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

APPENDIX 4D
Half Year Report
Half Year Ended: 31 December 2017

Previous corresponding period: 31 December 2016

Results for announcement to the market

	Up / Down	% Change		Half Year ended 31/12/17 A$'000
Revenue from ordinary activities	Down	2%	to	120,315
Profit from ordinary activities after tax	Down	53%	to	9,653
Profit for the period attributable to members	Down	53%	to	9,653

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	-¢	-¢
Interim dividend	1.5¢	1.5¢
Previous corresponding period	-¢	-¢

Record date for determining entitlements to the dividend	6th March 2018
Payment date of dividend	8th May 2018

Dividend Reinvestment Plan
The Dividend Reinvestment Plan ('DRP') will operate for the declared interim dividend. The last date for the receipt of an election notice for the participation in the Company's DRP is 27th March 2018.

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

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$0.86	$0.77

Ainsworth Game Technology Limited

ABN 37 068 516 665

31 DECEMBER 2017

INTERIM FINANCIAL REPORT

Contents

Directors' report

The directors of Ainsworth Game Technology Limited (the "Company") present their report together with the condensed consolidated financial statements of the Group comprising the Company and its subsidiaries for the six months ended 31 December 2017 and the auditor's review report thereon.

Directors

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

Name	Period of directorship
Executive	
Mr Leonard H Ainsworth *Executive Director*	Director since 1995 until 5 January 2018
Mr Daniel Gladstone *Executive Director and Chief Executive Officer*	Director since 2010
Non-executive	
Mr Graeme Campbell *Chairman and Independent Non-Executive Director*	Director since 2007 and Chairman since 2016
Mr Michael Yates *Independent Non-Executive Director*	Director since 2009
Mr Colin Henson *Independent Non-Executive Director*	Director since 2013
Ms Heather Scheibenstock *Independent Non-Executive Director*	Director since 2016
Mr Harald Neumann *Non-Executive Director*	Director since 2017

Review of operations

Operating results

The Company today announced profit before tax, excluding the impact of foreign currency losses, of $16.2 million (H1FY17: $15.2 million), an increase of 7% compared to the prior corresponding period. Included in this result was a one-off gain of $2.5 million on the sale of a surplus portion of land sold in Las Vegas following the additional purchase in August 2017. Normalised for currency effects and the gain on sale noted above, profit before tax was $13.7 million compared to $15.2 million in the prior corresponding period, a decrease of 10%.

Excluding the one-off gain on sale of land in Las Vegas, the result from operating activities was $12.8 million, a decrease of 7% on the prior corresponding period. This decrease was primarily due to of a reduced gross margin on sales in the period as a result of transiting to the A600 product in the Americas which has higher componentry costs. It is expected that cost reduction strategies and increased volume will result in improved gross margins in coming periods.

Net profit after tax reported in the current period was $9.7 million, a decrease of 53% compared to the prior corresponding period. This result was affected by a one-off adjustment of $8.6 million in the previous period reflecting the reversal of previously recognised deferred taxes resulting from the treatment of foreign currency movements. The current period effective tax rate was 18% which included adjustments on the carrying value of deferred tax assets and deferred tax liabilities given the tax changes in the USA corporate tax rate resulting from recent US tax reform. This tax change resulted in a net income tax benefit adjustment of $2.2 million.

Review of operations (continued)

Operating results (continued)

The Company expects a stronger profit result in the second half of FY18 as occurred in FY17 compared to the current reported period.

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

In millions of AUD	6 months to 31 Dec 2017	6 months to 31 Dec 2016	Variance %
Total Revenue	120.3	122.7	(2.0%)
Underlying EBITDA	26.9	30.0	(10.3%)
Reported EBITDA	24.6	31.9	(22.9%)
EBIT	**10.8**	**18.6**	**(41.9%)**
Profit before tax	11.8	20.0	(41.0%)
Profit for the year	**9.7**	**20.6**	**(52.9%)**
Total assets	468.4	446.5	4.9%
Net assets	352.2	328.4	7.2%
Earnings per share (fully diluted)	2.4 cents	6.4 cents	(62.5%)
Total dividends per share	1.5 cents	-	-

