,074	4,365	216,995
Balance as at 1 January 2023		62,556	150,074	4,365	216,995
Re-classification of inventory to plant and equipment		-	12,335	-	12,335
Additions		49	3,029	-	3,078
Disposals		-	(6,054)	-	(6,054)
Effect of movements in foreign exchange		1,368	2,676	8	4,052
Balance as at 30 June 2023		63,973	162,060	4,373	230,406
Depreciation and Impairment Losses					
Balance as at 1 July 2022		17,479	122,199	3,395	143,073
Depreciation charge for the prior half		866	5,133	111	6,110
Impairment loss for the prior half		-	3,249	-	3,249
Disposals		-	(7,478)	-	(7,478)
Effect of movements in foreign exchange		285	1,560	7	1,852
Balance as at 31 December 2022		18,630	124,663	3,513	146,806
Balance as at 1 January 2023		18,630	124,663	3,513	146,806
Depreciation charge for the current period		737	5,057	72	5,866
Impairment loss for the current period		-	1,167	-	1,167
Disposals		-	(5,006)	-	(5,006)
Effect of movements in foreign exchange		423	2,296	8	2,727
Balance as at 30 June 2023		19,790	128,177	3,593	151,560
Carrying Amounts					
As at 1 July 2022		43,745	22,421	966	67,132
As at 31 December 2022		43,926	25,411	852	70,189
As at 30 June 2023		44,183	33,883	780	78,846

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of $1,028 thousand (six months ended 31 December 2022: $712 thousand) at net book value.

The carrying amount of plant and equipment on participation and fixed rental leases is $26,902 thousand as at 30 June 2023 (31 December 2022: $20,977 thousand).

Impairment loss of $1,167 thousand (six months ended 31 December 2022: ($3,249 thousand) recognised during the current period relates to the recoverability of the carrying value of leased machines in ‘North America’ whereas impairment loss recognised in the prior half related to the recoverability of the carrying value of all assets within the ‘Latin America’ and ‘Australia and Other’ cash generating units.

11. INTANGIBLE ASSETS

In thousands of AUD	Note	Goodwill	Development costs	Nevada licence costs	Technology & software	Customer relationships & workforce	Tradenames & trademarks	Total
Cost								
Balance as at 1 July 2022		43,918	3,357	1,583	50,524	16,848	1,133	117,363
Additions		-	1,898	-	-	-	-	1,898
*Transfers		-	(329)	-	329	-	-	-
Intangible assets fully amortised and written off		-	-	-	(7,258)	-	-	(7,258)
Effects of movements in foreign currency		698	-	-	181	284	18	1,181
Balance as at 31 December 2022		44,616	4,926	1,583	43,776	17,132	1,151	113,184
Balance as at 1 January 2023		44,616	4,926	1,583	43,776	17,132	1,151	113,184
Additions		-	3,397	-	-	-	-	3,397
*Transfers		-	(2,876)	-	2,876	-	-	-
Intangible assets fully amortised and written off		-	-	-	-	-	-	-
Effects of movements in foreign currency		923	-	-	238	374	25	1,560
Balance as at 30 June 2023		45,539	5,447	1,583	46,890	17,506	1,176	118,141

NOTES TO THE INTERIM FINANCIAL REPORT

11. INTANGIBLE ASSETS (CONTINUED)

In thousands of AUD	Note	Goodwill	Development costs	Nevada licence Costs	Technology & software	Customer relationships & workforce	Tradenames & trademarks	Total
Amortisation and impairment losses								
Balance as at 1 July 2022		2,436	-	-	26,559	9,290	525	38,810
Amortisation for the year	9	-	-	-	3,262	815	116	4,193
Intangible assets fully amortised and written off		-	-	-	(7,258)	-	-	(7,258)
Effects of movements in foreign currency		-	-	-	36	148	8	192
Balance as at 31 December 2022		2,436	-	-	22,599	10,253	649	35,937
Balance as at 1 January 2023		2,436	-	-	22,599	10,253	649	35,937
Amortisation for the current period	9	-	-	-	2,975	807	115	3,897
Impairment charges		-	-	-	704	-	-	704
Intangible assets fully amortised and written off		-	-	-	-	-	-	-
Effects of movements in foreign currency		-	-	-	79	241	16	336
Balance as at 30 June 2023		2,436	-	-	26,357	11,301	780	40,874
Carrying amounts								
As at 30 June 2022		41,482	3,357	1,583	23,965	7,558	608	78,553
As at 31 December 2022		42,180	4,926	1,583	21,177	6,879	502	77,247
As at 30 June 2023		43,103	5,447	1,583	20,533	6,205	396	77,267

*During this reporting period, the Group has changed its presentation to this note incorporating transfers of 'Development Costs' to 'Technology and upon completion of Development Projects. Development costs only include costs relating to products and online gaming that are still work in progress and not yet available for sale and as such their recoverable amount is assessed at the end of each reporting period.

