Ainsworth Game Technology Ltd
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27 February 2023

ASX Market Announcements Office
Exchange Centre
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ELECTRONIC LODGEMENT

Results for Six Months Ended 31 December 2022 – Appendix 4E and Preliminary Final Report

We attach a copy of the Appendix 4E and Preliminary Final Report in respect of Ainsworth Game Technology's results for the six months ended 31 December 2022.

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 4E

Preliminary Final Report

Current Period: 6 months ended 31 December 2022

Previous Period: 12 months ended 30 June 2022

Results for announcement to the market

	Current period ended (6 months) A$'000	Previous period ended (12 months) A$'000	% Change increase/ (decrease)	Amount increase/ (decrease) A$'000
Revenue from operating activities	124,147	220,157	(44%)	(96,010)
Reported profit from ordinary activities after tax attributable to members	5,925	11,753	(50%)	(5,828)
Net profit for the period attributable to the members	5,925	11,753	(50%)	(5,828)

Dividend Information

Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the six months ended 31 December 2022.

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security	$0.65	$0.63

Entities where control was gained or lost

Ainsworth Game Technology Limited did not gain or lose control over any entities during the six months ended 31 December 2022.

Independent auditor's review report and other information required by Listing Rule 4.3A

This report is based on the financial reports that have been audited. Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the following pages.

Change of financial year end

These financial statements represent a six-month transitional financial period beginning on 1 July 2022 and ending on 31 December 2022. Thereafter, from 1 January 2023, the Company will be on a twelve-month financial year, commencing on 1 January and ending on 31 December.

Ainsworth Game Technology Limited

ABN: 37 068 516 665

FINANCIAL REPORT
FOR THE 6 MONTHS ENDED
31 DECEMBER 2022

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DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of the Group comprising of Ainsworth Game Technology Limited (the Company) and its subsidiaries for the six-month period ended 31 December 2022 and the auditor's report thereon.

1. DIRECTORS

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

Name, Qualifications & Independence Status	Age	Experience, Special Responsibilities & Other Directorships
Current		
Mr Daniel Eric Gladstone *Chairperson and Non-Executive Director* (Classified as Independent effective 11 July 2022*)*	68 yrs	▪ Danny has held senior positions within the gaming industry over a successful career spanning 40 years. ▪ Former Chairperson of Gaming Technologies Association. ▪ Inducted into the Club Managers Association Australia Hall of Fame in 2000. ▪ Member of Regulatory and Compliance Committee since 2010 until 30 June 2019. ▪ Chief Executive Officer since 2007 (Executive Director since 2010) until 30 June 2019. ▪ Non-Executive Director since 2019, appointed Chairperson of the Board on 26 November 2019. ▪ Member of Audit & Risk Committee from 24 June 2021.
Mr Graeme John Campbell OAM *Independent Non-Executive Director*	66 yrs	▪ Graeme has specialised in the area of liquor and hospitality for over 30 years in corporate consultancy services with particular emphasis on hotels and registered clubs. ▪ Independent Chairperson of Harness Racing Australia. ▪ Chairperson of Nominations Committee of Parramatta Rugby League Football Club (Eels). ▪ Former Chairperson of Harness Racing NSW, Former Director of Central Coast Stadium, Blue Pyrenees Wines and NSW Harness Racing Club. ▪ Former Director and Chairperson of Lantern Hotels Group. ▪ Recipient of J.P. Stratton award and Ern Manea Gold Medal. Inducted into the Inter Dominion Hall of Fame in February 2014. Awarded Order of Australia medal in January 2018 for services to harness racing. ▪ Director of Liquor Marketing Group Limited (Bottle Mart) since 2013. ▪ Chairperson of Audit & Risk Committee of Illawarra Catholic Club Group. ▪ Director of TerraCom Limited (ASX:TER) effective 28 January 2022 (appointed Chairperson on 8 July 2022).

DIRECTORS' REPORT

1. DIRECTORS (CONTINUED)

Name, Qualifications & Independence Status	Age	Experience, Special Responsibilities & Other Directorships
Mr Graeme John Campbell OAM *(Continued)*		▪ Member of Audit & Risk Committee since 2017 until 26 November 2019 - appointed Chairperson from 26 November 2019, member of Regulatory and Compliance Committee until 1 July 2017, member of Remuneration and Nomination Committee since 2015. ▪ Lead Independent Non-Executive Director since 2013 until appointed Chairperson in 2016 until 26 November 2019. Lead independent Non-Executive Director since 26 November 2019 until 11 July 2022.
Mr Colin John Henson Dip-Law BAB; FCPA; FCG (CS, CGP) FAICD *Independent Non-Executive Director*	75 yrs	▪ Colin has had a lengthy career in senior corporate positions and as a director and Chairperson of private companies and publicly listed companies across a broad range of industries. ▪ Fellow of the Australian Institute of Company Directors, Fellow of CPA (Certified Practising Accountants) Australia and Fellow of the Governance Institute of Australia. Colin is also a non-practising member of the Law Society of NSW. ▪ Director since 2013. ▪ Member of Audit & Risk Committee since 2017 and Chairperson from 1 April 2017 until 26 November 2019. Member of Audit & Risk Committee from 26 November 2019. ▪ Chairperson of Remuneration and Nomination Committee since 2015. ▪ Member of Regulatory and Compliance Committee since 2019 and Chairperson from 1 April 2021.
Ms Heather Alice Scheibenstock GAICD, FGIA *Independent Non-Executive Director*	55 yrs	▪ Heather has extensive leadership experience within the gaming and hospitality industries specialising in strategic planning and offshore growth spanning over 30 years. ▪ Former Director and Chair of Audit and Risk Committee at SenSen Networks (ASX: SNS). ▪ She has previously held senior executive roles at Echo Entertainment and Solaire Group. ▪ Deputy Chair and Chair of the Quality and Outcomes Committee of Ability Options since 2017. ▪ Former Non-Executive Director of Ainsworth from 2016 until November 2019. ▪ Graduate of Australian Institute of Company Directors and Women on Boards. ▪ Fellow of Governance Institute of Australia. ▪ Re-appointed Director on 11 July 2022. ▪ Member of Remuneration & Nomination Committee from 1 December 2022.

2. COMPANY SECRETARY

Mr Mark L Ludski has held the position of Company Secretary since 2000. Mr ML Ludski previously held the role of Finance Manager with another listed public company for ten years and prior to that held successive positions in two leading accounting firms where he had experience in providing audit, taxation and business advisory services.

Mr ML Ludski is a member of Australian Institute of Company Directors and a Chartered Accountant holding a Bachelor of Business degree, majoring in accounting and sub-majoring in economics.

Mr ML Ludski was appointed as a member of the Regulatory and Compliance Committee effective 22 September 2021. Previously, member of the Remuneration and Nomination Committee from 24 June 2021 until 1 December 2022.

3. DIRECTORS MEETINGS

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

Directors	Board Meetings		Audit and Risk Committee Meetings		Remuneration & Nomination Committee Meetings		Regulatory & Compliance Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
DE Gladstone	7	7	2	2	-	-	-	-
GJ Campbell	6	7	2	2	1	1	-	-
CJ Henson	7	7	2	2	1	1	3	3
HA Scheibenstock	7	7	-	-	-	-	-	-

A Number of meetings attended.

B Number of meetings held during the period (excluding approved leave of absence and meetings held whilst not a director/member).

4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial period were design, development, manufacturing, sales and distribution of gaming content and platforms including electronic gaming machines, other related equipment and services and online social and real money games. The Group continues to execute strategies to expand and diversify its product offerings within both land-based and online gaming markets, including social gaming and licensed "Real Money" gambling markets.

There were no significant changes in the nature of the activities of the Group during the period.

4. PRINCIPAL ACTIVITIES (CONTINUED)

4.1 Objectives

Ainsworth is a well-established and recognised gaming machine developer, designer and manufacturer operating in local and global markets. Our strategy is to profitably and sustainably expand this footprint by leveraging off our deep expertise and substantial experiences for the benefit of all shareholders.

The Group's objectives are to:

- produce games that are appealing to players utilising our broad range of talented skilled game designers along with collaborations with third party game developers;
- focus on regaining market share decline in domestic market and growing international revenue;
- improve profitability within geographical markets that are expected to achieve the greatest contributions to the Group's financial results, and creation of growth;
- diversify and expand on contributions from recurring revenue through additional units under gaming operation;
- prudently invest in product research and development in order to provide quality market leading products that are innovative and entertaining, and result in increased player satisfaction and therefore greater venue profitability;
- further expand presence within online gaming markets, including social gaming and licensed "Real Money" gambling markets through collaborations with other major online platform providers;
- prudently manage levels of investment in working capital and further improve cash flow from operations to facilitate investment in growth opportunities;
- provide an improved return on shareholder equity through profitability, payment of dividends and share price growth; and
- prudent management of operating expenditure and liquidity whilst the economic effects of post COVID-19 pandemic continue to still being experienced.

In order to meet these objectives, the following priority actions will continue to apply in future financial years:

- grow the Group's footprint and operating activities in domestic and international markets;
- continual investment in research and development to produce innovative products with leading edge technology;
- implement and actively monitor risk management strategies to minimise risks and challenges brought upon from post pandemic;
- manage product and overhead costs through improved efficiencies in supply chain and inventory management;
- actively pursue initiatives to improve and reduce investment in working capital;
- maintain best practice compliance policies and procedures and increase stakeholder awareness of the Group's regulatory environment; and
- ensure retention and development of the Group's talent base.

4. PRINCIPAL ACTIVITIES (CONTINUED)

4.2 Environmental Regulation

The Group is committed to ensuring it complies with all environmental laws and regulations through conducting its operations as a responsible business that does not cause harm to people and the environment. The Group's operations have been assessed as having a minimal impact on the environment. The Company assembles gaming machines and systems in Australia, North America and Latin America. The Company uses limited amounts of harmful chemicals in its assembly process. Ainsworth is committed to regularly review and assess any potential exposures to environmental regulations and ensure meaningful contributions towards sustainable developments are being maximised and addressed accordingly. The directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the financial period.

5. OPERATING & FINANCIAL REVIEW

5.1 Business Strategy and Investments for Future Performance

Business Strategy

Ainsworth's strategy has always been built around our mission which is to provide high quality innovative gaming solutions globally and to secure sustainable profitability and growth for all stakeholders.

As Ainsworth continues to navigate through the volatility in the global operating environment brought upon by COVID-19 and other factors, the Group continues to focus on executing its key priority actions as outlined below:

- employ 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;
- target 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.

Mr Harald Neumann's (the Group's CEO) top priority remains the same which is to ensure that Ainsworth's global team is aligned with the same growth vision which will allow the Group to maintain the momentum during the recovery phase and growth in future period. During the period, Mr Neumann and his global executive team have implemented a range of measures focusing on technology, development, and culture to improve product performance, lifting staff retention rates, and enhancing the Group's ability to attract world class development talent. The Group will continue to strongly invest in product, technological developments, and talent acquisition to further diversify and build business capabilities and to drive further share growth across all key markets. During the current period, the Group has shown resilience with a strong balance sheet to allow these investments to continue acceleration of growth objectives in future periods.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Investments for Future Performance

The Group continues to evaluate opportunities within domestic and international gaming markets during the period. Since the initial release of the A-STAR™ 27-inch dual screen cabinet in February 2020, the A-STAR™ cabinet range has expanded with the release of the 55" inch and Slant Top versions being released in the market. Further investments in research and development have been pursued to ensure game developments continue to complement the A-Star™ hardware range. This investment is expected to assist the ongoing expansion and breadth of innovative, technically advanced and consistently high performing products.

During the period, the Group continued to execute previously identified strategies and plans across its global product development operations, which most notably includes game development, software and hardware activities. The Group has significantly bolstered its ability to develop highly competitive game content as a result of expanding its internal studios through the appointment of additional experienced game developers in Australia and Las Vegas. Furthermore, the Group has in place agreements with third-party game development studios located in various parts of the world to further diversify the Group's game content and complement the innovation capabilities of the Group's internal studios.

The Group has now started to secure key regulatory approvals for a new EGM software platform that will power the Group's future range of games. This software platform provides a more "off-the-shelf" development environment that allows the Group to deliver a broader and more complex range of gaming content that benefit from the efficiencies provided by modern software development methodologies and tools. This has also enabled the Group to attract new software development talent from a larger pool of highly skilled software developers.

Ainsworth Interactive is now a self-contained division that is engaged in the design, development and distribution of digital gaming solutions for regulated online real money gaming ("RMG"), social casino and mobile gaming worldwide. This strategy is to focus on expanding our game content distribution network throughout the online markets of Europe, Latin America and North America (through our partnership with GAN Limited ("GAN")), continuing to invest in interactive product innovation. Ainsworth RMG game assets are now available in New Jersey, Michigan and Pennsylvania.

Ainsworth's acquisition of MTD Gaming Inc. in 2020, a Montana-based game development company that specializes in video poker and keno products, is focused on expanding delivery of these products into additional markets, such as Nevada, California, New Mexico, Oklahoma, Arizona and Florida. This will further increase Ainsworth's footprint in these markets.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

The Group's Class II Historical Horse Racing ("HHR") products are experiencing more placements into existing and new markets, with Ainsworth continuing to integrate products from other manufacturers such as Aristocrat, IGT, Light n Wonder, and Konami. This niche product has been a top performer in its class since its initial launch and continues to outperform its competitors. Additional opportunities are being pursued for the Group's leading HHR products in new jurisdictions following the passing of new legislation in Kansas and Texas.

The synergies and benefits with the Group's majority shareholder, Novomatic AG (NAG), are continuing to be explored. Ainsworth has been appointed as the non-exclusive distributor for NAG's Electronic Table Gaming products across Asia Pacific. Improved cooperation for technical, commercial, and content sharing are expected to benefit both companies moving forward. Games developed by NAG game studios continue to be launched as exclusive products into North America on Ainsworth's hardware.

5.2 Risk management and material risks

The Group encounters a range of risks that may threaten its ability to meet its objectives.

To address these risks the Group has in place a detailed risk management procedure that details the objectives and actions required to deliver a best practice approach to integrating risk management into the Group's leadership, business planning, staff culture and day-to-day operations.

Key responsibility for ensuring the Group adheres to its risk management procedure rests with the Board and the Group's audit and risk committee.

The audit and risk committee reviews the risks identified and assessed by management. The key risks identified during this process of review are provided to the board of directors.

Below is a table that summarises the key risks that have been identified by the Group, along a summary of the required action to reduce the likelihood or the consequences for the business should any of these risks eventuate.