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

In millions of AUD	6 months to 31 Dec 2017	6 months to 31 Dec 2016	Variance %
Reconciliation:			
Profit before tax	**11.8**	**20.0**	**(41.0%)**
Net Interest	(1.0)	(1.4)	(28.6%)
Depreciation and amortisation	13.8	13.3	3.8%
Reported EBITDA	**24.6**	**31.9**	**(22.9%)**
Foreign currency loss/(gain)	4.4	(4.8)	(191.7%)
Impairment losses	0.4	2.9	(86.2%)
Gain on sale of land	(2.5)	-	(100.0%)
Underlying EBITDA	**26.9**	**30.0**	**(10.3%)**

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

The earnings performance in the Americas, now represents 65% ($28.0 million) of total segment profit compared to 62% ($30.5 million) in the previous corresponding period.

Review of operations (continued)

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

In millions of AUD	6 months to 31 Dec 2017	6 months to 31 Dec 2016	Variance	Variance %
Segment revenue				
Australia	37.1	41.0	(3.9)	(9.5%)
Americas	74.9	70.3	4.6	6.5%
Rest of World	8.3	11.4	(3.1)	(27.2%)
Total segment revenue	**120.3**	**122.7**	**(2.4)**	**(2.0%)**
Segment result				
Australia	10.2	12.5	(2.3)	(18.4%)
Americas	28.0	30.5	(2.5)	(8.2%)
Rest of World	5.2	6.2	(1.0)	(16.1%)
Total segment result	**43.4**	**49.2**	**(5.8)**	**(11.8%)**
Unallocated expenses				
Net foreign currency (losses) / gains	(4.4)	4.8	(9.2)	(191.7%)
R&D expenses	(16.5)	(18.4)	1.9	10.3%
Corporate expenses	(9.8)	(12.7)	2.9	22.8%
Other expenses	-	(2.5)	2.5	100.0%
Share of (loss) / profit of equity-accounted investee	(0.1)	0.1	(0.2)	(200.0%)
Total unallocated expenses	**(30.8)**	**(28.7)**	**(2.1)**	**(7.3%)**
Less : interest included in segment result	(1.8)	(1.9)	0.1	5.3%
EBIT	**10.8**	**18.6**	**(7.8)**	**(41.9%)**
Net interest	1.0	1.4	(0.4)	(28.6%)
Profit before income tax	**11.8**	**20.0**	**(8.2)**	**(41.0%)**
Income tax (expense) / benefit	(2.1)	0.6	(2.7)	(450.0%)
Profit after income tax	**9.7**	**20.6**	**(10.9)**	**(52.9%)**

	% of revenue		Variance
Key performance metrics	**6 months to 31 Dec 2017**	**6 months to 31 Dec 2016**	**Points**
Segment result margin			
Australia	27.5	30.4	(2.9)
Americas	37.4	43.4	(6.0)
Rest of World	62.7	54.4	8.3
Segment result margin	**36.1**	**40.1**	**(4.0)**
R&D expense	13.7	15.0	(1.3)
Adjusted EBIT(1)	12.6	11.2	1.4
Adjusted profit before income tax(1)	13.5	12.4	1.1
Adjusted profit after income tax(1)	11.7	12.9	(1.2)
	%		**Variance**
Effective Tax Rate(2)	17.8	31.0	(13.2)

(1)Excludes net foreign currency losses of $4.4 million (H1FY17: $4.8 million gains)
(2)H1FY18 includes net income tax benefit of $2.2m as a result of the US tax reform
(2)H1FY17 excludes one off tax adjustments relating to prior year

Review of operations (continued)

Revenue

Revenue for the period was $120.3 million, compared to $122.7 million for the previous corresponding period in FY17, a decrease of 2%. International revenue contributed 69% of total revenue, compared to 67% in the previous corresponding period.

Domestic revenue was $37.1 million (31% of total revenue) a decrease on the $41.0 million in the previous corresponding period. The reduction in domestic revenue reflects the challenging domestic market and competitor factors. Despite a decline in domestic revenue of 10% compared to the prior corresponding period in FY17, an increase of 12% was achieved on the second half of FY17. This indicated that the release new game portfolio and the release of new cabinet, EVO, are showing signs of recovery in market share. Revenue in the core markets of New South Wales, Queensland and NT continue to show positive signs from recent product development initiatives increasing revenue by 20% from the second half of FY17. Further product releases are expected to provide increased opportunities within all domestic markets in the second half of FY18 and beyond.