11. INTANGIBLE ASSETS (CONTINUED)

Impairment Testing

In accordance with the Group's accounting policies, the Group has evaluated whether the carrying amount of a CGU or group of CGUs exceeds the recoverable amount as at 30 June 2023 due to the presence of impairment indicators at reporting date.

The determination of CGUs for the purposes of testing goodwill and other intangible assets for impairment has changed since the last audited financial period (six months ended 31 December 2022).

Management began assessing the CGUs differently effective from 1 January 2023. The change in CGUs structure was due to the change in the Group's strategic direction which triggered certain CGUs to no longer generate independent cash inflows. The Group's CGUs effective 1 January 2023 is as follows:

- Asia Pacific (comprised of Australia, New-Zealand, and Asia);
- North America;
- Latin America/Europe; and
- Online.

Previously, the four main CGUs were: Australia and other (comprised of Australia, New-Zealand, Asia, Europe), North America, Latin America and Development.

Development costs are now allocated similarly to corporate costs, based on expected usage pattern by each CGU. Previously, product development costs are recharged from the Development CGU to individual CGUs, based on the forecasted unit sales of each individual CGU .

Other assets, consisting of intangible assets and property, plant and equipment, are allocated to the individual CGUs to which they relate. Property, plant and equipment largely comprises of building facilities, capitalised machines placed under participation and lease, IT infrastructure and manufacturing equipment.

The Group has allocated goodwill and intangible assets on a consistent basis with last financial year. This includes allocation of goodwill arising from the acquisition of Nova Technologies in 2016 and MTD Gaming Inc. in 2020 which have been allocated to the North America CGU. There has been no movement in the carrying value of goodwill compared to 31 December 2022 other than foreign currency translation differences at reporting date.

The allocation of goodwill, indefinite useful life intangible assets and other assets to the Group's identified CGUs are as follows:

30 June 2023					
CGUs	**Goodwill '$000**	**Indefinite life intangible assets '$000**	**Total Carrying Value including Goodwill and Indefinite life intangible assets '$000**	**Recoverable amount '$000**	**Headroom '$000**
North America	43,103	1,583	136,248	321,835	185,587
Latin America	-	-	18,229	25,469	7,240
Asia Pacific	-	-	4,622	9,154	4,532
Online	-	-	4,183	16,798	12,615

11. INTANGIBLE ASSETS (CONTINUED)

Key assumptions used in determining the recoverable amount.

The recoverable amount of each CGU was estimated based on its value in use ("VIU"). VIU for each individual CGU was determined by discounting the future cash flows generated from continuing operations of that CGU over a five-year period. The key assumptions used when assessing the recoverable amount of each CGU is outlined as follows:

	30 June 2023	
CGUs	**Pre-tax Discount rate**	**Average annual revenue growth rate[1]**
North America	14.5%	14.3%
Latin America	24.3%	8.3%
Asia Pacific	13.8%	7.2%
Online	16.3%	(4.6%)

- *[1]The 5 years forecast average annual revenue growth rates (CY23 to CY27) has been calculated based on CY22 revenue as the base year. When estimating the revenue growth rates, management have considered and incorporated the effects of the pandemic for each CGU.*

The impact of possible changes in key assumptions

North America CGU

As at 30 June 2023, this CGU has significant headroom, therefore the Group does not believe that a reasonable possible change in key assumptions will result in a material impairment charge due to the headroom in forecasted recoverable amount when compared to its carrying amount.

Latin America / Europe CGU

Given the minimal headroom in this CGU, any adverse change to the key assumptions when determining the recoverable amount, may result in impairment charges recognised in future periods.

Asia Pacific CGU

Given the minimal headroom in this CGU, any adverse change to the key assumptions when determining the recoverable amount, may result in impairment charges recognised in future periods.

Online CGU

Given the minimal headroom in this CGU, any adverse change to the key assumptions when determining the recoverable amount, may result in impairment charges recognised in future periods.

In addition, for all CGUs, whilst the achievement of forecast revenue growth rates is dependent on the success of current strategic initiatives, market conditions and improved product performance, management, based on historical experience and industry specific factors, has reviewed and assessed that forecast revenue growth rates are expected to be achieved.