Risk	Description	Mitigation Measures
Breach of laws, regulations, and license conditions	Any material breach or failure to meet gaming compliance requirements and the requirements of any other applicable laws may have an adverse impact on the financial performance and operating position of the Group.	The Group maintains robust regulatory compliance oversight across all business functions to ensure the Group's dealings with government, regulatory bodies, customers and suppliers are conducted lawfully and with integrity and respect for all stakeholders. Internal auditor periodically reviews and provides independent assurance regarding the adequacy of controls and processes for managing risk and compliance obligations.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Risk	Description	Mitigation Measures
Breach of laws, regulations, and license conditions *(continued)*		Employees and managers are provided with training and support to enable them to effectively manage their risk and compliance obligations. The Group regularly reviews its policies and procedures to ensure they support the objective of ongoing compliance with all applicable laws. The Group conducts greater oversight of its activities in higher risk jurisdictions to ensure actions to mitigate identifiable risks is taken as appropriate.
The introduction of new laws, regulations or requirements that result in adverse outcomes	Changing community attitudes towards gaming risk, the occurrence of adverse government or regulatory action against the Group or the gaming industry.	Proactive support by the Group for measures supported by evidence as to their effectiveness that promote responsible game play. Engagement through the manufacturer peak body, the Gaming Technologies Association Limited, with governments, regulators and academics/ researchers in the development of evidence-based policy outcomes.
Attraction and retention of talented employees	The Group has experienced heightened competition for talent in all areas of operation. This has been exacerbated by inflationary impacts and evolving employee requirements, placing the Group at risk of losing employees in particular those employees that hold strategically important functions that are difficult to replace.	Greater investment in the Group's global human resource management capabilities. Conducting employee salary and incentive benchmarking across all core functions. Adoption of flexible work policies. Adopting a mix of employee rewards and incentives that are directed towards long-term employee retention. Increased investment in employee training, employee diversity and leadership development.
Global supply chain disruption	Global supply chain challenges caused by pandemic, war or overall geo-political risks may impact the Group's operations in all major markets resulting in	The Group's global supply chain team is authorised to rapidly respond to market conditions as they evolve.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Risk	Description	Mitigation Measures
Global supply chain disruption *(continued)*	customer order fulfillment delays.	The Group is continually identifying and where feasible using domestically based suppliers, or identifying alternate suppliers based in regions that carry less sovereign or geopolitical risk. Ongoing engagement with key suppliers to strengthen relationships and ensure delivery commitments are met. Enhancement of business resilience measures.
Cyber security breach resulting in business disruption and financial loss	The Group's businesses rely on the successful operation of its technology infrastructure. This infrastructure may be adversely affected by various factors including malicious attacks on technology systems or a significant hardware, software, or digital failure. In addition, the global requirement to work from home and or rely on digital solutions to maintain operations during the pandemic has caused a rapid rise in the frequency and sophistication of cyber-attacks.	The Group has policies, procedures, practices, frameworks, and resources in place to manage data security risks. The Group has disaster recovery plans and business continuity plans in place to manage major technology failures. The Group has implemented a global cyber security protection roadmap. It continues to rollout best practice global cybersecurity tools and data breach identification and protection measures. All employees are required to undertake an ongoing global information security training program to minimise the risk of human error (the main cause of cyber security attacks).
Loss of IP rights	Inability to protect the Group's intellectual property rights (IPR) may prevent the Group from effectively differentiating its product lines from those of its competitors, resulting in a loss of competitive advantage.	Proactive monitoring of competitor activities via product monitoring and the "watching" of competitor IP registrations in core markets. Targeted enforcement of IPR breaches where identified. Ongoing investment in the skills and capabilities of the Group's IPR specialist employees.
Litigation risks	From time to time the Group become involved or may	The Group maintains on staff specialist legal compliance and regulatory

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Risk	Description	Mitigation Measures
Litigation risks *(continued)*	become involved in litigation and disputes with third parties.	personnel and implements robust risk, compliance and contract management processes.
Financial and balance sheet risk	The Group is exposed to risks relating to the cost and availability of funds to support its operations, including changes in interest rates, foreign currency exchange rates, counterparty credit and liquidity risks, each of which could impact its financing activities. The Company's US subsidiary is subject to a number of conditions and financial covenants under its bank facility. A failure to comply with these conditions and covenants may require the Company or its subsidiaries to repay borrowings earlier than anticipated or result in increased financing costs for the Group, which could in turn adversely affect its financial performance.	The Group's finance facilities and interest rate, credit, liquidity, and currency risks are managed by the Group's finance department in line with policies approved by the Board.
Market disruption and competition	A failure to adequately respond to market disruption and rising competition in any or all core markets will impact the Group's market share and revenues.	The Group has recruited leading industry talent as part of its increased investment in its global design and development function. The Group undertakes regular and ongoing reviews of customer requirements, technology changes and competitor activities. The Group has established management KPIs and incentives that support the development of innovative and differentiated product lines in all global markets.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

5.3 Earnings and Performance Summary

During the reporting period, the Group continued to navigate through the volatility in the global operating environment such as supply chain disruptions, talent recruitment and increasing inflationary cost pressures. Notwithstanding the continuing operational challenges, the Group delivered a statutory net profit after tax of $5.9 million in the six months ended 31 December 2022 ("current period") compared to the $11.8 million profit recorded in the 12 months ended 30 June 2022 ("FY22"). The current period profit after tax improved by $3.2 million compared to the six months ended 30 June 2022 ("prior half"). The current period profit before tax, excluding the effect of net foreign currency losses was $9.4 million, a drop on the $10.4 million reported in the six months ended 31 December 2021 ("pcp") but an improvement on the ($2.8 million) loss reported in the prior half.

The following table summarises the results for the current period, the pcp and the prior half:

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
Reported Results						
Total Revenue	124.1	100.7	119.5	220.2	23.4	4.6
Profit before tax	7.3	13.9	1.9	15.8	(6.6)	5.4
Profit after tax	5.9	9.1	2.7	11.8	(3.2)	3.2
EBITDA	14.9	24.6	12.5	37.1	(9.7)	2.4
EBIT	4.0	13.8	1.1	14.9	(9.8)	2.9
Earnings per share (fully diluted)	1.8 cents	2.7 cents	0.7 cents	3.4 cents	(0.9 cents)	1.1 cents
Underlying Results (1)						
Profit before tax	18.8	10.0	18.8	28.8	8.8	-
Profit after tax	15.5	6.1	18.2	24.3	9.4	(2.7)
EBITDA	26.4	20.7	29.4	50.1	5.7	(3.0)
Balance sheet and cash flow						
Total assets	425.7	381.4	406.5	406.5	44.3	19.2
Net assets	320.2	301.7	311.3	311.3	18.5	8.9
Operating cashflow	(8.0)	31.0	20.3	51.3	(39.0)	(28.3)
Closing net cash	36.5	32.2	50.3	50.3	4.3	(13.8)

(1) Underlying results excludes foreign currency impacts and one-off items. These items are outlined in the following page - 'A reconciliation of the reported EBITDA to the underlying EBITDA'.

DIRECTORS' REPORT

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

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

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
Reconciliation:						
Profit before tax	**7.3**	**13.9**	**1.9**	**15.8**	**(6.6)**	**5.4**
Net interest income	(3.3)	(0.1)	(0.8)	(0.9)	(3.2)	(2.5)
Depreciation and amortisation	10.9	10.8	11.4	22.2	0.1	(0.5)
Reported EBITDA	**14.9**	**24.6**	**12.5**	**37.1**	**(9.7)**	**2.4**
Foreign currency losses / (gains)	2.1	(3.5)	(4.7)	(8.2)	5.6	6.8
Rent concessions	-	(0.4)	(0.1)	(0.5)	0.4	0.1
Provision for Mexican duties and other charges	5.5	-	16.5	16.5	5.5	(11.0)
Impairment losses - LATAM and Australia and Other CGU	3.9	-	5.2	5.2	3.9	(1.3)
Underlying EBITDA	**26.4**	**20.7**	**29.4**	**50.1**	**5.7**	**(3.0)**

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

Key earnings and performance highlights are outlined below:

- Reported revenue improvement in the current period compared to the pcp and the prior half, predominantly attributable to Latin America and Australia, in particularly when compared to the pcp where restrictions were not lifted until end of December 2021;
- Participation and lease revenue contributed to 28% of the Group's total revenue;
- Ainsworth's leading Historical Horse Racing ("HHR") products and system continues to incrementally contribute to the Group's results with recurring connection fee of $11.4 million reported in the current period;
- Outright sales momentum continued across Latin America and Australia markets;
- Net cash position of $36.5 million as at 31 December 2022 compared to $50.3 million as at 30 June 2022. Net cash position decreased due to investment in working capital during the current period;
- Foreign exchange adversely impacted the results by $2.1 million as a result of the devaluation of cash balances held in Latin American entities against USD;
- Underlying EBITDA over total revenue for the period was 21%; and
- Underlying PBT in the current period of $18.8 million, consistent with the prior half and an improvement of $8.8 million compared to the pcp.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

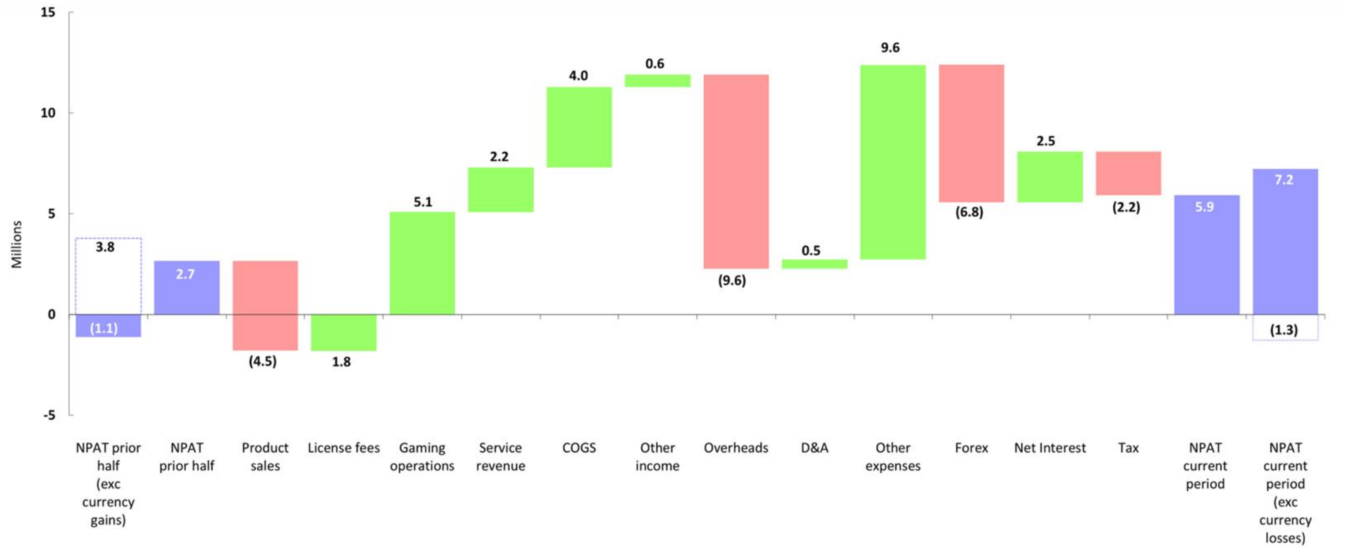
Net profit after tax (NPAT) movement current period vs pcp (A$ millions)

The Group achieved a profit after tax of $5.9 million in the current period compared to the $9.1 million profit after tax in the pcp. Notable movements from NPAT in the current period when compared to the pcp are set below:

- Increase in gaming operations revenue contribution from Latin America as customers are resuming their operations to normalised levels and continuation of performance Class II products in North America;
- Increase in overheads resulting from reflecting business operations resuming to pre-pandemic levels and inflationary cost pressure;
- Increase in other expenses resulting from impairment recognised for Australia and other and Latin America CGU's and additional recognition on provision for the Mexican duties and other charges;
- Tax expense of $1.4 million recognised for the current period, compared to $4.8 million tax expense recognised for the pcp; and
- Unfavourable foreign exchange movement predominately related to a lower gain on foreign exchange due to the strengthening of the US dollar against the AU dollar in the current period compared to the pcp.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Net profit after tax movement current period vs prior half (A$ millions)



The Group achieved a profit after tax of $5.9 million in the current period compared to $2.7 million profit after tax in the prior half. Notable movements from NPAT in the current period when compared to the prior half are set below:

- 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;
- Increase in overheads resulting from increase in administrative expenses and inflationary cost pressure;
- Decrease in other expenses due to lower expense recognition on provision for the Mexican duties and other charges compared to the prior half;
- Tax expense of $1.4 million recognised for the current period, compared to $0.8 million tax benefit recognised for the prior half; and
- Unfavourable foreign exchange movement predominately related to a lower gain on foreign exchange due to the strengthening of the US dollar against the AU dollar in the current period compared to the prior half.

$'000	6 months ended 31 December 2022	12 months ended 30 June 2022	12 months ended 30 June 2021	12 months ended 30 June 2020	12 months ended 30 June 2019
Profit / (loss) attributable to owners of the Company	$5,925	$11,753	($53,409)	($43,433)	$10,895
Dividends paid	-	-	-	-	$8,313
Change in share price ($A)	$0.13	($0.28)	$0.83	($0.26)	($0.37)

Net profit / (loss) amounts presented above have been calculated in accordance with Australian Accounting Standards Board (AASB).

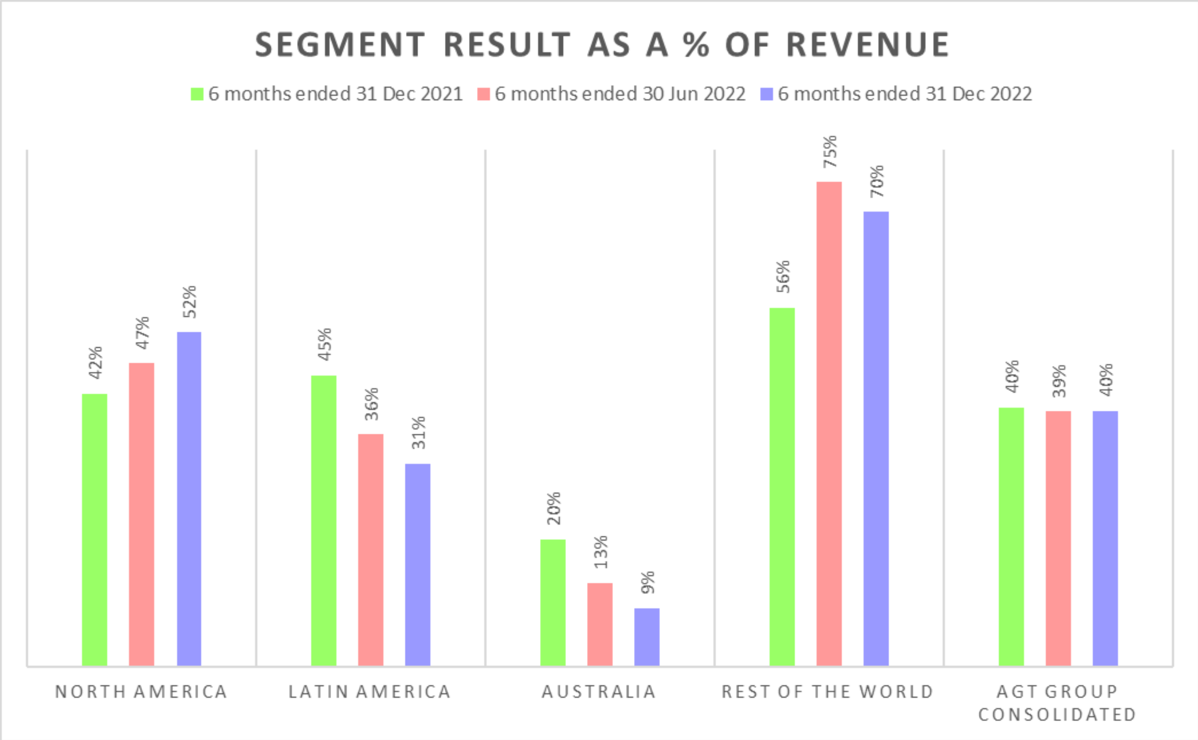
5. OPERATING & FINANCIAL REVIEW (CONTINUED)

5.4 Review of Principal Businesses

Results in the current period, the pcp, and the prior half are summarised as follows:

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
Segment revenue						
Australia and Rest of the World						
Australia	23.2	16.7	22.2	38.9	6.5	1.0
Rest of the World	8.1	7.2	6.8	14.0	0.9	1.3
Total Australia and Rest of the World	31.3	23.9	29.0	52.9	7.4	2.3
Americas						
North America	59.7	54.6	60.5	115.1	5.1	(0.8)
Latin America	33.1	22.2	30.0	52.2	10.9	3.1
Total Americas	92.8	76.8	90.5	167.3	16.0	2.3
Total segment revenue	**124.1**	**100.7**	**119.5**	**220.2**	**23.4**	**4.6**
Segment result						
Australia and Rest of the World						
Australia	2.1	3.3	2.9	6.2	(1.2)	(0.8)
Rest of the World	5.7	4.0	5.1	9.1	1.7	0.6
Total Australia and Rest of the World	7.8	7.3	8.0	15.3	0.5	(0.2)
Americas						
North America	30.9	23.1	28.4	51.5	7.8	2.5
Latin America	10.4	10.0	10.8	20.8	0.4	(0.4)
Total Americas	41.3	33.1	39.2	72.3	8.2	2.1
Total segment result	**49.1**	**40.4**	**47.2**	**87.6**	**8.7**	**1.9**
Unallocated expenses						
Net foreign currency (losses) / gains	(2.1)	3.5	4.7	8.2	(5.6)	(6.8)
Research and development expenses	(19.4)	(18.0)	(17.3)	(35.3)	(1.4)	(2.1)
Administrative expenses	(12.9)	(10.9)	(10.1)	(21.0)	(2.0)	(2.8)
Other expenses	(9.4)	-	(21.7)	(21.7)	(9.4)	12.3
Total unallocated expenses	**(43.8)**	**(25.4)**	**(44.4)**	**(69.8)**	**(18.4)**	**0.6**
Less : interest included in segment result	(1.3)	(1.2)	(1.7)	(2.9)	(0.1)	0.4
EBIT	**4.0**	**13.8**	**1.1**	**14.9**	**(9.8)**	**2.9**
Net interest income	3.3	0.1	0.8	0.9	3.2	2.5
Profit before income tax	**7.3**	**13.9**	**1.9**	**15.8**	**(6.6)**	**5.4**
Income tax (expense) / benefit	(1.4)	(4.8)	0.8	(4.0)	3.4	(2.2)
Profit after income tax	**5.9**	**9.1**	**2.7**	**11.8**	**(3.2)**	**3.2**