International revenue was $83.2 million compared to $81.7 million in the previous corresponding period, an increase of 2%. The key markets of the Americas now constitute 62% ($74.9 million) of total revenues, up from 57% ($70.3 million) in the prior corresponding period in FY17. Revenue from participation and leased machines under operation was $23.4 million, an increase of 14% on the prior corresponding period. This represented a contribution of 28% of total international revenue, similar to the prior corresponding period. Units under gaming operations for the period was 5,850 units, an increase of 18% from the prior corresponding period.

North America contributed $38.3 million in revenue, an increase of 3% on the previous corresponding period. Unit sales decreased by 2% to 971 units in the period. Units under gaming operation within North America at period end were 2,997, an increase of 7% on the previous corresponding period. This increase was primarily attributable to the addition of Class II gaming machines resulting from the acquisition of Nova Technologies in January 2016. Class II products under participation at the reporting date were 1,296 units representing 43% of total machines under gaming operation within North America. Further installations of Class II products are under contract for installation in the second half of FY18. The increment in yield on these units under gaming operation to US$25 per day was a direct result of a higher yield from the successful PacMan™ licensed brand theme game.

Latin America delivered revenue of $36.6 million, an increase of 11% on the previous corresponding period. Unit sales of 1,552 were up by 26% in the period. Units under gaming operation at period end were 2,853 an increase of 31% from the 2,172 at the previous corresponding period. Argentina and Colombia unit sales increased by 118% and 85%, respectively, compared to the prior corresponding period. Mexico remains as an important market for the Latin America segment. Continued strong product performance of the Quad Shot™ and Dream Strike™ range of products within this region was achieved in the period.

Rest of the world encompassing Europe, Asia and New Zealand achieved revenue of $8.3 million, a decrease on the $11.4 million in the prior corresponding period. Whilst the revenue contributions from New Zealand and Europe are broadly consistent with prior corresponding period, Asia has suffered a decline in revenue due to not benefiting from large corporate sales that occurred in the prior corresponding period.

Review of operations (continued)

Operating costs
Cost of sales in the period were $51.2 million compared to $48.3 million in the previous corresponding period in FY17. Gross margin achieved for the current half year period was 57%, compared to 61% for first half FY17. The reduction in margin is due to product mix change resulting from transition to the A600 product range which has higher componentry costs. Progressive cost reductions on this product range along with further recoveries through increased volumes and participation and lease revenue in the Americas are expected to occur in coming period.

Operating costs, excluding cost of sales and financing costs, were $56.3 million compared to $61.3 million in the previous corresponding period in FY17, a decrease of 8%. The decrease in operating expenditure is attributable to decrease in administrative expenses and research and development expenses due to prudent costs minimisation in the period. The reduction in administrative expenses includes the reversal of previously recognised 2015 Performance Rights share based payment expense amortisation of $2.5 million.

Research and Development (R&D) expense in the period was $16.5 million, a decrease of $1.9 million (10%) compared to the previous corresponding period. R&D expense represented 14% of revenue, a 1% decrease from 15% in the corresponding period. The decrease in R&D expense resulted from the benefit of the introduction of a more forward and effective global product approval process. Despite the decrease in overall R&D expenses, the capitalised R&D activities undertaken during the year has increased by $0.6 million compared to prior corresponding period.

Net financing loss
Net financing loss was $3.4 million compared to a net financing gain of $6.2 million income in the previous corresponding period in FY17. Net unrealised foreign exchange losses from balance sheet translations in the current period totalled $4.4 million compared to a gain of $4.8 million in the previous corresponding period, an unfavourable variance of $9.2 million. Net interest income was $1.0 million in the current period compared to $1.4 million in the previous corresponding period.

Cashflow
Total cash held as at 31 December 2017 was $28.7 million compared to $27.4 million at the previous corresponding period end. The net cashflow in the current period resulted in an increase of $7.8 million (H1 FY17: increase of $0.4 million) as a result of continued focus on cash flow management.

Cash inflows from operations for the current period were $6.9 million, consistent to the previous corresponding period. Cash receipts for the period decreased by 4% to $131.9 million due to a reduction in domestic receivables. Cash payments for operating activities decreased by 3% as a result of improved cash flow management.