12. 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** 30-Jun-23	**Fair Value** 30-Jun-23
Non-Current Financial Assets		
Trade and other receivables	21,368	21,368
Non-Current Financial Liabilities		
Trade and other payables	571	571

In thousands of AUD	**Carrying Amounts** 31-Dec-22	**Fair Value** 31-Dec-22
Current Financial Assets		
Investment in financial asset (see note 17)	7,233	7,233
Non-Current Financial Assets		
Trade and other receivables	25,601	25,601
Non-Current Financial Liabilities		
Trade and other payables	1,051	1,051

Apart from the assets that outlined above, all other financials assets and liabilities have carrying values that approximates to their fair values.

<u>Classification of financial instruments</u>

Ainsworth classifies its financial instruments into categories in accordance with AASB 9 Financial instruments depending on the purpose for which the financial instruments were acquired, which is determined at initial recognition based on the business model. They are valued in the following categories.

1. Fair Value Through Profit and Loss (Mandatorily measured);
2. Amortised Cost

The following table presents the Group's financial instruments including the classifications that are not recognized at cost.

As at 30 June 2023	Financial Assets		Financial Liabilities
In thousands of AUD	FVTPL - mandatorily measured	Amortised Cost	Amortised Cost
Non-Current Trade and Other Receivables	-	21,368	-
Investment in Financial Asset	3,092	-	-
Non-Current Trade and other payables	-	-	571
Loans and borrowings	-	-	43

12. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2022	Financial Assets		Financial Liabilities
In thousands of AUD	FVTPL - mandatorily measured	Amortised Cost	Amortised Cost
Non-Current Trade and Other Receivables	-	25,601	-
Investment in Financial Asset	-	7,233	-
Non-Current Trade and other payables	-	-	1,051
Loans and borrowings	-	-	596

<u>Fair value hierarchy</u>

The following section explains the judgements and estimates made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the interim financial report. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments and non-financial assets into the three levels prescribed under the Accounting Standards. An explanation of each level is as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured and recognised at their fair value are as follows:

As at 30 June 2023	Carrying Value		
In thousands of AUD	Level 1	Level 2	Level 3
Investment in Financial Asset	3,092	-	-

As at 31 December 2022	Carrying Value		
In thousands of AUD	Level 1	Level 2	Level 3
Investment in Financial Asset	-	-	-

There were no transfers between level 1 and 2 or 3 investments for any fair value measurements during the financial year.

The $3,092 thousand of investments in the Level 1 hierarchy relates to shares held in GAN Limited. Please refer to Note 17 for further information.

13. LOANS & BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

In thousands of AUD	30 June 2023	31 December 2022
Current		
Insurance premium funding	43	317
Secured bank loan	-	279
	43	596

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			30 June 2023		31 December 2022	
In thousands of AUD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Insurance premium funding	4.63%	2023	44	43	323	317
Secured bank loan (BBVA)	IBR + 6.64%	2023	-	-	279	279
Secured bank loan (WAB)	SOFR + 3.00%	2026	-	-	-	-
Total interest-bearing liabilities			44	43	602	596

The Group's secured bank loan (WAB) relates to a US$32.0 million facility with Western Alliance Bancorporation (WAB) . In this facility, the Company's US-based operating subsidiary, Ainsworth Game Technology Inc., is established as the borrower and party to the relevant credit agreements while its parent entities within the AGT Group of companies, AGT Pty Ltd and Ainsworth Game Technology Limited, serve as guarantors. This facility is currently undrawn. All financial covenants under the WAB facility were met during this reporting period and prior reporting periods.

14. DEFERRED INCOME

The carrying value of deferred income in the condensed consolidated statement of financial position predominantly relates to the execution of partnership with GAN Limited ("GAN") for real money online game assets within the U.S. As at 30 June 2023, of the $5,250 thousand carrying value recognised in deferred income, $4,732 thousand (31 December 2022: $8,281 thousand) relates to this GAN contract.

On 31st March 2023, an amended and restated integration and content distribution agreement ("Amended Agreement") was executed, replacing the previously executed Content Distribution Agreement ("Previous Agreement"). Under the Previous Agreement, the Group provided GAN with the exclusive use of current and future Ainsworth real money online game assets within the U.S. for a minimum guaranteed cash consideration of US$30 million for a period of 5 years, commencing 1st July 2021. It was expected that as payments are received, these payments are recognised as deferred income and will be recognised over the life of the contract, subject to meeting the Group's performance obligations and revenue recognition policies.