5. OPERATING & FINANCIAL REVIEW (CONTINUED)



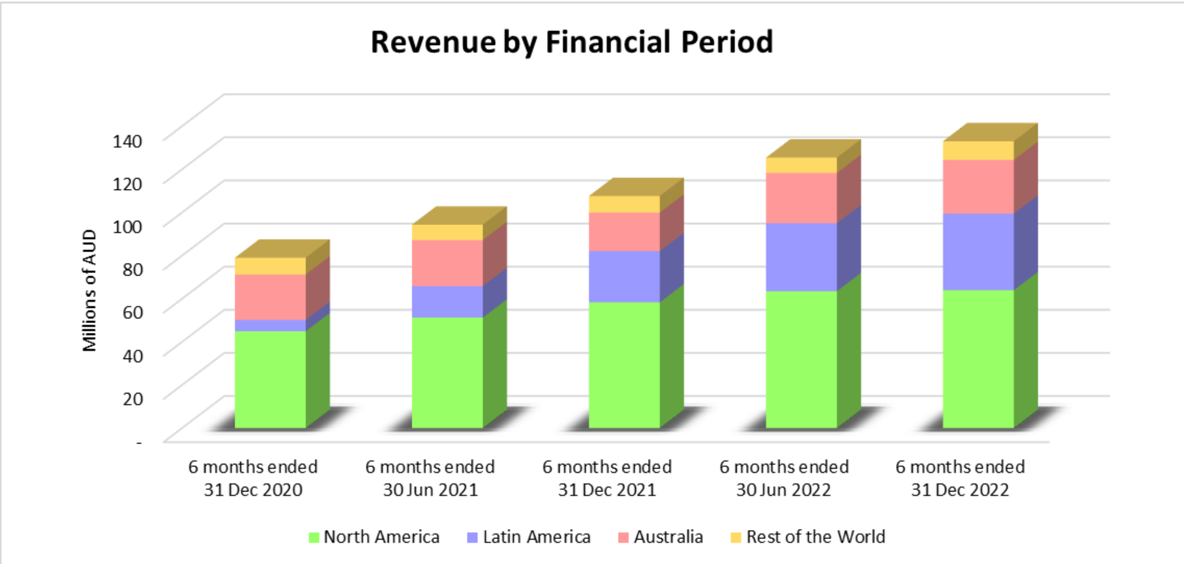
Segment result as a percentage of revenue on a consolidated level were at consistent levels for the 6 months ended 31 December 2022, 30 June 2022 and 31 December 2021. The earnings performance in the Americas now represents 84% ($41.3 million) of the total segment result compared to 82% ($33.1 million) in the pcp and 83% ($39.2 million) in the prior half. The improved segment performance in North America resulted from increased recurring revenue from HHR units connecting to Ainsworth's HHR system and units placed participation and lease arrangement. This offsets the declined segment results both in Latin America and Australia. The declining segment results in Australia were a result of ongoing increased costs of goods affecting product margin. Latin America's segment result of 31% in the current period was due to the increased expected credit loss provision recognised during the period due to the inflationary pressures that creates further credits risks in customers within this region. Rest of the World's ('ROW') segment margin is driven by high contribution from online revenue which has high segment margin compared to land-based products.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

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

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
Domestic revenue	23.2	16.7	22.2	38.9	6.5	1.0
International revenue	100.9	84.0	97.3	181.3	16.9	3.6
Total revenue	**124.1**	**100.7**	**119.5**	**220.2**	**23.4**	**4.6**
Cost of sales	(40.5)	(37.7)	(44.5)	(82.2)	(2.8)	4.0
Gross profit	**83.6**	**63.0**	**75.0**	**138.0**	**20.6**	**8.6**
Gross profit margin %	67%	63%	63%	63%	4%	4%
Other income	0.4	1.2	(0.2)	1.0	(0.8)	0.6
Sales, service & marketing expenses	(35.0)	(25.0)	(30.8)	(55.8)	(10.0)	(4.2)
Research and development expenses	(19.4)	(18.0)	(17.3)	(35.3)	(1.4)	(2.1)
Administrative expenses	(12.9)	(10.9)	(10.1)	(21.0)	(2.0)	(2.8)
(Impairment) / writeback of trade receivables	(1.2)	-	1.5	1.5	(1.2)	(2.7)
Other expenses	(9.4)	-	(21.7)	(21.7)	(9.4)	12.3
Net finance income	1.2	3.6	5.5	9.1	(2.4)	(4.3)
Profit before income tax	**7.3**	**13.9**	**1.9**	**15.8**	**(6.6)**	**5.4**
Income tax (expense) / benefit	(1.4)	(4.8)	0.8	(4.0)	3.4	(2.2)
Profit after income tax	**5.9**	**9.1**	**2.7**	**11.8**	**(3.2)**	**3.2**

Revenue



As outlined in the graph above, improvements in revenue since the pandemic have been achieved across all financial periods as the market continues to recover with improved product performance and increased customer confidence to invest in capital expenditure in their venues. The revenue recovery rate stabilised with 4% increase in revenue for the current period ended 31 December 2022 compared to the prior half ended 30 June 2022, revenue increase in the current period was 23% compared to the pcp ended 31 December 2021.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Ainsworth's key market, North America, continues to show strong revenue contributing $59.7 million in revenue representing 48% of the Group's total revenue. HHR high performing products continue to positively contribute to revenues within this segment. As at 31 December 2022, 5,510 HHR units were connected to Ainsworth's HHR system generating recurring revenue. This is an increase from the 4,245 units as at 30 June 2022 by 1,265 units over the current period. MTD has 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 been a performing product within South Dakota and Louisiana in the current period.

Despite the prolonged closure during the pandemic and challenging local operating environment in Latin America, progressive improvement has been achieved in Latin America segment since the reopening of the markets within this region in the last quarter of calendar year 2021. Revenue improved by 49% in the current period when compared to the pcp and 10% when compared to the prior half. It is expected that as the regions within this segment continue to recover, revenue and segment profit will increase in future periods.

Australia achieved similar revenue in the current period compared to the prior half with an improvement of 39% when compared to the pcp which was affected by the spread of Delta strain of COVID-19 that prompted lockdowns and restrictions. New South Wales accounts for 54% of this segment's total revenue, compared to 39% in the pcp and 49% when compared to the prior half.

ROW revenue remained consistent throughout for the current period, the pcp, and the prior half. All the land-based markets within the ROW segment, i.e. New Zealand, Asia and Europe contributed 21% to the total revenue within this segment. Online revenue of $6.4 million in the current period assisted in offsetting the low contribution from the land-based markets within this segment. The majority of the online revenue is attributable to the execution of a 5-year integration and distribution agreement with GAN Limited ("GAN") on 1 July 2021.

Cost of sales and operating costs

Gross margin of 67% was achieved in the current period compared to 63% in FY22, an increase of 4%. The improvement in margin is mainly from the increasing recurring revenue in North America and Latin America, accounting for 37% of total revenue during the current period, 5% higher when comparing to FY22.

Operating costs, excluding cost of sales, other expenses, (writeback) / impairment of trade receivables, and financing costs for the current period were $67.3 million compared to $53.9 million in the pcp and $58.2 million in the prior half. These operating costs over total revenue reported 54% compared to 51% in FY22.

Sales, service and marketing (SSM) expenses in the current period were $35.0 million compared to $25.0 million in the pcp and $30.8 million in the prior half. The increase in SSM expenses is directly attributable to increased variable selling costs, personnel costs and marketing costs.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Research and development (R&D) expenses in the current period were $19.4 million compared to $18.0 million in the pcp and $17.3 million in the prior half. 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 $12.9 million in the current period compared to $10.9 million in the pcp and $10.1 million in the prior half. This increase was mainly because of 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 and loss

Net financing income was $1.2 million in the current period, compared to $3.6 million in the pcp and $5.5 million in the prior half. This unfavourable movement was as a result of a lower gain on foreign exchange due to the strengthening of the US dollar against the AU dollar in the current period compared to the pcp and the prior half.

Interest income during the period was $3.9 million in the current period compared to $1.2 million in the pcp and $1.6 million in the prior half. The interest income includes $2.6 million received from bank deposits and $1.3 million received from customers both predominately relating to the Latin America region. The interest income from bank deposits relate to the term deposits held in Argentina.

Interest expenses were $0.6 million in the current period compared to $1.1 million in the pcp and $0.8 million in the prior half, a favourable change in the current period predominately arising from reduced interest on secured bank loan as loans were fully repaid by the end of June 2022.

Segment review

North America

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs Prior half
Revenue	59.7	54.6	60.5	115.1	5.1	(0.8)
Gross Profit	47.1	36.8	42.1	78.9	10.3	5.0
Segment EBITDA	36.7	28.4	33.8	62.2	8.3	2.9
Segment Profit	**30.9**	**23.1**	**28.4**	**51.5**	**7.8**	**2.5**
Segment Profit (%)	52%	42%	47%	45%	10%	5%

The North America segment profit increased by 34% to $30.9 million in the current period compared to the pcp, driven by higher proportion of recurring revenue. This includes HHR connection fees over this segment's total revenue which generates higher margin compared to outright sales. 59% of the total revenue accounts for recurring revenue predominantly from participation and lease and HHR connection fees, in the current period compared to 47% in FY22. 922 units were sold during the current period compared to 1,175 in the pcp which included the 400 HHR unit sales to Kentucky Downs.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Participation and lease revenue was $23.7 million in the current period, an increase of 45% compared to the pcp and 20% compared to the prior half. This was driven by the increase in the total gaming operation units placed under Class II machines during the current period. This segment was able to achieve an increase in participation and lease in the current period when compared to the pcp despite the 400 HHR unit sales to Kentucky Downs that was converted to sales from a participation arrangement in July 2021. This segment was able to replace the 400 units that came off participation arrangement with 1,979 units of Class II units placed as at 31 December 2022 compared to 1,453 units as at 31 December 2021 and 1,679 as at 30 June 2022. Included in the 1,979 units are 200 units placed at Speaking Rock in Texas, a newly approved jurisdiction during 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 31 December 2022, a total of 5,510 units were installed in various markets on the Group's HHR system, generating recurring connection fees. Newly approved HHR legislation in Alabama and new property openings at Kentucky will provide additional placement opportunities in this highly profitable market segment.

The average fee per day comprising of participation and fixed lease of Class II, III and HHR machines was US$33, consistent with FY22. The continuing performance of the Class II products has allowed this segment to maintain the average fee per day of US$33.

MTD 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 during calendar year 2023. It is expected that this investment should increase Ainsworth's footprint in this new jurisdiction.

Latin America

In millions of AUD	**6 months ended 31 Dec 2022 (Current period)**	**6 months ended 31 Dec 2021 (PCP)**	**6 months ended 30 Jun 2022 (Prior half)**	**12 months ended 30 Jun 2022**	**Current period vs PCP**	**Current period vs Prior half**
Revenue	33.1	22.2	30.0	52.2	10.9	3.1
Gross Profit	22.2	15.0	19.4	34.4	7.2	2.8
Segment EBITDA	9.7	9.3	10.0	19.3	0.4	(0.3)
Segment Profit	**10.4**	**10.0**	**10.8**	**20.8**	**0.4**	**(0.4)**
Segment Profit (%)	31%	45%	36%	40%	(14%)	(5%)

The Latin America segment continues to recover from the pandemic despite the ongoing challenges brought to this market resulting from the pandemic. The markets within this segment were re-opened within the last quarter of calendar year 2021, driving improvement in results in the current period when compared to the pcp. During the current period, a total of 908 units were sold compared to 889 units in the pcp and 991 units in the prior half. Increase in average selling price and the change in product mix in the current period contributed to revenue increase within this segment.

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

As at 31 December 2022, all 3,690 game operations units installed were operating compared to 80% of 4,091 units installed as at 31 December 2021 and 93% of 3,818 units installed as at 30 June 2022. As units progressively returned to operation when the market reopened, participation and lease revenue grew. Participation and lease revenue in the current period was $10.5 million, compared to $7.5 million in the pcp and $9.3 million in the prior half. The increase in average per day to US$12 compared to US$11 in FY22 assisted in offsetting the reduction in machines placed in Mexico, resulted from a change in regulations. Sales and marketing strategies are in place to ensure market share in Mexico are maintained. The demand continues to 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.

Australia

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs Prior half
Revenue	23.2	16.7	22.2	38.9	6.5	1.0
Gross Profit	7.3	6.6	7.4	14.0	0.7	(0.1)
Segment EBITDA	2.7	3.8	3.6	7.4	(1.1)	(0.9)
Segment Profit	**2.1**	**3.3**	**2.9**	**6.2**	**(1.2)**	**(0.8)**
Segment Profit (%)	9%	20%	13%	16%	(11%)	(4%)

This segment delivered revenue of $23.2 million in the current period compared to pandemic affected pcp of $16.7 million. Slight improvement of $1.0 million was achieved during the period when compared to the prior half as product performance was consistently maintained within this segment. Despite competitive market conditions, higher average selling price of A$23,600 was achieved during the current period, contributing to increase in revenue. Treasure Spirits™ continued to outperform in NSW, resulting in improvement in the current period compared to the pcp and the prior half. New South Wales contributed to over 50% of the Australian segment revenue.

The segment profit for Australia was 9% in the current period, compared to 20% in the pcp and 13% in the prior half. Ongoing Inflationary pressures and weaking of AUD against USD adversely impacting costs of productions and affecting gross profit, contributed to the drop in segment profit the during the current period.

Rest of the World ("ROW")

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs Prior half
Revenue	8.1	7.2	6.8	14.0	0.9	1.3
Gross Profit	7.0	4.7	6.0	10.7	2.3	1.0
Segment EBITDA	5.8	4.1	5.2	9.3	1.7	0.6
Segment Profit	**5.7**	**4.0**	**5.1**	**9.1**	**1.7**	**0.6**
Segment Profit (%)	70%	56%	75%	65%	14%	(5%)

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Online revenue contributed 79% of this segment's total revenue and assisted to offset the underperformance from other regions within ROW, encompassing New Zealand, Europe and Asia. There is minimal contribution from the markets in Europe and Asia as these markets continued to emerge slowly post COVID-19 lockdowns. New Zealand's revenue contributed $1.1 million during the current period, an improvement compared to the $0.5 million achieved in the prior half.

5.5 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. The Group's performance is monitored to oversee an acceptable return on capital is achieved and dividends are able to be provided to ordinary shareholders in future periods. 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.