During this first half, net cash used in investing activities increased by $5.9 million due to increase in acquisitions of property, plant and equipment and development expenditure. Capitalised development expenditure increased by 27% compared to prior corresponding period due to the increased R&D work undertaken in the Las Vegas facility for new market opportunities, e.g. Class III central determination testing.

Dividends

After the balance sheet date the following dividends were declared by the directors. The dividends have not been provided and there are no income tax consequences.

	Cents per share	Total amount $'000	Franked / unfranked	Date of payment
Interim Ordinary	1.5 cents	$4,966	Fully franked	8th May 2018

The financial effect of these dividends has not been brought to account in the financial statements for the period ended 31 December 2017 and will be recognised in subsequent financial reports.

Events subsequent to reporting date

After the reporting date, the Company declared a fully franked dividend of 1.5 cents per ordinary share amounting to $4,966,000 with an expected payment date on 8th May 2018.

Subsequent to year end on 5 January 2018, the sale of 172,100,823 ordinary shares in the Company belonging to Mr Len Ainsworth and entities controlled by him (collectively "Mr Ainsworth") to Novomatic AG was completed, following receipt of the required gaming regulator approvals. Effective from this date, Novomatic AG holds approximately 52% of the Company's issued capital.

Other than the matters disclosed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the six months ended 31 December 2017.

Rounding off

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

Signed in accordance with a resolution of the directors:

Graeme Campbell
Chairman

Dated at Sydney this 27th day of February 2018.

Condensed consolidated statement of financial position

As at 31 December 2017

In thousands of AUD

	Note	31-Dec-17	30-Jun-17
Assets			
Cash and cash equivalents		28,673	21,094
Receivables and other assets		120,411	128,646
Current tax assets		4,254	3,168
Inventories		79,031	74,732
Prepayments		8,900	9,360
Total current assets		**241,269**	**237,000**
Receivables and other assets		37,822	39,877
Deferred tax assets		4,352	4,727
Property, plant and equipment		113,212	109,560
Intangible assets		67,327	68,902
Equity-accounted investee	*11*	4,448	4,683
Total non-current assets		**227,161**	**227,749**
Total assets		**468,430**	**464,749**
Liabilites			
Trade and other payables		33,912	32,993
Loans and borrowings	*13*	593	178
Employee benefits		7,745	8,367
Current tax liability		1,361	7,335
Provisions		923	938
Total current liabilities		**44,534**	**49,811**
Loans and borrowings	*13*	67,877	65,512
Employee benefits		508	676
Deferred tax liabilities		3,300	4,114
Total non-current liabilities		**71,685**	**70,302**
Total liabilities		**116,219**	**120,113**
Net assets		**352,211**	**344,636**
Equity			
Share capital		200,245	200,245
Reserves		158,487	152,867
Accumulated losses		(6,521)	(8,476)
Total equity		**352,211**	**344,636**

The notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

For six months ended 31 December 2017

In thousands of AUD

	Note	31-Dec-17	31-Dec-16
Revenue		120,315	122,724
Cost of sales		(51,164)	(48,275)
Gross profit		**69,151**	**74,449**
Other income		2,459	515
Sales, service and marketing expenses		(29,553)	(27,260)
Research and development expenses		(16,526)	(18,431)
Administrative expenses		(9,847)	(12,713)
Other expenses		(357)	(2,903)
Results from operating activities		**15,327**	**13,657**
Finance income		1,747	6,729
Finance costs		(5,098)	(545)
Net finance (loss) / income		**(3,351)**	**6,184**
Share of (loss)/profit of equity accounted investee		(142)	111
Profit before tax		**11,834**	**19,952**
Income tax (expense) / benefit		(2,181)	646
Profit for the year		**9,653**	**20,598**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		(567)	1,087
Total other comprehensive income		**(567)**	**1,087**
Total comprehensive income for the year		**9,086**	**21,685**
Profit attributable to owners of the Company		**9,653**	**20,598**
Total comprehensive income attributable to the owners of the Company		**9,086**	**21,685**
Earnings per share:			
Basic earnings per share (AUD)		$0.03	$0.06
Diluted earnings per share (AUD)		$0.02	$0.06

The notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

Ainsworth Game Technology Limited

Condensed consolidated statement of changes in equity

For six months ended 31 December 2017

In thousands of AUD

	Attributable to owners of the Company						
	Issued Capital	**Equity compensation reserve**	**Fair value reserve**	**Translation reserve**	**Profit reserve**	**Accumulated losses**	**Total Equity**
Balance at 1 July 2016	**193,754**	**3,416**	**9,684**	**6,780**	**113,730**	**(11,477)**	**315,887**
Total comprehensive income for the period							
Profit	-	-	-	-	-	20,598	20,598
Transfer between reserves	-	-	-	-	19,071	(19,071)	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	1,087	-	-	1,087
Total other comprehensive income	-	-	-	1,087	-	-	1,087
Total comprehensive income for the period	-	-	-	1,087	19,071	1,527	21,685
Transactions with owners, recorded directly in equity							
Issue of ordinary shares under the Dividend Reinvestment Plan	6,491	-	-	-	-	-	6,491
Dividends to owners of the Company	-	-	-	-	(16,386)	-	(16,386)
Share-based payment transactions	-	762	-	-	-	-	762
Share-based payment adjustment on non-vesting options	-	(70)	-	-	-	70	-
Total transactions with owners	6,491	692	-	-	(16,386)	70	(9,133)
Balance at 31 December 2016	**200,245**	**4,108**	**9,684**	**7,867**	**116,415**	**(9,880)**	**328,439**
Balance at 1 July 2017	**200,245**	**5,547**	**9,684**	**5,363**	**132,273**	**(8,476)**	**344,636**
Total comprehensive income for the period							
Profit	-	-	-	-	-	9,653	9,653
Transfer between reserves	-	-	-	-	7,698	(7,698)	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	(567)	-	-	(567)
Total other comprehensive income	-	-	-	(567)	-	-	(567)
Total comprehensive income for the period	-	-	-	(567)	7,698	1,955	9,086
Transactions with owners, recorded directly in equity							
Issue of ordinary shares under the Dividend Reinvestment Plan	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-
Share-based payment amortisation	-	931	-	-	-	-	931
Reversal of share-based payment amortisation	-	(2,442)	-	-	-	-	(2,442)
Share-based payment adjustment on non-vesting options	-	-	-	-	-	-	-
Total transactions with owners	-	(1,511)	-	-	-	-	(1,511)
Balance at 31 December 2017	**200,245**	**4,036**	**9,684**	**4,796**	**139,971**	**(6,521)**	**352,211**

The notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For six months ended 31 December 2017

In thousands of AUD

	31-Dec-17	31-Dec-16
Cash flows from operating activities		
Cash receipts from customers	131,845	136,953
Cash paid to suppliers and employees	(115,527)	(118,682)
Cash generated from operations	**16,318**	**18,271**
Income taxes paid	(9,289)	(10,684)
Borrowing costs paid	(161)	(544)
Net cash from operating activities	**6,868**	**7,043**
Cash flows (used in) / from investing activities		
Proceeds from sale of property, plant and equipment	4,605	6,161
Interest received	1,747	1,955
Acquisitions of property, plant and equipment	(6,178)	(2,641)
Development expenditure	(2,808)	(2,202)
Net cash (used in) / from investing activities	**(2,634)**	**3,273**
Cash flows from / (used in) financing activities		
Proceeds from borrowings	3,130	-
Proceeds from finance lease	586	-
Payment of finance lease liabilities	(178)	(31)
Dividend paid	-	(9,895)
Net cash from / (used in) financing activities	**3,538**	**(9,926)**
Net increase in cash and cash equivalents	7,772	390
Cash and cash equivalents at 1 July	21,094	26,433
Effect of exchange rate fluctuations on cash held	(193)	589
Cash and cash equivalents at 31 December	**28,673**	**27,412**

The notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Ainsworth Game Technology Limited (the “Company”) is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2017 is available upon request from the Company’s registered office at 10 Holker Street, Newington, NSW, 2127 or at www.agtslots.com.

2. Basis of preparation
Statement of compliance

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

These interim financial statements do not include all of the information required for a complete set of annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2017.

These interim financial statements were approved by the Board of Directors on 27 February 2018.

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

Judgements and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 30 June 2017.

Notes to the condensed consolidated interim financial statements

4. Changes in new standards and interpretations not yet adopted

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations.

The Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

AASB 9 Financial Instruments (2014)

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018.The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition.