Under the Amended Agreement, the following took effect:

1) A revised total minimum guaranteed cash consideration of US$15 million (previously US$30 million) with termination of GAN's exclusivity on 31 March 2024; and

NOTES TO THE INTERIM FINANCIAL REPORT

14. DEFERRED INCOME (CONTINUED)

2) GAN provided additional compensation of 1,250,000 ordinary shares in GAN. The initial recognition on the value of these ordinary shares were at $1.48 per share (closing share price on 29th March 2023 as published on the US stock exchange, NASDAQ). The shares received is shown as 'Investments in Financial Assets' within the condensed consolidated statement of financial position.

   The change in the GAN contract terms was accounted as contract modification and not as a separate contract under AASB 15 as there was no increase in scope as a result of the amended contract. The Group determined that the remaining services are not distinct from the previous services provided and are therefore accounted for as part of the existing contract instead of a termination of the existing contract and creation of a new contract. Therefore, the Group has reassessed its transaction price and measure of progress towards the completion of the performance obligations. This has resulted in additional revenue of $1,894 thousand of revenue being recognised at the date of the contract modification as a cumulative catch-up.

15. PROVISIONS

In thousands of AUD	Service/ warranties	Legal	Mexican Tax Administration Service ("SAT")	Total
Balance as at 1 July 2022	919	14	17,419	18,352
Provisions made during the current period	1,636	163	5,473	7,272
Provisions used during the current period	(1,598)	(14)	-	(1,612)
Foreign exchange movement	15	-	294	309
Balance as at 31 December 2022	972	163	23,186	24,321

In thousands of AUD	Service/ warranties	Legal	Mexican Tax Administration Service ("SAT")	Total
Balance as at 1 January 2023	972	163	23,186	24,321
Provisions made during the current period	1,593	481	2,765	4,839
Provisions used during the current period	(1,545)	(324)	-	(1,869)
Foreign exchange movement	-	-	4,553	4,553
Balance as at 30 June 2023	1,020	320	30,504	31,844

A provision was established as at 30 June 2022 in relation to probable outcomes arising from the Mexican Tax Administration Service ("SAT") on import duties of Ainsworth Gaming Machines for calendar years 2015 to 2019. The Group maintains its previous submission on the interdependency of software with its hardware, however, this submission is still in progress with SAT. When determining the provision, the Group applied the 'expected value approach' as per AASB 137 which incorporates the best estimates of the probable outcomes and the associated exposure for these outcomes**.** Judgement was required to determine the probability of the outcome and to make a reasonable estimate of the potential obligation and the timing of the outflow that may arise.

15. PROVISIONS (CONTINUED)

As required under AASB 137, the Group has re-assessed the provision at reporting date. Based on the Group's best estimate of the outcome and estimated expenditure required to settle the obligation at this reporting date, the Group recorded an additional provision of $2,765 thousand in the current period relating to CPI adjustments in associated charges. The $4,553 thousand foreign exchange movement (loss) was due to the strengthening of the local currency Mexican Pesos against USD. This provision includes estimated unpaid duty and other associated charges. The matter is expected to be settled within the next 12 months and therefore, the provision has been classified as current. The corresponding expense recorded for this provision has been recognised in the Statement of Profit or Loss and Other Comprehensive Income under 'Other expenses'.

16. RELATED PARTIES

Other Related Party Transactions

In AUD	Note	Transactions value for 6 months ended		Balance receivable/ (payable) as at	
Transaction		**30 June 2023**	**31 December 2022**	**30 June 2023**	**31 December 2022**
Sales to Novomatic and its related entities	*(i)*	27,201	55,714	101,074	454,813
Purchases from Novomatic and its related entities	*(i)*	1,567,062	407,884	(1,416,989)	(421,268)
Purchases and other charges made on behalf of Novomatic	*(i)*	416,467	-	416,467	-
Purchases and other charges made on behalf of the Group	*(i)*	-	1,125,073	(239,519)	(1,116,898)

(i) Transactions with Novomatic AG and its related entities are considered related party transactions as Novomatic AG holds a controlling interest in the Group.

17. INVESTMENTS IN FINANCIAL ASSET

In thousands of AUD	30 June 2023	31 December 2022
Shares held in GAN Limited	3,092	-
Term deposit held in Columbia	356	304
Investment in financial instrument in Argentina	-	7,233
	3,448	7,537

Shares held in GAN Limited

The shares held in GAN Limited are held for trading and the carrying value of these shares have been determined based on closing price (US$1.64 per share) as listed in the US based stock exchange, NASDAQ, at 30 June 2023. Increase in the GAN share prices from initial recognition at GAN contract modification date of $135 thousand has been recorded through Statement of Profit and Loss as 'Other Income'.