Cash flows

The movement in cash is set out as below:

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
EBITDA	**14.9**	**24.6**	**12.5**	**37.1**	**(9.7)**	**2.4**
Change in working capital	(36.2)	9.1	(1.5)	7.6	(45.3)	(34.7)
Subtotal	(21.3)	33.7	11.0	44.7	(55.0)	(32.3)
Interest and tax	(2.2)	(0.1)	1.4	1.3	(2.1)	(3.6)
Significant items (non-cash)	9.4	2.0	10.0	12.0	7.4	(0.6)
Other cash and non-cash movements	6.1	(4.6)	(2.1)	(6.7)	10.7	8.2
Operating cash flow	**(8.0)**	**31.0**	**20.3**	**51.3**	**(39.0)**	**(28.3)**

In millions of AUD	6 months ended 31 Dec 2022 (Current period)	6 months ended 31 Dec 2021 (PCP)	6 months ended 30 Jun 2022 (Prior half)	12 months ended 30 Jun 2022	Current period vs PCP	Current period vs prior half
Operating cash flow	**(8.0)**	**31.0**	**20.3**	**51.3**	**(39.0)**	**(28.3)**
Capex	(2.0)	(0.8)	(0.9)	(1.7)	(1.2)	(1.1)
Development expenditure	(1.9)	(2.4)	(1.4)	(3.8)	0.5	(0.5)
Interest received	2.6	-	-	-	2.6	2.6
Proceeds from sale of PPE	0.1	-	0.1	0.1	0.1	-
Investing cash flow	**(1.2)**	**(3.2)**	**(2.2)**	**(5.4)**	**2.0**	**1.0**
Proceeds from borrowings	0.4	0.3	0.2	0.5	0.1	0.2
Repayment of borrowings	(0.4)	(24.5)	(14.6)	(39.1)	24.1	14.2
Proceeds from finance lease liabilities	0.7	0.4	0.1	0.5	0.3	0.6
Repayment from finance lease liabilities	(1.1)	(0.6)	(1.0)	(1.6)	(0.5)	(0.1)
Borrowing costs paid	(0.6)	(1.0)	(0.8)	(1.8)	0.4	0.2
Financing cash flow	**(1.0)**	**(25.4)**	**(16.1)**	**(41.5)**	**24.4**	**15.1**
Net (decrease) / increase in cash	**(10.2)**	**2.4**	**2.0**	**4.4**	**(12.6)**	**(12.2)**

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

Operating cash flow decreased to ($8.0) million compared to $31.0 million in the pcp and $20.3 million in the prior half, reflecting increases in working capital and tax payments. The change in net working capital in the current period reflects the Group's risk management strategies to increase inventory levels in response to global supply chain shortages. Financing cash flow improved to ($1.0) million compared to ($25.4) million in the pcp and ($16.1) million in the prior half as no further loan repayments were made to the secured bank loan facility in the current period. The Group continually ensures that prudent working capital management is in place for minimising risks associated with the volatility of the current economic conditions.

Liquidity and funding

As at 31 December 2022, the Group held cash of $37.1 million, down from the $50.3 million reported as at 30 June 2022. Despite a reduction of cash held of $13.2 million within the current period, the Group maintained strong overall liquidity and balance sheet over the reporting period.

The Company through its US-based operating subsidiary, Ainsworth Game Technology Inc, has a secured bank facility with Western Alliance Bancorporation (WAB). Ainsworth Game Technology Inc. is the borrower.

At the inception date of 18 February 2021, the facility limit was at US$35 million. As part of the terms and conditions of the facility, the available limit was to reduce by US$0.5 million at each quarter end. On 20 December 2022, some of the terms and condition of the facility were amended. Key changes of the facility were amending the facility limit to US$32.0 million with no reduction of limit by US$0.5 million at each quarter end and replacement of LIBO rate with SOFR rate as the variable component. There was no change to the financial covenants as a result of this amendment. The facility is currently undrawn.

5.6 Significant Changes in the State of Affairs

As advised and communicated to the Australian Stock Exchange ("ASX") on 2 June 2022, the Board has determined to amend the Company's financial year end from 30 June to 31 December, a calendar year basis. This change will align with the financial reporting schedule of overseas operations and industry business cycles. The Company's majority shareholder, Novomatic AG, reports on a calendar basis and the alignment of reporting periods will also reduce duplication of financial reporting processes and increase efficiencies for the Group. The Company has had a six-month transitional financial period beginning on 1 July 2022 and ending on 31 December 2022. Thereafter, from 1 January 2023, the Company will be on a twelve-month financial year, commencing on 1 January and ending on 31 December.

Other than the matter noted above and those arising from the ongoing impacts post COVID-19 pandemic, specifically the inflationary effects currently being experienced across global economies, as discussed in the operating and financial review in the Directors' report and elsewhere in this financial report, there were no significant changes in the state of affairs of the Group during the financial year.

5.7 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

5. OPERATING & FINANCIAL REVIEW (CONTINUED)

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.

6. DIVIDENDS

No dividends were declared and paid by the Company for the current period (FY22: nil).

7. EVENTS SUBSEQUENT TO REPORTING DATE

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.

8. LIKELY DEVELOPMENTS

The Group continues to navigate through the volatile global operating environments including challenging economic conditions brought upon by the pandemic. Development initiatives previously implemented have been progressed to ensure the necessary product approvals, helping to achieve improved product performance and financial improvement in future periods.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

9. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and rights over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Stock Exchange ("ASX") in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ainsworth Game Technology Limited	
	Ordinary Shares	**Share Options/Performance Rights over Ordinary Shares**
Current		
Mr DE Gladstone	174,765	-
Mr GJ Campbell	389,241	-
Mr CJ Henson	135,189	-
MS HA Scheibenstock	15,344	-

10. SHARE OPTIONS/PERFORMANCE RIGHTS

10.1 Unissued Shares under Share Options/Performance Rights

At the date of this report unissued ordinary shares of the Group under share options/performance right are:

Expiry Date	Instrument	Exercise Price	Number of Shares
30 August 2024	Share Options	$0.73	7,279,717
24 June 2027	Performance Rights	$nil	8,900,000
		Total	16,179,717

There are no other shares of the Group under share options/performance rights and holders of these instruments are not entitled to participate in the same rights as ordinary shareholders unless the instruments vest and are exercised.

Further details about share-based payments to directors and Key Management Personnel ("KMP") are included in the Remuneration Report in Section 15.

10.2 Shares issued on Exercise of Options/Performance Rights

During or since the end of the financial period, no ordinary shares of the Company as a result of the exercise of options or performance rights.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

11.1 Indemnification

The Group has agreed to indemnify current and former directors of the Group against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Neither the Group nor Company have indemnified the auditor in relation to the conduct of the audit.

11.2 Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executive officers of the Company and directors, senior executive and secretaries of its controlled entities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses contracts, as such disclosure is prohibited under the terms of the contract.

12. NON-AUDIT SERVICES

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

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

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

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

	6 months ended 31 Dec 2022 $
Services Other than Audit and Review of Financial Statements:	
Other Regulatory Audit Services	
Controlled entity audit	27,500
Other Services	
In relation to taxation and other services	60,750
	88,250
Audit and Review of Financial Statements	**406,500**
Total paid/payable to KPMG	**494,750**

13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 121 and forms part of the directors' report for the financial period ended 31 December 2022.

14. ROUNDING OFF

The Group 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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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15. REMUNERATION REPORT

Message from the Chairperson of the Remuneration and Nomination Committee

On behalf of the Remuneration and Nomination Committee (RNC) and with the authority of the Board of Directors I provide the Remuneration Report for the six months ended 31 December 2022 ("current period"). During the current period, significant challenges in staff retention and recruitment of employees with the necessary skills and industry experience continued following the effects of the COVID-19 pandemic. A more focused and pro-active approach to recruitment practices were initiated to ensure the employment of individuals in key critical positions, primarily within product development areas, were able to be achieved.

The 2022 Annual General Meeting (AGM) resulted in the approval of the 2022 Remuneration Report with 0.93% of shareholders voting against the resolution. The Company continues to encourage engagement with major shareholders and investors to discuss any concerns, ensuring feedback to maintain robust remuneration strategies to recruit new employees and motivate, retain, and reward personnel. The previous appointment during 2022 of an independent remuneration consultant (Remuneration Strategies Pty Ltd (RS)) ensured current remuneration practices and proxy service reports on remuneration structures were aligned to shareholder interests.

The objective of this engagement with RS assisted the RNC to ensure remuneration structures including Fixed Remuneration (FR), Short-Term Incentives (STI) and Long-Term Incentives (LTI) were aligned to appropriate financial objectives and increasing shareholder wealth.

The Committee's approach to remuneration structures focuses on and includes the following:

- to align executive remuneration with the Group's business strategy;
- to support, retain and motivate our people by providing competitive rewards; and
- to retain and recruit new employees and promote the appropriate environment to increase the technical and innovative capabilities across the Group.

The remuneration of key executives is fully aligned to our key business objectives listed in section 15.2 which underpin future remuneration structures, including STI and LTI compensation programs.

The measures undertaken by the RNC (as approved by the Board) included:

- A review of Key Management Personnel (KMP) executive remuneration resulted in no salary increases being awarded in the current period with the last increases being on 1 July 2021. The RNC confirmed that for the current period there would be no change in fixed annual remuneration for all current KMP including directors' remuneration. Other salary increases of 5% were recommended effective 1 July 2022 to eligible employees across the Group, excluding KMP and the Board of Directors, to ensure retention and reflect inflationary effects in cost of living;
- The Board and the RNC agreed with all KMP that, as a result of the change in financial year to a 31 December balance date, no STI plan would be established for the current period ended 31 December 2022. A new revised STI plan for senior executives has been established for the 2023 calendar year which is predominantly aligned to the achievement of financial objectives;

15. REMUNERATION REPORT (CONTINUED)

- The RNC conducted a comprehensive review of KMP's compensation arrangements, including the structure and terms of the grant of performance rights under the Rights Share Trust (RST) in June 2022. RS confirmed that current remuneration levels compared to comparable companies was reasonable and reflective of current industry and market conditions; and
- The LTI grants in place during the current period are summarised below:
  - In the 12 months ended 30 June 2022 ("FY22"), share options were granted subject to vesting, performance, and service conditions. These share options have an exercise price of $0.73 based on the share price at the grant date and vest progressively over a four-year period, providing share price hurdles and service conditions are met. The share price hurdles are increased at each relevant vesting date and the share options are cumulative on the basis that the higher share price is achieved when measured; and
  - The RNC reviewed and approved the establishment of a new LTI grant during FY22 which occurred on 24 June 2022 whereby performance rights were granted under the Rights Share Trust (RST) to eligible KMP and senior executives. These performance rights were granted with a nil exercise price however are dependent on service conditions, vesting conditions and share price hurdles at each vesting date. These rights vest progressively over a three-year period, provided share price hurdles and service conditions are met. The share price hurdles are increased at each relevant vesting date and are cumulative on the basis that the higher share price is achieved when measured. RS confirmed that based on their assessment undertaken that the structure and terms of this grant of performance rights was designed to provide incentives and retention of key management and align shareholder interests through share price gains with Board objectives of improving financial results.

The vesting and share price hurdles on the above two LTI grants are detailed in Section 15.1 (e).

Remuneration strategies will be continually reviewed to ensure they align with Board objectives over the coming 2023 year.

C.J Henson

Chairperson, Remuneration and Nomination Committee

15. REMUNERATION REPORT (CONTINUED)

15.1 Remuneration Framework Audited

Remuneration is referred to as compensation throughout this report.

KMP have authority and responsibility for planning, strategic directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other executives. KMP comprise of the directors of the Company and senior executives for the Group that are named in this report.

Compensation levels for KMP of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The RNC regularly reviews market conditions and surveys on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy. In addition, independent remuneration consultants are used when considered appropriate to assist the RNC to determine and advise on compensation levels given changes in market conditions.

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

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

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its KMP and contributes to post-employment defined contribution superannuation plans on their behalf.

(a) Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax (FBT) charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the RNC through a process that considers individual, segment and overall performance of the Group. In addition, market surveys are obtained to provide further analysis so as to ensure the directors' and senior executives' compensation is competitive in the marketplace. A senior executive's compensation is also reviewed on promotion and performance under the overall financial performance of the Group.

15. REMUNERATION REPORT (CONTINUED)

The reviews previously undertaken resulted in certain KMP, excluding directors, receiving increases as at 1 July 2021. These increases awarded were between 3% - 10% and were reflective of no increases being awarded for periods ranging from 3-5 years, the inflationary effects from the COVID-19 pandemic and voluntary reductions agreed in prior periods. No increase is fixed compensation occurred during the current period. Any change within the KMP's remuneration during the current period was foreign currency exchange related as certain KMP's employment contracts are denominated in USD.

The RNC undertook a review of fixed compensation levels in FY22 to assist with determining an appropriate mix between fixed and performance linked compensation for senior executives of the Group during the year. It was determined and confirmed that no increases, apart from significant changes to roles and responsibilities, would be provided to either KMP or senior executives who were recipients under the grant of performance rights on 24 June 2022 under the LTI Plan.

The appropriate mix between fixed and performance linked compensation determined by the RNC and the Board as an objective, which is taken into consideration in establishing incentive plans (STI and LTI), is to achieve 60% fixed and 40% performance linked. The current period is not considered to be reflective of the compensation mix levels, given the organisational and KMP changes and the LTI Plan granted on 24 June 2022.

(b) Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward KMP for meeting or exceeding their financial and personal objectives. The STI is an 'at risk' bonus provided in the form of cash, while the LTI is provided as performance rights or share options over ordinary shares of the Company under the rules of the Employee Share Plans.

In addition to their salaries, selected key sales management personnel receive commission on sales within their specific business segments as part of their service contracts at each vesting date.

A review was undertaken by the RNC to determine and assess current performance linked compensation arrangements - STI and LTI plans. This review was evaluated by the Board to determine appropriate remuneration levels taking into consideration the Group's growth objectives, industry specific and market considerations and related retention of key employees.

(c) Short-term Incentive Bonus

Each year the RNC determines the objectives and KPIs of the KMP. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and include financial, people, customer, compliance, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

15. REMUNERATION REPORT (CONTINUED)

It was agreed with all senior executives that the STI plan would be re-evaluated to align with the new financial reporting period commencing on 1 January 2023. No STI amounts were awarded during the current period and a new plan has been established for the financial year ending 31 December 2023.

(d) Non-Financial KPI's

The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety measures, and compliance with established regulatory processes, customer satisfaction and staff development. The non-financial objectives for KMP (excluding non-executive directors and the CEO for FY22) confirmed on 4 August 2022 where it was determined STI's under these non-financial criteria would be awarded in the current period.

Currently, the performance linked component of compensation comprises nil% (FY22: 12%) of total payments to KMP.

(e) Long-term Incentive

The plans currently in place are identified below:

Performance Rights

On 24 June 2022, the Group granted to eligible employees and executives the opportunity to participate in the grant of performance rights over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Rights Share Trust (RST). The performance rights were granted at nil consideration or exercise price however are dependent on service conditions, vesting conditions and share price performance hurdles. The performance rights convert to ordinary shares of the Company on a one-for-one basis with no voting or dividend rights until this conversion.

The performance hurdles and vesting conditions for this plan are as follows:

	Performance Hurdles	Vesting Conditions
Tranche 1	The VWAP for 20 consecutive trading days preceding to 30 June 2024 is equal or greater than A$2.00.	25% will vest if performance hurdle is met on 30 June 2024.
Tranche 2	The VWAP for 20 consecutive trading days preceding to 31 December 2024 is equal or greater than A$2.40.	25% will vest if performance hurdle is met on 31 December 2024.
Tranche 3	The VWAP for 20 consecutive trading days preceding to 30 June 2025 is equal or greater than A$2.76.	50% will vest if performance hurdle is met on 30 June 2025.

The performance rights granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date, subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the performance rights for the current performance period and any non-vested share options from prior periods will vest.

Performance rights that do not vest at the end of the final vesting period (30 June 2025) will lapse. Upon cessation of employment prior to the vesting date, these rights will be forfeited and lapse. These performance rights do not entitle the holder to dividends that are declared during the vesting period.

Share Options

On 30 August 2019, the Group offered to eligible employees the opportunity to participate in share options over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Option Share Trust (OST). To be eligible to participate in the OST, the employees were selected by the directors and reviewed by the RNC. The OST provides employees an option to purchase allocated shares at the valuation price at grant date. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The ability to exercise the right is conditional on the continuing employment of the participating employee and achievement of performance hurdles.