The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

AASB 16 Leases

AASB 16 replaces the current AASB 117 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee - effectively treating all leases as finance leases. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. The Group has commenced the process of evaluating the impact of the new lease standard.

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

Notes to the condensed consolidated interim financial statements

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2017.

6. Operating segments

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

The NSW and North and Latin America segments include the aggregation of the Group's other operating segments that are not separately reportable. Included in the NSW and North and Latin America segments are the results of the operating segments related to the servicing of gaming machines in those geographical regions. These operating segments are considered to have similar economic characteristics as the nature of the products and services is complementary and the nature of the regulatory environment and type of customer are consistent. Performance of each reportable segment is based on segment revenue and segment result as included in internal management reports that are reviewed by the Group's CEO. Segment result only takes into account directly attributable costs, which management believes is the most relevant approach in evaluating segment performance.

6. Operating segments (continued)

For the six months ended 31 December 2017

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

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

Notes to the condensed consolidated interim financial statements

6. Operating segments (continued)

For the six months ended 31 December 2016

In thousands of AUD	Australia NSW	Australia QLD / NT	Australia VIC / TAS	Australia South Australia	Americas North America	Americas Latin America	Others Asia	Others New Zealand	Others Europe / Other	Total
Reportable segment revenue	23,422	8,838	6,832	1,929	37,208	33,093	4,705	2,462	4,235	122,724
Result										
Segment result	5,418	2,964	3,343	738	14,321	16,188	2,796	1,256	2,145	49,169
Interest revenue not allocated to segments										62
Interest expense										(545)
Foreign currency gain										4,772
Share of profit of equity-accounted investee										111
R & D expenses										(18,431)
Corporate and administrative expenses										(12,713)
Other expenses not allocated to segments										(2,473)
Profit before tax										19,952
Income tax benefit										646
Net profit after tax										20,598

Notes to the condensed consolidated interim financial statements

7. Write-down of inventory

During the six months ended 31 December 2017 the write-down of inventories to net realisable value amounted to $577 thousand (six months ended 31 December 2016: $10 thousand). Write-downs of inventory are included in cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income.

8. Impairment of trade receivables

During the six months ended 31 December 2017, the Group recognised impairment losses of $357 thousand (six months ended 31 December 2016: $2,903 thousand), included in other expenses, in the condensed consolidated statement of profit or loss and other comprehensive income.

9. Income tax (expense)/ benefit

As at 31 December 2017, the Group has not completed the 30 June 2017 tax return and as a result any true up pertaining to the income tax calculation for the year ended 30 June 2017 has not been in reflected in the interim financial statements (six months ended 31 December 2016: $8,602 thousand). The Group expects the 30 June 2017 tax return to be completed in the second half of FY2018 and any adjustments will be reflected in the 30 June 2018 financial statements.

During this first half, a tax reform was substantively enacted on 22 December 2017 in the United States, whereby the corporate tax rate was reduced from 35% to 21%, effective 1 January 2018. As a result of this tax reform, companies under this tax regime are required to determine the effect of the change in rate on their interim financial reporting, including the effect of the phase-in of the new rate over the 2018 fiscal year.
The members of the Group that are affected by this tax reform have assessed the carrying value of their deferred tax assets and deferred tax liabilities and have appropriately included the adjusted balances of these accounts in the interim financial reports. The amount recognised as a result of this tax reform is a net income tax benefit of $2,163 thousand.

10. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2017, the Group capitalised assets with a cost of $21,987 thousand (six months ended 31 December 2016: $17,685 thousand). Included in the $21,987 thousand are assets with a cost of $14,714 thousand (six months ended 31 December 2016: $9,810 thousand) associated with gaming products under rental and participation arrangements. In addition, $5,102 thousand (six months ended 31 December 2016: $2,796 thousand) gaming product assets were transferred to inventory after being returned or sold to customers.

Other assets with a carrying amount of $2,331 thousand were disposed of during the six months ended 31 December 2017 (six months ended 31 December 2016: $6,020 thousand) resulting in a net profit on disposal of $2,590 thousand (six months ended 31 December 2016: $141 thousand gain), which is included in other income in the condensed consolidated statement of profit or loss and other comprehensive income.