17. INVESTMENTS IN FINANCIAL ASSET (CONTINUED)

The shares held in GAN are classed as investment in equity securities which have not been designated at fair value at Other Comprehensive Income and therefore classified as fair value through Profit or Loss. Any gain or loss arising from the investment will be recognized in the Profit or Loss Statement as 'Other Income'. The Group's investments are measured at fair value at the end of each reporting period based on quoted security prices as listed on NASDAQ.

Investment in financial instrument in Argentina

The Group held investments of $12,937 thousand at 30 June 2023 (prior to any expected credit loss recorded) in a non-bank lender within Argentina. The terms of the investments held in Argentina ranges from 60 days to 365 days with a fixed interest rate. These investments have been classified as current investments in financial assets in the condensed consolidated statement of financial position. These investments are measured at amortised cost.

The investments within Argentina which generated interest income of $3,275 thousand in the period (six months ended 31 December 2022 : $2,623 thousand). These investments were a response to the introduction of increased limitations within Argentina to allow the transfer out of monies held in this region.

Subsequent to 30 June 2023, the Group was notified by the investment company that a reorganization petition had been filed by the trustee of the investments, following difficulties to meet with its payment obligations. Due to administrative delays in Court proceedings relating to the proposed reorganization petition and the ability to access any reliable information to assess recoverability, despite preliminary legal advice indicating the likelihood of recoverability was high, a full write-down of $12,937 thousand (six months ended 31 December 2022: $nil thousand) relating to this investment was included in 'Other Expenses' within the current period. As more information becomes available, the Group will reassess the recoverability of this investment in future periods.

In thousands of AUD	6 Months to 30 June 2023	6 Months to 31 December 2022
Opening balance	7,233	4,451*
Investment made	10,039	4,877
Withdrawal	(1,166)	-
Write down on funds in trust	(12,937)	-
Currency movement	(3,169)	(2,095)
Closing balance	-	7,233

*Balance as at 30 June 2022 was restated correspondingly. Refer to Note 2 for detailed description.
In addition to the above, $2,204 thousand that were not transferred to the trust was also written off within the current period (six months ended 31 December 2022: $nil thousand) .

18. OTHER EXPENSES

In thousands of AUD	6 Months to 30 June 2023	6 Months to 31 December 2022
Argentinian investment write-down	12,937	-
Mexican duty and other charges	1,404	5,531
LATAM CGU impairment	-	2,553
Australia and Other CGU impairment	-	1,326
	14,341	9,410

19. CASH AND CASH EQUIVALENTS

As at 30 June 2023, cash balances in Argentina were $3,287 thousand (31 December 2022: $1,489 thousand) and these were considered restricted due to the government imposing strict foreign exchange regulations which has limited the amount of foreign currency within the country. Apart from the cash balances in Argentina, the remaining cash within the Group was not restricted at 30 June 2023 and 31 December 2022.

20. SUBSEQUENT EVENTS

In August 2023, the Group was notified by the investment company that a reorganization petition had been filed by the trustor of the investments, following difficulties to meet its payment obligations. While the announcement of the reorganisation petition occurred after the end of the reporting period, it is indicative of credit impairment of the investment at 30 June 2023 and based on the limited information available to assess the recoverability of this investment, the Group has fully written down this investment at 30 June 2023. Further details of this investment are disclosed in Note 17.

Apart from the event outlined above, there has not arisen in the interval between the end of the financial period 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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS DECLARATION

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

1. the interim financial report and notes set out on pages 22 to 42, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 30 June 2023 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:

D. Gladstone

Danny Gladstone
Chairman

Dated at Sydney this 31st day of August 2023

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Ainsworth Game Technology Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the interim financial report of Ainsworth Game Technology Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2023, the condensed consolidated statement of profit or loss and other comprehensive income or loss, the condensed consolidated statement changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Harsh Shah
Partner
Chartered Accountants

Sydney, 31 August 2023

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Ainsworth Game Technology Limited
10 Holker Street

Newington NSW 2127

31 August 2023

Dear Directors

Auditor's Independence Declaration to Ainsworth Game Technology Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ainsworth Game Technology Limited.

As lead audit partner for the review of the financial report of Ainsworth Game Technology Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Harsh Shah
Partner
Chartered Accountants