The performance hurdles and vesting conditions for this plan are as follows:

	Performance Hurdles	Vesting Conditions
Tranche 1	On 30 August 2021 ("first vesting date"), the share price shall be 50% greater than exercise price of $0.73.	25% will vest if the VWAP for 20 days preceding the first vesting date is equal or greater than $1.10.
Tranche 2	On 30 August 2022 ("second vesting date"), the share price shall be 20% greater than the hurdle price established at the first vesting date.	25% will vest if the VWAP for 20 days preceding the second vesting date is equal or greater than $1.32.
Tranche 3	On 30 August 2023 ("third vesting date"), the share price shall be 20% greater than the hurdle price established at the second vesting date.	50% will vest if the VWAP for 20 days preceding the third vesting date is equal or greater than $1.58.

The share options granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date, subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the share options for the current performance period and any non-vested share options from prior periods will vest.

Options that do not vest at the end of the final vesting period (30 August 2023) will lapse. Upon cessation of employment prior to the vesting date, these options will be forfeited and lapse. These share options do not entitle the holder to dividends that are declared during the vesting period.

15. REMUNERATION REPORT (CONTINUED)

The hurdles set for the above plans were determined as appropriate due to the following consideration:

- share price growth is considered more reflective of the Group's underlying performance and is aligned to shareholder wealth as there are limited numbers of gaming industry companies within the ASX;
- to ensure relevance of the LTI for international employees;
- international expansion reflects ASX share price and is a more meaningful performance measure; and
- inherent volatility of the gaming industry makes total shareholder return and earning per share less relevant.

(f) Short-term and Long-term Incentive Structure

Given the highly competitive nature of the gaming industry and to ensure retention of key employees, the RNC has and continues to consider performance linked remuneration is appropriate.

The current review of both short-term and long-term incentive plans is ongoing to ensure these are aligned to Board and shareholder interests.

(g) Other Benefits

KMP receive additional benefits such as non-monetary benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of allowances and provision of motor vehicle benefits, including the applicable fringe benefits tax on these benefits.

15.2 Linking the Remuneration Framework to Business Outcomes – Audited

In the RNC Chairperson's introduction to the Remuneration Report, we indicated that the key business objectives will underpin future remuneration structures. The objectives are:

- invest in product development to create a diverse and creative product offering to increase market share in global markets;
- improve the Group's performance through revenue and earnings growth in domestic and international markets;
- improve cash flows through reduction in working capital investment and maintain a strong balance sheet to support growth and deliver value; and
- maintain a strong focus on best practice compliance throughout the Group in adherence to gaming laws and regulations.

15. REMUNERATION REPORT (CONTINUED)

The following remuneration structures are considered by the RNC to achieve these business objectives:

- short-term incentives that measure and reward increased market share in selected global markets, adherent to the Good Governance and Compliance with Gaming Laws and Regulations;
- long-term incentives that measure and reward revenue and earnings growth in domestic and international markets, as well as the strengthening of the Balance Sheet and using Capital Investment Targets; and
- the objective of these incentive programs is to increase shareholder value for investors and key stakeholders.

(a) Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the RNC have regarded to the following indices in respect of the current financial period and the previous four financial years. Profit Before tax (PBT) and Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) on a global and regional basis are considered as financial performance targets in setting the short-term incentive bonus. Profit / (loss) amounts for 2019 to 2022 have been calculated in accordance with Australian Accounting Standards.

$'000	6 months ended 31 December 2022	12 months ended 30 June 2022	12 months ended 30 June 2021	12 months ended 30 June 2020	12 months ended 30 June 2019
Profit / (loss) attributable to owners of the Company	$5,925	$11,753	($53,409)	($43,433)	$10,895
Dividends paid	-	-	-	-	$8,313
Change in share price ($A)	$0.13	($0.28)	$0.83	($0.26)	($0.37)

15.3 Service Contracts - Audited

It is the Group's policy that service contracts for KMP and key employees be unlimited in term but capable of termination by either party on periods 3 to 12 months' notice and that the Group retains the right to terminate the contracts immediately, by making payment equal to the notice period. However, in the event of removal for misconduct as specified in his service contract, KMP have no entitlement to a termination payment.

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

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

15. REMUNERATION REPORT (CONTINUED)

Mr Harald Neumann was appointed as Chief Executive Officer (CEO) effective 1 October 2021 as per his contract with the Company. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the Board and CEO will agree on Group's objectives for achievement for each relevant period.

Other key provisions of the service agreements relating to KMP are outlined as below:

Executives	Notice to be given by Executive	Notice to be given by the Group	Termination Payment	Post-employment restraint
Mr H Neumann	6 Months	6 Months	6 Months (fixed remuneration)	6 Months
Mr ML Ludski	12 Months	12 Months	12 Months (fixed remuneration)	12 Months
Mr D Bollesen	3 Months	3 Months	3 Months (fixed remuneration)	12 Months
Mr R Comstock	6 Months	6 Months	6 Months (fixed remuneration)	6 Months

15.4 Non-Executive Directors – Audited

Total compensation for all non-executive directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $850,000 per annum, with effect from 1 July 2012. Directors' base fees are presently $120,000 per annum (excluding superannuation) and was set based on a review of fees paid to other non-executive directors of comparable companies. The fees paid to non-executive directors reflect the demands and responsibilities associated with their roles and the global nature of the operations within the highly regulated environment within which the Group operates. Fees incorporate an allowance for the onerous probity requirements placed on non-executive directors by regulators of the jurisdictions in which the Group operates or proposes to operate in. In addition to these fees the cost of reasonable expenses is reimbursed as incurred.

There was no increase in non-executive compensation including Board and Committee fees during the period.

Non-executive directors do not participate in performance related compensation and are not provided with retirement benefits apart from statutory superannuation.

The CEO and Company Secretary do not receive any additional fees for undertaking Board or Committee responsibilities. Following a review undertaken by an independent remuneration consultant, non-executive director's fees were originally assessed based on current market levels for comparable companies, demands and responsibilities associated with their roles and the global nature of the Group's operations within a highly regulated environment to ensure the Board is appropriately compensated. Other independent non-executive directors who also chair or are a member of a committee receive a supplementary fee in addition to their annual remuneration. No changes to directors or committee fees were made in the current year. Current fees for directors, excluding superannuation are set out below.

POSITION	$ (per annum)
Chair of Board	250,000
Australian Resident Non-executive Director	120,000
Chair of Audit and Risk Committee	20,000
Chair of Regulatory and Compliance Committee	24,000
Chair of Remuneration and Nomination Committee	12,000
Member of Audit and Risk Committee	12,000
Member of Regulatory and Compliance Committee	15,000
Member of Remuneration and Nomination Committee	8,000

15.5 Services from Remuneration Consultants - Audited

The RNC, comprising a majority of independent non-executive directors, utilises as necessary the services of Remuneration Strategies Pty Ltd (RS), an independent remuneration consultant, to assist the RNC review and evaluate remuneration practices of the Group. The engagement with RS was established under strict protocols to ensure an independent view which was free from any undue influence on their assignment on the proposed remuneration arrangements, including the LTI grant's vesting and performance hurdles. The RNC (independent non-executive directors only) received a report from RS in June 2022 to assist in reviewing current compensation levels for all KMP and the establishment of a new LTI grant to ensure alignment to Board objectives and shareholder interests. The grant of performance rights on 24 June 2022 was in line with recommendations provided by RS who confirmed that the LTI and total employment costs for KMP who were granted performance rights were reasonable as compared to benchmarking against comparative companies. RS were paid $nil (FY22: $10,000) (excluding $7,500 for documentation and their services relating to the LTI grant) in the current year.

15. REMUNERATION REPORT (CONTINUED)

15.6 Directors' and Executive Officers' Remuneration – Audited

Details of the nature and amount of each major element of remuneration of each director of the Company, and other KMP of the consolidated entity are:

		Short-term				Post-Employment	Other Long-term Benefits		Share-based payments			
In AUD		*Salary & fees* $	*STI cash bonus (A)* $	*Non-monetary benefits* $	*Total* $	*Super-annuation benefits* $	*(C)* $	*Termination benefits* $	*Rights / Options (B)* $	*Total* $	*Proportion of remuneration performance related-STI* %	*Proportion of remuneration performance related-share based payments* %
Non-executive Directors												
Current												
Mr GJ Campbell	Current Period	74,000	-	-	74,000	7,770	-	-		81,770	-	-
	FY22	158,000	-	-	158,000	15,800	-	-	-	173,800	-	-
Mr CJ Henson	Current Period	84,000	-	-	84,000	8,820	-	-		92,820	-	-
	FY22	168,000	-	-	168,000	16,800	-	-	-	184,800	-	-
Mr DE Gladstone	Current Period	131,000	-	-	131,000	13,755	-	-		144,755	-	-
	FY22	262,000	-	-	262,000	26,200	-	-	-	288,200	-	-
Ms HA Scheibenstock *(Re-appointed 11 July 2022)*	Current Period	57,406	-	-	57,406	5,454	-	-	-	62,860	-	-
	FY22	-	-	-	-	-	-	-	-	-	-	-
Non-executive Directors												
Former												
Mr HK Neumann [(1)] (Non-Executive Director)	Current Period	-	-	-	-	-	-	-	-	-	-	-
	FY22	-	-	-	-	-	-	-	-	-	-	-
Sub-total Non-executive Directors' Remuneration	Current Period	346,406	-	-	346,406	35,799	-	-	-	382,205	-	-
	FY22	588,000	-	-	588,000	58,800	-	-	-	646,800	-	-

(1) *Mr Neumann was a non-executive director for the period up to appointment as Chief Executive Officer (CEO) on 1 October 2021. During Mr Neumann's appointment as a non-executive director, he did not receive any directors' fees. Mr Neumann was the CEO and Chairperson of the Executive Board of the ultimate parent entity from 2014 until 2020.*

15. REMUNERATION REPORT (CONTINUED)

		Short-term				Post-Employment	Other Long-term Benefits		Share-based payments			
In AUD		*Salary & fees* $	*STI cash bonus (A)* $	*Non-monetary benefits* $	*Total* $	*Super-annuation benefits* $	*(C)* $	*Termination benefits* $	*Rights/ Options (B)* $	*Total* $	*Proportion of remuneration performance related-STI* %	*Proportion of remuneration performance related-share based payments* %
Executives												
Current												
Mr HK Neumann [(1)] *Chief Executive Officer*	Current Period	447,427	-	5,138	452,565	-	34,417	-	186,877	673,859	-	28%
	FY22	625,057	-	3,989	629,046	-	48,081	-	6,094	683,221	-	1%
Mr ML Ludski - *Chief Financial Officer/Company Secretary*	Current Period	199,152	-	61,402	260,554	20,911	18,638	-	69,014	369,117	-	19%
	FY22	398,303	169,103	122,804	690,210	57,241	37,277	-	8,986	793,714	21%	1%
Mr D Bollesen *Chief Technology Officer (Appointed 7 October 2021)*	Current Period	170,000	-	-	170,000	17,850	13,077	-	40,045	240,972	-	17%
	FY22	279,602	100,000	-	379,602	35,460	19,200	-	1,306	435,568	23%	-
Mr R Comstock [(2)] *Chief Operating Officer*	Current Period	212,044	-	27,431	239,475	12,723	16,311	-	47,918	316,427	-	15%
	FY22	197,603	49,400	25,563	272,566	11,856	15,200	-	3,127	302,749	16%	1%
Executives												
Former												
Mr SL Levy [(3)] *Chief Executive Officer*	Current Period	-	-	-	-	-	-	-	-	-	-	-
	FY22	180,249	116,667	12,501	309,417	54,075	67,200	360,500	(39,109)	752,083	16%	-
Mr V Bruzzese [(2)] *General Manager Technical Services*	Current Period	-	-	-	-	-	-	-	-	-	-	-
	FY22	145,974	18,247	12,000	176,221	17,713	13,662	-	2,243	209,839	9%	1%
Total Executive's Remuneration	Current Period	1,028,623	-	93,971	1,122,594	51,484	82,443	-	343,854	1,600,375	-	21%
	FY22	1,826,788	453,417	176,857	2,457,062	176,345	200,620	360,500	(17,353)	3,177,174	14%	-
Total Director's & Executive Officers Remuneration	Current Period	1,375,029	-	93,971	1,469,000	87,283	82,443	-	343,854	1,982,580	-	17%
	FY22	2,414,788	453,417	176,857	3,045,062	235,145	200,620	360,500	(17,353)	3,823,974	12%	-

[(1)] *Mr Neumann was appointed Chief Executive Officer on 1 October 2021 until he resigned as a director on 21 December 2021. The remuneration disclosed relates to the period from his appointment as CEO.*

[(2)] *Mr R Comstock was classified as Key Management Person (KMP) effective 1 January 2022 and Mr V Bruzzese ceased to be classified a KMP as at 1 January 2022. The remuneration disclosed for Mr Comstock and Mr Bruzzese relates to the period where these individuals were classified as KMP.*

[(3)] *Mr Levy resigned as a CEO effective on 10 September 2021 and ceased to be classified as a KMP.*

15. REMUNERATION REPORT (CONTINUED)

Notes in Relation to the Table of Directors and Executive Officers Remuneration - Audited

A. As outlined in the FY22 Remuneration Report, the Board and the RNC agreed with all KMP that no STI plan would be established for the current period ended 31 December 2022. A new revised STI plan has been implemented for the 2023 calendar year.

B. The fair value of performance rights is calculated at the date of grant using the *Monte Carlo expected valuation method* and the fair value of options is calculated at the date of grant using the using the *Black-Scholes-Merton formula* after taking into account the impact of share price growth conditions during the vesting period. The value disclosed is the portion of the fair value of the rights or options recognised as an expense in each reporting period.

C. In accordance with AASB 119 *Employee Benefits*, annual leave is classified as other long-term employee benefit.

Details of Performance Related Remuneration - Audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 15.1 of this Remuneration Report. No STI bonuses have been provided or are payable as at 31 December 2022 as noted below.

15.7 Analysis of Bonuses included in Remuneration - Audited

No STI cash bonuses were awarded as remuneration to each director of the Company, and other KMP for the current period ended 31 December 2022.

15. REMUNERATION REPORT (CONTINUED)

15.8 Equity Instruments – Audited

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

(a) Rights and options over equity instruments granted as compensation

Performance rights were issued to KMP on 24 June 2022.

(b) Modification of terms of equity-settled share-based payment transactions

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

(c) Exercise of options granted as compensation

During the reporting period no shares (2022: nil shares) were issued on the exercise of rights or options previously granted as compensation.

(d) Details of equity incentives affecting current and future remuneration

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

Executives	Instrument	Number	Maximum value in future years $	Grant date	% Vested in year	% Forfeited in a year (A)	Financial years in which grant vests (B)
Current							
Mr H Neumann	Rights	2,800,000	749,579	24 June 2022	-%	-%	2024-2025
Mr ML Ludski	Rights	1,000,000	267,708	24 June 2022	-%	-%	2024-2025
	Options	237,056	2,394	30 August 2019	-%	-%	2022-2024
Mr D Bollesen	Rights	600,000	160,624	24 June 2022	-%	-%	2024-2025
Mr R Comstock	Rights	700,000	187,395	24 June 2022	-%	-%	2024-2025
	Options	125,000	1,262	30 August 2019	-%	-%	2022-2024

A. The % forfeited in the year represents the reduction from the maximum number of rights and options available to vest at the beginning of the year.
B. Financial years refer to 30 June reporting periods until a 31 December balance date is formally effected.

15. REMUNERATION REPORT (CONTINUED)

(e) *Analysis of movements in equity instruments*

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

	Instrument	Total value $	Granted in year $	Amount paid on exercise $	Value of rights exercised in year $ (A)	Forfeited in year $
Current						
Mr H Neumann	Rights	942,550	186,877	-	-	-
Mr ML Ludski	Rights	336,625	66,742	-	-	-
	Options	30,029	2,272	-	-	-
Mr D Bollesen	Rights	201,975	40,045	-	-	-
Mr R Comstock	Rights	235,638	46,719	-	-	-
	Options	15,834	1,199	-	-	-

A. No rights or options were exercised during the year.

(f) *Rights and options over equity instruments*

The movement during the reporting period, by number of rights and options over ordinary shares in Ainsworth Game Technology Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held as at 30 June 2022	Granted as compensation	Exercised	Held as at 31 Dec 2022	Vested during the period	Vested & exercisable as at 31 Dec 2022
Rights/Share Options						
Current						
Mr H Neumann	2,800,000	-	-	2,800,000	-	-
Mr ML Ludski	1,237,056	-	-	1,237,056	-	-
Mr D Bollesen	600,000	-	-	600,000	-	-
Mr R Comstock	825,000	-	-	825,000	-	-

Rights and options held by KMP that are vested and exercisable as at 31 December 2022 were nil (30 June 2022: nil). No rights or options were held by related parties of KMP.