11. Equity – accounted investee

The Group holds a 40% interest in 616 Digital LLC ("616") resulting in a joint venture arrangement. 616 is an online social platform provider established in Delaware, USA and operates from Romania and Australia. This arrangement allows both parties to jointly progress development and marketing of social gaming offering on both desktop and mobile, leveraging the extensive game content library established for land based markets. An agreement has also been established where the Group has the ability to purchase the remaining 60% interest in 616 at a future date. The investment in equity accounted investee for the Group comprise the following:

In thousands of AUD	**Ownership 31 Dec 17**	**Ownership 30 Jun 17**	**Carrying amount 31 Dec 17**	**Carrying amount 30 Jun 17**
616 Digital LLC	40%	40%	4,448	4,683

Notes to the condensed consolidated interim financial statements

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 versus fair values**	**Carrying amount**	**Fair value**
31 December 2017		
Non-current financial assets		
Trade and other receivables	37,822	37,822
Non-current financial liabilities		
Loans and borrowings:		
Finance leases	5	5
Secured bank loan	67,872	67,872

13. Loans and borrowings

The following loans and borrowings (current and non-current) were obtained and repaid during the six months ended 31 December 2017:

In thousands of AUD	**Currency**	**Nominal Interest Rate**	**Face Value**	**Carrying Amount**	**Year of Maturity**
Balance at 1 July 2017			65,695	65,690	
New/increased loans					
Insurance premium funding	AUD	1.70%	636	625	2018
Loan drawdown	AUD	LIBOR+0.65%	3,273	3,273	2019
Repayments					
Insurance premium funding	AUD	1.70%	(218)	(211)	2018
Foreign currency movement on existing loan	AUD	LIBOR+0.65%	(907)	(907)	2019
Balance at 31 December 2017			68,479	68,470	

The Group has extended its existing A$90 million Multi-Option Facility Agreement to 1 March 2019.

Notes to the condensed consolidated interim financial statements

14. Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards. Key management personnel received total compensation of $1,677 thousand for the six months ended 31 December 2017 (six months ended 31 December 2016: $2,058 thousand).

Other related party transactions

	Transaction value Six months ended		Balance receivable/(payable)	
In thousands of AUD	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 16
Sale				
Novomatic AG and its related entities [(i)] – sale of goods	1,105	-	1,040	-
Mr LH Ainsworth Company controlled by director/shareholder – sale of PPE	-	5,988	-	-
Expenses				
Novomatic AG and its related entities[(i)] director/shareholder – purchases and other	524	-	-	-
Mr LH Ainsworth Companies controlled by director/shareholder – purchases and other charges	775	806	-	(92)

Note

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

15. Dividend

After the balance sheet date the following dividends were declared by the directors. The dividends have not been provided and there are no income tax consequences.

	Cents per share	Total amount $'000	Franked / unfranked	Date of payment
Interim Ordinary	1.5 cents	$4,966	Fully franked	8th May 2018

The financial effect of these dividends has not been brought to account in the financial statements for the period ended 31 December 2017 and will be recognised in subsequent financial reports.

Notes to the condensed consolidated interim financial statements

16. Subsequent events

After the reporting date, the Company declared a fully franked dividend of 1.5 cents per ordinary share amounting to $4,966,000 with an expected payment date on 8th May 2018.

Subsequent to year end on 5 January 2018, the sale of 172,100,823 ordinary shares in the Company belonging to Mr Len Ainsworth and entities controlled by him (collectively "Mr Ainsworth") to Novomatic AG was completed, following receipt of the required gaming regulator approvals. Effective from this date, Novomatic AG holds approximately 52% of the Company's issued capital.

Other than the matters disclosed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Ainsworth Game Technology Limited

Directors' declaration

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

1. the financial statements and notes set out on pages 9 to 21, are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six month period ended on that date; and

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

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

Signed in accordance with a resolution of the directors.

Graeme Campbell
Chairman

Dated at Sydney this 27th day of February 2018.

Independent Auditor's Review Report

To the shareholders of Ainsworth Game Technology Limited

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ainsworth Game Technology Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Stephen May
Partner
Sydney
27 February 2018

Lead Auditor's Independence Declaration under

Section 307C of the Corporations Act 2001

To the Directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Ainsworth Game Technology Limited for the half-year ended 31 December 2017, there have been:

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

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

KPMG

KPMG

Stephen May

Partner

Sydney

27 February 2018