15. REMUNERATION REPORT (CONTINUED)

(g) Movements in shares

The movement during the reporting period in the number of ordinary shares in Ainsworth Game Technology Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 30 June 2022	Purchases	Sales	Dividend Re-Investment Plan (DRP) allotment	Held at 31 December 2022
Current					
Mr GJ Campbell	389,241	-	-	-	389,241
Mr CJ Henson	135,189	-	-	-	135,189
Mr DE Gladstone	177,146	-	-	-	177,146
Mr M Ludski	10,000	-	-	-	10,000
Ms HA Scheibenstock(1)	15,344	-	-	-	15,344

(1) Ms HA Scheibenstock was re-appointed a non-executive director on 11 July 2022.

No shares were granted to KMP during the reporting period as compensation in 2022 or 2023.

Mr M Ludski ceased in his role as Chief Financial Officer (CFO) on 1 January 2023 and will no longer be classified as a KMP from this date. Ms L Mah was appointed CFO effective 1 January 2023 and was classified as a KMP from this date. There were no other changes in KMP in the period after the reporting date and prior to the date when the Financial Report was authorised for issue.

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

D. Gladstone

D.E Gladstone
Chairperson

Dated at Sydney this 27th day of February 2023

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
In thousands of AUD

	Note	31 December 2022	30 June 2022
Assets			
Cash and cash equivalents	*18*	37,094	50,318
Receivables and other assets	*17*	89,935	83,871
Current tax assets		2,697	3,210
Inventories	*16*	90,124	68,301
Prepayments		8,005	6,159
Total current assets		**227,855**	**211,859**
Receivables and other assets	*17*	25,601	28,873
Deferred tax assets	*15*	17,149	11,868
Property, plant and equipment	*12*	70,189	67,132
Right-of-use assets	*27*	7,631	8,250
Intangible assets	*13*	77,247	78,553
Total non-current assets		**197,817**	**194,676**
Total assets		**425,672**	**406,535**
Liabilites			
Trade and other payables	*24*	43,384	36,253
Loans and borrowings	*21*	596	52
Lease liabilities	*27*	2,111	2,035
Employee benefits	*22*	9,149	9,338
Deferred income	*14*	8,281	9,446
Current tax liability		4,678	2,995
Provisions	*25*	24,321	18,352
Total current liabilities		**92,520**	**78,471**
Trade and other payables	*24*	1,051	3,702
Lease liabilities	*27*	11,492	11,905
Employee benefits	*22*	367	464
Deferred income	*14*	-	665
Total non-current liabilities		**12,910**	**16,736**
Total liabilities		**105,430**	**95,207**
Net assets		**320,242**	**311,328**
Equity			
Share capital		207,709	207,709
Reserves		134,564	131,575
Accumulated losses		(22,031)	(27,956)
Total equity		**320,242**	**311,328**

The notes on pages 51 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022
In thousands of AUD

	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Revenue	7	124,147	220,157
Cost of sales		(40,510)	(82,139)
Gross profit		**83,637**	**138,018**
Other income	8	393	1,004
Sales, service and marketing expenses		(35,050)	(55,818)
Research and development expenses		(19,446)	(35,286)
Administrative expenses		(12,871)	(20,952)
(Impairment) / Writeback of trade receivables		(1,170)	1,541
Other expenses		(9,410)	(21,781)
Results from operating activities		**6,083**	**6,726**
Finance income	11	3,868	11,044
Finance costs	11	(2,674)	(1,965)
Net finance income		**1,194**	**9,079**
Profit before tax		**7,277**	**15,805**
Income tax expense	15	(1,352)	(4,052)
Profit for the year		**5,925**	**11,753**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		2,328	11,515
Total other comprehensive income		**2,328**	**11,515**
Total comprehensive income for the period		**8,253**	**23,268**
Profit attributable to owners of the Company		**5,925**	**11,753**
Total comprehensive income attributable to the owners of the Company		**8,253**	**23,268**
Earnings per share:			
Basic earnings per share (AUD)	20	$ 0.02	$ 0.03
Diluted earnings per share (AUD)	20	$ 0.02	$ 0.03

The notes on pages 51 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 31 December 2022

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 2021	**207,709**	**5,304**	**9,684**	**9,507**	**95,438**	**(39,709)**	**287,933**
Total comprehensive income for the period							
Profit	-	-	-	-	-	11,753	11,753
Transfer between reserves	-	-	-	-			-
Other comprehensive income							-
Foreign currency translation reserve	-	-	-	11,515	-	-	11,515
Total other comprehensive income	-	-	-	11,515	-	-	11,515
Total comprehensive income for the period	-	-	-	11,515	-	11,753	23,268
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	127	-	-	-	-	127
Total transactions with owners	-	127	-	-	-	-	127
Balance at 30 June 2022	**207,709**	**5,431**	**9,684**	**21,022**	**95,438**	**(27,956)**	**311,328**
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**

The notes on pages 51 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For six months ended 31 December 2022

In thousands of AUD

	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Cash flows (used in) / from operating activities			
Cash receipts from customers		117,687	231,855
Cash paid to suppliers and employees		(123,407)	(181,780)
Cash (used in) / generated from operations		**(5,720)**	**50,075**
Interest received		1,245	2,809
Income taxes paid		(3,486)	(1,548)
Net cash (used in) / from operating activities	*18a*	**(7,961)**	**51,336**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		101	77
Interest received		2,623	10
Acquisitions of property, plant and equipment	*12*	(2,042)	(1,703)
Development expenditure	*13*	(1,898)	(3,836)
Net cash used in investing activities		**(1,216)**	**(5,452)**
Cash flows used in financing activities			
Borrowing costs paid		(573)	(1,808)
Proceeds from borrowings		412	498
Repayment of borrowings		(419)	(39,068)
Proceeds from finance lease		657	513
Payment of lease liabilities		(1,077)	(1,643)
Net cash used in financing activities		**(1,000)**	**(41,508)**
Net (decrease) / increase in cash and cash equivalents		(10,177)	4,376
Cash and cash equivalents at start of period		50,318	42,393
Effect of exchange rate fluctuations on cash held		(3,047)	3,549
Cash and cash equivalents at end of period		**37,094**	**50,318**

The notes on pages 51 to 111 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial statements of the Company as at and for the six months ended 31 December 2022 ("current period") comprised of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The comparative periods used in the notes to financial statements include the six months ended 31 December 2021 ("pcp"), the six months ended 30 June 2022 ("prior half"), and the twelve months ended 30 June 2022 ("FY22"). The Group is a for-profit entity and primarily is involved in the design, development, manufacturing, sales and distribution of gaming content and platforms including electronic gaming machines, other related equipment and services and online social and real money games.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The preparation of the consolidated financial statements is in conformity with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

On 14 September 2022, the Company applied to ASIC for specific relief in relation to its obligation to lodge half-yearly reports in respect of its financial period commencing on 1 July 2022 and ending on 31 December 2022 ("Short FY"). This was due to the fact that the half-yearly reports and this report would have covered the same period, given the Short FY was only six months long. On 10 October 2022, ASIC granted an order to the effect that the Company does not have to comply with section 302 of the Corporations Act in relation to the Short FY. The effect of the order is that the Company does not have to produce and lodge duplicated reports for the same period for the Short FY. The Company will return to its normal reporting schedule from 1 January 2023 onwards.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2023.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where stated in 'Note 3 – Significant accounting policies'.

(c) Functional and presentation currency

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

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

The Company is of a kind referred to in ASIC Corporations *(Rounding in Financial/Directors Reports) Instrument 2016/191* and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ to these estimates.

The Group continues to navigate through the volatility in the global environment as a result of the COVID-19 pandemic, in particular, changes in macroeconomic conditions related to inflationary cost pressures and supply chain disruptions which have led to additional estimates and judgements which involves assumptions when preparing these financial statements. Key judgements which include incorporating best available information and past performance, have been exercised in considering the impacts of these conditions which may impact the future performance of the Group. These estimates and judgements require ongoing assessment, which have inherent uncertainty at the time of preparation of these financial statements.

The following were the key areas, but not limited to, that required additional judgements as a result of the pandemic:

- the recoverability of receivables;
- the appropriateness of stock obsolescence provisions;
- impairment testing on non-financial assets; and
- the recoverability of deferred tax assets.

Should actual performance differ significantly from the assumptions used for the estimates and judgements mentioned above, it is likely that there may be material changes to the carrying value of the assets and liabilities listed above in future reporting periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 13 - Intangible Assets: impairment test of intangible assets and goodwill which incorporates the key assumptions underlying recoverable amounts, including the recoverability of Development CGU;
- Note 25 - Provisions: provision on the Mexican Tax Administration Service (“SAT”) audit and review which incorporates judgement related to the probability of the outcome making a reasonable estimate of the potential obligation and the timing of the outflow that may arise; and
- Note 26 - Financial instruments: measurement of ECL allowance from trade receivables which incorporates key assumptions in determining the historical loss rate.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(ii)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment refer (Note 3(g)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt of equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

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

(iii) Interest in equity-accounted investee

A joint venture is an arrangement in which the Group has joint control, and whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in a joint venture is accounted for using the equity method. It is recognised initially at cost, which includes transactions costs. Subsequently to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of the equity-accounted investee, until the date on which significant influence of joint control ceases.

(iv) Transactions eliminated on consolidation

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

(v) Acquisitions on or after 1 July 2004

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance date are retranslated to the functional currency at the foreign exchange rate at that date. Non-monetary assets & liabilities that are measured at fair value in a foreign currency are translated into the functional currency at exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss and presented within finance cost.

(ii) Foreign operations

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

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

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

Recognition and initial measurement

Trade and other receivables are financial assets with a contractual right to receive cash from another entities. Trade and other receivables are recognised initially at fair value on the date that they are originated adjusted for directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
The assessment amount of current and non-current receivable involves reviewing the contractual term and how it compares to the current payment trend. When the current payment trend is less favourable from the contractual term, the Group will base the current and non-current assessment on payment trend.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit or Loss (“FVTPL”):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining an interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sale of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and initial measurement

Financial liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Loans and borrowings and trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Offsetting

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

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Machines previously held as inventory are transferred to property, plant and equipment when a rental or participation agreement is entered into. When the rental or participation agreements cease and the machines become held for sale, they are transferred to inventory at their carrying amount. Proceeds are reflected in revenue while value disposed are recognised as cost of sale. These are treated as an operating cash flow.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within “other income” or “other expenses” in profit and loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives for the current and comparative periods are as follows:

- buildings 39 - 40 years
- leasehold improvements 10 years
- plant and equipment 2.5 - 20 years

The useful lives of capitalised machines leased under rental or participation agreements are included in the plant and equipment useful lives.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(v). Goodwill is subsequently carried at cost less accumulated impairment losses (refer Note 3(g)).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure and discontinued projects that are expected to have no further economic benefit are recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets, which include intellectual property, technology and software assets, customer relationships, tradenames and trademarks, and service contracts, that are acquired by the Group through business combinations, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Refer Note 3(a)(i) for details on the determination of cost of these acquired assets.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(v) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefit embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

• capitalised development costs	4 - 5 years
• intellectual property	3 - 10 years
• technology and software	5 - 10 years
• customer relationships and contracts acquired	3 - 10 years
• tradenames and trademarks	3 years
• service contracts	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Non-derivative financial assets

The Group recognises general loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Group measures general loss allowances for trade receivables at an amount equal to the lifetime ECLs. The provision matrix contains the Group's receivables grouped by geographical region as customers in the same locations have similar credit characteristics. Historical default rates (or loss rates) for each geographical region are based on aging profile, past due analysis and historical write off data. The loss rates are adjusted for forward looking assumptions and then applied to receivables to compute the general lifetime ECL for these different geographical region customers. At every reporting date, the Group assesses the credit risk when estimating the ECL and in making the assessment considers reasonable and supportable information that is relevant and available.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment based on external economic conditions and any available forward-looking information such as inflation and GDP.

In addition, the Group also performs regular reviews of past due receivables at an individual customer level and recognises additional specific loss allowances for individual customers where credit risk is deemed significant.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- a breach of contract such as a default or shortfall of agreed payment plans; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual and corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Indicators include amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments. The Group expects no significant recovery from amounts written off. However, financial assets that are written off could still be subject to enforcement activities in accordance with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the “CGU"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to CGU that is expected to benefit from the synergies of the combination.

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

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

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

(h) Employee benefits

(i) Defined contribution superannuation funds

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

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

(ii) Other long-term employee benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Termination benefits

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

(iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers remuneration insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Equity-settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Where such adjustments result in a reversal of previous expenses these are recognised as a credit to profit or loss in the period that it is assessed that certain vesting conditions will not be met.

(i) Provisions

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

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

(j) Warranties

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue

Type of product/ service	Revenue recognition methods and timing of payments	Description of revenue recognition
i. Machine and part sales	Point in time recognition. Timing of payments vary and are dependent on negotiations with customers.	When customers obtain control of machines. This is typically when the goods are physically delivered, and the customer has accepted the goods. At this point the customer has the significant risks and rewards of ownership and the Group has an entitlement to payment of the goods. For machine sales in which the Group is also responsible for fulfilling performance obligations related to installation of the machines sold, under AASB 15 the installation is considered as a separate performance obligation. This is because the promise to install is implicit in the contract based on established business practices and creates a valid expectation that the Group will provide the service to the customer. Revenue is only recognised when this performance obligation is met.
ii. Multi element arrangements	Point in time and over time recognition, depending on the various performance obligations. Payments are received monthly.	The arrangements are like machine and part sales however payment terms on multi-elements are on a monthly basis over the term of the contract. If the arrangement contains a significant financing component, the interest income is recognised over the term of the contract.
iii. Rendering of services	Point in time and over time recognition. Payments are received monthly.	Revenue from services rendered include provision of servicing and preventative maintenance which are recognised over the period of the service agreement. Revenue is recognised based on a fixed daily fee per machine serviced. One-off services are performed and are recognised at a point in time when the service is carried out.
iv. License income	Point in time and over time recognition. Payments are received either upfront or on a periodical basis.	The timing of the recognition of license income is dependent on the type of performance obligations to be delivered to the customers. For license income that is recognised at a point in time, the performance obligations relate to the provision of games to customers. For license income that is recognised over time, the performance obligations relate to provision of hosting services of remote gaming servers. For license income that are recognised over time, any contract liabilities relating to advance consideration received from customers are recognised and assessed at every reporting date. The contract liability is recognised as revenue as and when the performance obligations are carried out.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Type of product/ service	Revenue recognition methods and timing of payments	Description of revenue recognition
v. Rental and Participation	Payments are received monthly for both products.	Operating lease rental revenue is recognised on a straight-line basis over the term of the lease contract. Rental revenue is calculated by multiplying the daily fee by the total number of days the machine has been operating on the venue floor. Participation revenue represents variable lease payments based on a share of turnover of net win of the participation machine. The variable lease payments are recognised in the profit & loss as participation revenue. Participation revenue amounted to $31,515 thousand for the current period (FY22: 49,036 thousand) Refer to Note 3(l) (ii)
vi. Sale type leases	Timing of payments vary and are dependent on negotiations with customers.	At commencement date, revenue is recognised at an amount being the lower of the fair value of the machines or the present value of lease payments discounted using a market interest rate. Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate. Refer to Note 3(l) (ii)

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset. If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

(m) Finance income and finance costs

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

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

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

(n) Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

(o) Earnings per share

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

(p) Segment reporting

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

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

(q) Changes in new standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted. However, there are currently no new standards, amendments to standards or accounting interpretations that are expected to materially affect the Group's consolidated financial statements in future periods.

4. DETERMINATION OF FAIR VALUES

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

- Note 23: share-based payments; and
- Note 26: financial instruments.

(a) Intangible assets

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

(b) Trade and other receivables/payables

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

(c) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. For loans and borrowings, fair value is calculated based on discounted expected future principal and interest cash flows.

(d) Lease liabilities

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

(e) Equity-settled share-based payment transactions

The fair value as defined under AASB 2 of employee share options is measured using the Black-Scholes-Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. FINANCIAL RISK MANAGEMENT

(a) Overview

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

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

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report and the Group's exposure to these risks are further elaborated in Note 26.

(b) Risk management framework

The Board of Directors have an overall responsibility for the establishment and oversight of the risk management framework. The Board has established processes through the Group's Audit and Risk Committee ("ARC"), which is responsible for developing and monitoring risk management policies. The ARC reports regularly to the Board of Directors on its activities.

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

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

(c) Credit risk

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

<u>Trade and other receivables</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, including the default risk of the industry and country in which customers operate. The Group's concentration of credit risk is disclosed in Note 26.

Each new customer is assessed by the compliance division as to suitability and analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes investigations, external ratings when available and in some cases bank references. Purchase limits are established for each customer, which represents the

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's creditworthiness criteria may only transact with the Group within established limits unless Board approval is received or otherwise only on a prepayment basis.

In monitoring the customer credit risk, customers are reviewed by grouped geographic region and also at an individual level in computing general lifetime ECL allowances and specific loss allowances respectively. Further information is detailed in 3(g) above. Customers in certain region are considered to have 'high-risk' profiles due to historical dealings, political instability in the region of operation and challenging economic conditions. For such customers, the company requires future sales to be made on a prepayment basis within sales limits approved by the Chief Executive Officer and Chief Financial Officer, and thereafter only with Board approval.

Goods are sold subject to retention of title clauses, so that in the event of non-payment, the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents its estimate of incurred and expected credit losses in respect of trade and other receivables. The main component of this allowance is a general loss component that relates to overall gross receivable exposure.

(d) Guarantees

The Group's policy is to provide financial guarantees only for wholly owned subsidiaries. As at 31 December 2022, no guarantees were outstanding (FY22: none).

(e) Liquidity risk

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

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

The Company through its US-based operating subsidiary, Ainsworth Game Technology Inc, has a secured bank facility with Western Alliance Bancorporation (WAB). Ainsworth Game Technology Inc. acts 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 imposes certain customary financial covenants which includes total leverage and fixed charge coverage ratios measured on a quarterly and annual basis. During the period, all imposed financial convents were met.

At inception of the facility on 18 February 2021, the drawdown limit was at US$35 million. As part of the terms and conditions of the facility, the available limit was to reduce by US$0.5 million at each quarter end. On 20 December 2022, the drawdown limit was amended to US$32.0 million with no reduction of limit by US$0.5 million at each quarter end. The facility is currently undrawn.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The functional currencies of Group entities are primarily the Australian dollar (AUD) and the US dollar (USD). The currencies in which these transactions are primarily denominated are AUD, USD, Euro, and New Zealand Dollar.

The Group continually monitors and reviews the financial impact of currency variations to determine strategies to minimise the volatility of changes and adverse financial effects in foreign currency exchange rates. The Group measures its currency risk exposure using sensitivity analysis and cash flow forecast. No hedging arrangements were utilised during the reporting period.

(ii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities.

(g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board continues to monitor group performance so as to ensure sufficient flexibility to fund operation demands of the business, to support any strategic opportunities and that dividends are able to be provided to ordinary shareholders.

The Board continues to review alternatives to ensure present employees will hold equity in the Company's ordinary shares. This is expected to be an ongoing process establishing long-term incentive plans to further align shareholders and employees' interests.

The Group has managed its capital through debt ratio and debt to equity ratio and applies judgements by benchmarking these ratios against other industry players:

Debt Ratios	31-Dec-22	30-Jun-22
Debt Ratio (Total Liabilities / Total Assets)	24.77%	23.42%
Debt to Equity Ratio (Total Liabilities / Total Equity)	32.92%	30.58%

6. 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. Information 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. As such, the Group’s reportable segments are as follows:

- Australia and other (‘other’ consists of Asia, New Zealand, South Africa, Europe and Online);
- North America; and
- Latin America.

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. The revenue from external parties reported to the CEO is measured in a manner consistent within the statement of profit or loss and other comprehensive income.

The Group has a large and dispersed customer base. The Group's largest customer accounts for only 4% of the total reportable revenue.

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING SEGMENTS (CONTINUED)

A reconciliation of segment result to net profit after tax is included as follows:

<u>Information about reportable segments</u>

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales, service and distribution of gaming content and platforms.

For the 6 months ended 31 December 2022

	------------------	------------------	------------------	Australia and other	------------------	------------------	------------------				
In thousands of AUD	**NSW**	**QLD/NT**	**VIC/TAS**	**South Australia**	**Asia**	**New Zealand**	**Europe / Other**	**Total Australia and Other**	**North America**	**Latin America**	**Total**
Reportable segment revenue	12,461	6,136	2,624	2,031	570	1,057	6,434	31,313	59,705	33,129	124,147
Result											
Segment result	299	726	600	465	(75)	318	5,504	7,837	30,823	10,395	49,055
Segment result (%)								25%	52%	31%	40%
Segment EBITDA								8,545	36,661	9,729	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

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 31 December 2022 are $27,125 thousand (30 June 2022: $28,535 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 31 December 2022 total $127,942 thousand (30 June 2022: $125,400 thousand), of which $127,942 thousand (30 June 2022: $125,400 thousand), are in North America.

Impairment expenses relating to write down of Latin America CGU assets of $2,584 thousand and write down of Australia and Other CGU assets of $1,295 thousand is recorded in ‘other expenses not allocated to segments’. Also included in 'other expenses not allocated to segments’ is $5,531 thousand of provision for Mexican duties and other charges.

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING SEGMENTS (CONTINUED)

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales, service and distribution of gaming content and platforms.

For the 12 months ended 30 June 2022											
	---- Australia and other ----							Total			
In thousands of AUD	**NSW**	**QLD/NT**	**VIC/TAS**	**South Australia**	**Asia**	**New Zealand**	**Europe / Other**	**Australia and Other**	**North America**	**Latin America**	**Total**
Reportable segment revenue	17,305	12,167	6,262	3,140	674	2,010	11,303	52,861	115,101	52,195	220,157
Result											
Segment result	1,534	2,336	1,451	904	(44)	449	8,705	15,335	51,464	20,755	87,554
Segment result (%)								29%	45%	40%	40%
Segment EBITDA								16,672	62,180	19,301	98,153
Interest revenue not allocated to segments											10
Interest expense											(1,965)
Foreign currency gain											8,225
R & D expenses											(35,286)
Corporate and administrative expenses											(20,952)
Other expenses not allocated to segments											(21,781)
Profit before tax											15,805
Income tax expense											(4,052)
Net profit after tax											11,753

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 30 June 2022 are $28,535 thousand (30 June 2021: $32,427 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 30 June 2022 total $125,400 thousand (30 June 2021: $122,772 thousand), of which $125,400 thousand (30 June 2021: $122,772 thousand), are in North America.

Impairment expenses relating to write down of Latin America CGU assets of $4,792 thousand and write down of Australia and Other CGU assets of $458 thousand is recorded in ‘other expenses not allocated to segments’. Also included in 'other expenses not allocated to segments’ is $16,531 thousand of provision for Mexican duties and other charges.

7. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is 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.

For the 6 months ended 31 December 2022

	Australia and other										
In thousands of AUD	**NSW**	**QLD/NT**	**VIC/TAS**	**South Australia**	**Asia**	**New Zealand**	**Europe / Other**	**Total Australia and Other**	**North America**	**Latin America**	**Total**
Major products/service lines											
Machine and part sales	8,573	4,784	1,945	1,419	569	1,057	17	18,364	19,947	14,055	52,366
Multi element arrangements	1,445	1,352	679	612	-	-	-	4,088	-	-	4,088
Sale type leases	-	-	-	-	-	-	-	-	392	8,075	8,467
Rendering of services	2,443	-	-	-	-	-	34	2,477	11,438	53	13,968
License income	-	-	-	-	-	-	6,383	6,383	4,274	393	11,050
Rental and participation	-	-	-	-	1	-	-	1	23,654	10,553	34,208
	12,461	**6,136**	**2,624**	**2,031**	**570**	**1,057**	**6,434**	**31,313**	**59,705**	**33,129**	**124,147**
Timing of revenue recognition											
Products and services transferred at a point in time	10,007	6,133	2,611	2,031	569	1,057	17	22,425	23,253	22,140	67,818
Products and services transferred over time	2,454	3	13	-	1	-	6,417	8,888	36,452	10,989	56,329
	12,461	**6,136**	**2,624**	**2,031**	**570**	**1,057**	**6,434**	**31,313**	**59,705**	**33,129**	**124,147**

NOTES TO THE FINANCIAL STATEMENTS

7. REVENUE (CONTINUED)

For the 12 months ended 30 June 2022

In thousands of AUD	Australia and other: NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other	Total Australia and Other	North America	Latin America	Total
Major products/service lines											
Machine and part sales	11,815	9,724	5,040	2,227	674	2,010	1,731	33,221	55,708	20,326	109,255
Multi element arrangements	1,560	2,443	1,222	913	-	-	-	6,138	-	-	6,138
Sale type leases	-	-	-	-	-	-	-	-	799	14,393	15,192
Rendering of services	3,930	-	-	-	-	-	3	3,933	17,706	14	21,653
License income	-	-	-	-	-	-	9,569	9,569	4,659	668	14,896
Rental and participation	-	-	-	-	-	-	-	-	36,229	16,794	53,023
	17,305	**12,167**	**6,262**	**3,140**	**674**	**2,010**	**11,303**	**52,861**	**115,101**	**52,195**	**220,157**
Timing of revenue recognition											
Products and services transferred at a point in time	13,357	12,155	6,235	3,140	674	2,010	1,731	39,302	59,306	34,672	133,280
Products and services transferred over time	3,948	12	27	-	-	-	9,572	13,559	55,795	17,523	86,877
	17,305	**12,167**	**6,262**	**3,140**	**674**	**2,010**	**11,303**	**52,861**	**115,101**	**52,195**	**220,157**

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Royalties income		-	161
Bad debts recovered	26	-	28
Rent concessions	27	-	521
Other income		107	42
Gain on sale of property, plant and equipment		286	252
		393	1,004

9. EXPENSES BY NATURE

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Employee benefits expense	10	32,985	57,802
Sales commission expense		3,793	6,384
Depreciation and amortisation expense	12,13,27	10,950	22,158
Impairment of property, plant and equipment	12	3,249	4,938
Cost of goods sold		32,128	68,430
Legal expenses		867	1,331
Evaluation and testing expenses		3,976	5,645
Marketing expenses		2,592	3,615
Provision for Mexican duties and other charges	25	5,531	16,531
Impairment / (writeback) of trade receivables	26	1,170	(1,541)
Impairment of right-of-use assets	27	631	312
Computer and communications expenses		1,495	2,855
Warranty expenses		1,636	2,105
Duty charges		2,010	2,316
License fees		1,713	4,614
Property related expenses		2,604	4,280
Travel and entertainment expenses		2,695	2,888
Other expenses		8,432	9,772
		118,457	214,435

10. EMPLOYEE BENEFIT EXPENSES

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Wages and salaries		29,668	52,779
Short-term incentives		247	1,128
Contributions to defined contribution superannuation funds		1,754	3,146
Increase / (decrease) in liability for annual leave	22	198	(116)
Increase in liability for long service leave	22	237	280
Termination benefits		220	458
Equity settled share-based payment transactions		661	127
		32,985	57,802

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCE INCOME AND FINANCE COSTS

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Interest income		3,868	2,819
Net foreign exchange gain		-	8,225
Finance income		3,868	11,044
Interest expense on financial liabilities		(573)	(1,965)
Net foreign exchange loss		(2,101)	-
Finance costs		(2,674)	(1,965)
Net finance income recognised in profit or loss		1,194	9,079

12. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Land & buildings	Plant & equipment	Leasehold improvements	Total
Cost					
Balance as at 1 July 2021		56,029	136,555	4,256	196,840
Re-classification of inventory to plant and equipment		-	15,330	-	15,330
Additions		79	1,555	69	1,703
Disposals		-	(18,860)	-	(18,860)
Effect of movements in foreign exchange		5,116	10,040	36	15,192
Balance as at 30 June 2022		61,224	144,620	4,361	210,205
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

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of AUD	Note	Land & buildings	Plant & equipment	Leasehold improvements	Total
Depreciation and Impairment Losses					
Balance as at 1 July 2021		14,486	112,536	3,083	130,105
Depreciation charge for the year	9	1,583	9,700	259	11,542
Impairment loss for the year	13	-	4,920	18	4,938
Disposals		-	(13,787)	-	(13,787)
Effect of movements in foreign exchange		1,410	8,830	35	10,275
Balance as at 30 June 2022		17,479	122,199	3,395	143,073
Balance as at 1 July 2022		17,479	122,199	3,395	143,073
Depreciation charge for the current period	9	866	5,133	111	6,110
Impairment loss for the current period	13	-	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
Carrying Amounts					
As at 1 July 2021		41,543	24,019	1,173	66,735
As at 30 June 2022		43,745	22,421	966	67,132
As at 31 December 2022		43,926	25,411	852	70,189

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of $712 thousand (FY22: $4,980 thousand) at net book value.

The carrying amount of plant and equipment on participation and fixed rental leases is $20,977 thousand as at 31 December 2022 (30 June 2022: $17,788 thousand).

Impairment loss of $3,248 thousand (FY22: ($4,938) thousand) recognised during the current period relates to the recoverability of the carrying value of assets within the 'Latin America' and 'Australia and Other' cash generating units. See 'Note 13 – Intangible assets' for further details.

13. 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 2021		40,447	34,640	1,583	19,442	15,439	1,038	112,589
Additions		-	3,836	-	-	-	-	3,836
Intangible assets fully amortised and written off		-	(4,936)	-	-	-	-	(4,936)
Effects of movements in foreign currency		3,471	-	-	899	1,409	95	5,874
Balance as at 30 June 2022		43,918	33,540	1,583	20,341	16,848	1,133	117,363
Balance as at 1 July 2022		43,918	33,540	1,583	20,341	16,848	1,133	117,363
Additions		-	1,898	-	-	-	-	1,898
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	28,180	1,583	20,522	17,132	1,151	113,184

13. 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 2021		2,436	15,957	-	7,874	7,059	274	33,600
Amortisation for the year	9	-	5,805	-	1,685	1,506	215	9,211
Intangible assets fully amortised and written off		-	(4,936)	-	-	-	-	(4,936)
Effects of movements in foreign currency		-	-	-	174	725	36	935
Balance as at 30 June 2022		2,436	16,826	-	9,733	9,290	525	38,810
Balance as at 1 July 2022		2,436	16,826	-	9,733	9,290	525	38,810
Amortisation for the current period	9	-	2,378	-	884	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	11,946	-	10,653	10,253	649	35,937
Carrying amounts								
As at 30 June 2021		38,011	18,683	1,583	11,568	8,380	764	78,989
As at 30 June 2022		41,482	16,714	1,583	10,608	7,558	608	78,553
As at 31 December 2022		42,180	16,234	1583	9,869	6,879	502	77,247

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for development costs

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 31 December 2022 due to the presence of impairment indicators at reporting date.

The four main CGUs or group of CGUs are: Development, Australia and other (comprised of Asia, New Zealand, South Africa, Europe and Online), North America and Latin America. The determination of CGUs for the purposes of testing development costs for impairment is consistent with last financial year.

The Group has maintained that the most reasonable and consistent basis upon which to allocate development costs is to have the Group's research and development function ('Development CGU') recharge product development costs to the Group's other CGUs, which are in line with the Group's geographic operating segments.

The carrying amount of the Group's development costs amounts to $16,234 thousand (30 June 2022: $16,714 thousand), comprising of $13,935 thousand (30 June 2022: $14,293 thousand) in development costs relating to product development and $2,299 thousand (30 June 2022: $2,421 thousand) in development costs relating to online development activities.

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

Product development costs are recharged from the Development CGU to individual CGUs, based on the forecasted sales revenue 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.

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 30 June 2022 other than foreign currency translation differences at reporting date.

The Group's corporate assets largely comprises of building facilities, IT infrastructure and manufacturing equipment. The allocation of the corporate assets was based on the usage pattern by each CGU.

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

6 months ended 31 December 2022						
CGUs	Goodwill '$000	Indefinite life intangible assets '$000	Capitalised development '$000	Other assets '$000	Recoverable amount '$000	Headroom '$000
Development	-	-	16,234	36,841	65,832	12,757
North America	42,180	1,583	-	58,229	284,777	182,785

13. INTANGIBLE ASSETS (CONTINUED)

12 months ended 30 June 2022						
CGUs	**Goodwill '$000**	**Indefinite life intangible assets '$000**	**Capitalised development '$000**	**Other assets '$000**	**Recoverable amount '$000**	**Headroom '$000**
Development	-	-	16,714	37,459	66,752	12,579
North America	41,482	1,583	-	56,704	256,156	156,387

As at 31 December 2022, all assets within the Latin America CGU and Australia and other CGU have been fully impaired as a result of recoverable amount being lower than the carrying value. Details are outlined on the following page.

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 are outlined as follows:

Cost base:

The cost base of CY23 and CY24 was most significantly impacted from CY22 due to existing inflationary pressures and the business resuming operations to pre-COVID-19 pandemic levels. This resulted in the 2-year average cost increases in Australia and other of 14.5%, North America of 44.6%, Latin America of 15.7% and Development of 20.0%. The key costs component consists of production, direct and indirect costs such as freight costs and wages and salaries. Cost base increase in North America over the 2 years is significantly higher in comparison to other CGUs due to the higher average annual revenue growth rate within this CGU.

Other key assumptions:

6 months ended 31 December 2022			
CGUs	**Pre-tax discount rate**	**Average annual revenue growth rate [1]**	**Terminal growth rate**
Development	17.9%	7.5%	2.0%
Australia and other	10.9%	10.8%	2.0%
North America	14.0%	16.5%[2]	1.8%
Latin America	23.5%[3]	7.9%	4.0%

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS (CONTINUED)

12 months ended 30 June 2022			
CGUs	**Pre-tax discount rate**	**Average annual revenue growth rate**	**Terminal growth rate**
Development	14.9%	9.2%	2.0%
Australia and other	13.4%	13.3%	2.0%
North America	14.2%	10.6%	1.8%
Latin America	20.4%	10.2%	4.0%

1) *The 5-year forecast average annual revenue growth rates (CY23 to CY27) have been calculated based on CY22 revenue as the base year. When estimating the revenue growth rates, management has considered and incorporated the effects of the pandemic and the market conditions for each CGU. The change in macroeconomic conditions such as inflationary costs and supply chain disruptions brought upon by the pandemic have been incorporated when determining the recoverable amount for each of the CGUs. The revenue growth for each of the CGUs was determined based on the local market landscape and the expected recovery from the pandemic.*
2) *The notable increase in average annual revenue growth rate by 590 basis points for the North America CGU compared to 30 June 2022 is a result of additional placement opportunities with new market and property openings particularly in the HHR markets and increased product development focus including establishment of new external game studios to grow this CGU's footprint in North America.*
3) *The notable increase in pre-tax discount rate by 310 basis points for the Latin America CGU compared to 30 June 2022 is a result of the change in the country risk premiums for the Latin America region.*

Impairment charges recognised during the current period

Latin America CGU

Since the onset of the pandemic in 2020, the Latin America CGU has been severely impacted as a large proportion of customers operating within Latin America, primarily Mexico, Argentina and Peru, were either closed or imposed with restrictions for a prolonged period. Capital expenditure commitments in these Latin American jurisdictions were deferred in terms of both hardware and technology purchasing decisions due to the prolonged closures. In addition, the inflationary costs pressures resulting from global resources and supply chain shortages have also affected this CGU's recoverable amount.

Although the Group has seen significant recoveries in the current period in the Latin America CGU with an improvement on revenue to $33,129 thousand in the current period compared to $22,186 thousand in the pcp and $30,009 thousand in the prior half, the Group has considered the current inflationary challenges on the business and the ability to recover these from customers taking a longer term to value. The longer-term effects of COVID-19 on the Latin America economic conditions will impact on the timing of when cost inflation can be passed onto our customers. We have taken this into account in our assessment of the recoverability of this CGU. Incorporating the most recent available information and increasing costs pressures, the group recorded an impairment charge of $2,584 thousand (FY22: $4,792 thousand) against the Latin America CGU leased assets, property, plant and equipment and right-of-use assets. This impairment charge has been recognised in 'other expenses' within the consolidated statement of profit or loss and other comprehensive income.

13. INTANGIBLE ASSETS (CONTINUED)

It is the Group's view that this CGU will continue to recover post pandemic and the Group will continue to re-assess the recoverable value of this CGU in particular the terminal year cashflow (which contributes significantly to the recoverable amount calculation) and if and when the recoverable value exceeds the carrying value, the Group will reverse any previous impairment recorded.

Australia and other CGU

Australia and other CGU has shown significant improvements in the current period with an increase in revenue to $31,313 thousand compared to the $23,920 thousand revenue in the pandemic affected pcp and $28,941 in the prior half. However, inflationary cost pressures resulting from COVID-19, geopolitical instability and global supply chain challenges have affected this CGU's recoverable amount.

Although the Group has seen improvements in the industry activity levels, the cost and supply shortage pressures have prompted revision to the assumptions on costs within this CGU in future forecasted cashflows which has resulted in an impairment charge of $1,295 thousand (FY22: $458 thousand) against property, plant and equipment and right-of-use assets. This impairment charge has been recognised in 'other expenses' within the consolidated statement of profit or loss and other comprehensive income.

Impairment testing on other CGU's

North America CGU

As the forecasted recoverable amount exceeds carrying amount ("headroom") of this CGU by $182,785 thousand, Management does not believe that there is a reasonable possible change in key assumptions which will result in a material impairment charge.

Development CGU

The recoverable amount of the Development CGU is significantly driven by the performance of the other CGUs' and a change in key assumptions will impact both the geographical and the Development CGUs'. As the revenue projections of the Australia and other, North America and Latin America CGUs are also dependent on the success of products supplied by the Development CGU, impairment could also potentially arise at the Development CGU level if the other CGUs have deficiencies in their recoverable amounts compared to their carrying amounts.

As at 31 December 2022, the Development CGU has a headroom of $12,757 thousand, compared to $12,579 thousand as at 30 June 2022. The recoverable amount of this CGU is consistent to the prior half due to no significant change to the assumptions for other CGU's performance. Given that this CGU's recoverable amount is highly dependent on the performance of other CGUs, the following are sensitivities performed on key assumptions that have been incorporated when forecasting the recoverable amount for the Development CGU:

13. INTANGIBLE ASSETS (CONTINUED)

Assumptions	Model Assumption	Sensitivity	Development CGU Headroom Impact '$000	Triggers Impairment for Development CGU
Change in average annual revenue growth rate in North America CGU(1)	16.5%	+ 200 basis points	+$7,339	No
		- 200 basis points	- $7,229	No
Discount Rate	17.9%	+ 100 basis points	-$5,486	No
		- 100 basis points	+$6,276	No

(1) As the North America CGU is the largest contributor to the cash inflows for the Development CGU, a change in the average annual revenue growth rate in North America CGU is determined to be more sensitive to the Development CGU's recoverable amount compared to a change in the average annual revenue growth rate assumptions in Australia and Other and Latin America CGU's.

These sensitivities assume the specific assumptions move in isolation, whilst all other assumptions are held constant. In reality, a change in an assumption may accompany a change in another assumption.

In addition, for all CGUs, the achievement of forecast revenue growth rates is dependent on the success of current strategic initiatives, market conditions, improved product performance, a change in implemented product development and new hardware configurations release. However, based on historical experience and industry specific factors, management has reviewed and assessed that forecast revenue growth rates are expected to be achieved.

14. DEFERRED INCOME

The carrying value of deferred income in the consolidated statement of financial position as at 31 December 2022 predominantly relates to the execution of a 5-year integration and distribution agreement with GAN Limited ("GAN") on 1 July 2021 whereby the Group provides GAN 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. It is expected that as payments are received, these payments are recognised as deferred income and will be amortised over the life of the contract, subject to meeting the Group's performance obligations and revenue recognition policies. As at 31 December 2022, of the $8,281 thousand carrying value recognised in deferred income, $6,824 thousand (30 June 2022: $9,166 thousand) relates to this GAN agreement.

NOTES TO THE FINANCIAL STATEMENTS

15. TAXES

Current Tax Expense

In thousands of AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Tax recognised in profit or loss		
Current tax expense		
Current period	(6,543)	(5,380)
Prior year adjustments	(401)	409
Recognition of R&D tax credits	311	537
	(6,633)	(4,434)
Deferred tax benefit		
Origination and movement of timing differences	5,281	382
Total income tax expense	(1,352)	(4,052)

Reconciliation of effective tax rate

In thousands of AUD	6 months ended 31 December 2022		12 months ended 30 June 2022	
Profit before income tax		7,277		15,805
Income tax expense using the Company's domestic tax rate	(30.00%)	(2,183)	(30.00%)	(4,741)
Effective tax rates in foreign jurisdictions	1.22%	89	4.89%	773
Non-deductible expenses	(77.43%)	(5,634)	(34.59%)	(5,467)
Non-assessable income and concessions	93.14%	6,777	31.47%	4,974
Prior year adjustments	(5.51%)	(401)	2.59%	409
	(18.58%)	(1,352)	(25.64%)	(4,052)

In thousands of AUD	31 December 2022	30 June 2022
Gross deferred tax assets		
Employee benefits	4,619	3,025
Provisions	8,519	5,337
Property, plant and equipment	254	285
Tax loss carry carry-forwards	1,894	1,923
Other	11,069	9,439
Gross deferred tax assets	26,355	20,009
Gross deferred tax liabilities		
Property, plant and equipment	(4,170)	(3,286)
Unrealised foreign exchange losses	(509)	(2,317)
Other	(4,527)	(2,538)
Net deferred tax assets	17,149	11,868
Movements		
Balance at the start of the period	11,868	11,486
Credited to profit or loss	5,281	382
Balance at the end of the period	17,149	11,868

15. TAXES (CONTINUED)

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the Group's provision for income taxes and carrying value of deferred tax assets. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of relevant tax laws. The deductible temporary differences and tax losses do not expire under current tax legislation. R&D non-refundable tax offset credits are available to be applied against income tax payable in future years and do not expire under current tax legislation.

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

A reassessment of the carrying amount of all deferred tax assets is performed at each reporting period. Management has assessed that the carrying amount of the deferred tax assets of $17,148 thousand should be recognised as management considers that it is probable that future taxable profits would be available against which they can be utilised based on current estimates on the Group's future trading performance, incorporating the impacts of post COVID-19 pandemic and the change in global macroeconomic conditions such as rising inflation rates and interest rates on future near-term profitability.

Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

16. INVENTORIES

In thousands of AUD	31 December 2022	30 June 2022
Raw materials and consumables	54,133	37,623
Finished goods	32,987	25,673
Stock in transit	3,004	5,005
Inventories stated at the lower of cost and net realisable value	90,124	68,301

During the current period, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $30,414 thousand (FY22: $65,165 thousand).

A re-classification from inventory to property, plant and equipment of $10,036 thousand (FY22: $15,330 thousand) was recorded to reflect gaming products for which rental and participation agreements were entered into during the current period.

During the current period, the write down of inventories to net realisable value amounted to $6,148 thousand (FY22: $5,210 thousand). The write down is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

17. RECEIVABLES AND OTHER ASSETS

In thousands of AUD	Note	31 December 2022	30 June 2022
Current			
Trade receivables		95,093	90,465
Less impairment losses	26	(10,882)	(11,051)
		84,211	79,414
Other assets		3,357	3,675
Right of return		1,912	-
Amount receivable from shareholder-controlled entities	29	455	782
		89,935	83,871
Non-current			
Trade receivables		25,601	28,873
		25,601	28,873

The Group's provision for doubtful debts was $10,882 thousand as at 31 December 2022 which is materially consistent with the prior corresponding period (30 June 2022: $11,051 thousand).

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 26.

<u>Leasing Arrangements</u>

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

In thousands of AUD	31 December 2022	30 June 2022
Minimum lease payments under finance leases are receivable as follows:		
Less than one year	11,601	8,162
One to two years	6,619	5,958
Two to three years	888	1,360
	19,108	15,480
Unearned finance income as follows:		
Less than one year	62	101
One to two years	18	14
Two to three years	-	-
	80	115
The present value of minimum lease payments and lease receivables classification is as follows:		
Less than one year	11,539	8,061
One to two years	6,601	5,944
Two to three years	888	1,360
	19,028	15,365

18. CASH AND CASH EQUIVALENTS

In thousands of AUD	31 December 2022	30 June 2022
Bank balances	29,668	42,787
Cash deposits	7,426	7,531
Cash and cash equivalents in the statement of cash flows	37,094	50,318

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

18A. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Cash flows from operating activities			
Profit for the period		5,925	11,753
Adjustments for:			
Rent concessions	8	-	(521)
Equity-settled share-based payment transactions	10	661	127
Net finance income	11	(1,194)	(9,079)
Depreciation	12,27	6,757	12,947
Impairment losses on trade receivables and provision for obsolescence		7,319	3,669
Amortisation of intangible assets	13	4,193	9,211
Impairment on Latin America and Australia CGU	13	3,880	5,250
Provision for Mexican duty and other charges		5,531	16,531
Gain on sale of property, plant and equipment		(286)	(252)
Unrealised currency translation movements		(3,630)	(11,214)
Income tax expense	15	1,352	4,052
Operating profit before changes in working capital & provisions		30,508	42,474
Change in trade and other receivables		(7,063)	4,307
Change in inventories		(24,409)	(11,893)
Net transfers between inventory and leased assets		(9,325)	(7,724)
Change in other assets		(7,419)	1,876
Change in trade and other payables		10,328	3,428
Change in provisions and employee benefits		1,660	17,607
Cash (used in) / generated from operations		(5,720)	50,075
Interest received		1,245	2,809
Income taxes paid		(3,486)	(1,548)
Net cash (used in) / from operating activities		(7,961)	51,336

19. CAPITAL & RESERVES

(a) Share Capital

In thousands of shares	Ordinary shares 6 months ended 31 December 2022	Ordinary shares 12 months ended 30 June 2022
In issue at start of period	336,794	336,794
Shares issued during the period	-	-
In issue at end of period – fully paid	336,794	336,794

(i) Ordinary Shares

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Issue of ordinary shares

During the current period, no ordinary shares were issued.

(b) Nature and purpose of reserve

(i) Equity compensation reserve

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

(ii) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of related party loans and borrowings where interest is charged at below market rates.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(iv) Profits reserve

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

(c) Dividends

No dividends were paid by the Company during the current period.

During the current period and subsequent to the reporting date, no dividend was proposed by the board of directors (FY22: nil).

The amount of franking credits available to shareholders for subsequent financial years is $28,017 thousand (30 June 2022: $28,017 thousand). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the current period ended 31 December 2022 was based on the profit attributable to ordinary shareholders of $5,925 thousand (FY22: $11,753 thousand) and a weighted average number of ordinary shares outstanding as at 31 December 2022 of 336,794 thousand (30 June 2022: 336,794 thousand) calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Profit for the period		5,925	11,753
Profit attributable to ordinary shareholders		5,925	11,753

Weighted average number of ordinary shares

In thousands of shares	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Issued ordinary shares as at 1 July	19	336,794	336,794
Effect of shares issued		-	-
Weighted average number of ordinary shares as at 31 December/ 30 June		336,794	336,794
Total basic earnings per share attributable to the ordinary equity holders of the Company		$0.02	$0.03

Diluted earnings per share

The calculation of diluted earnings per share for the current period ended 31 December 2022 was based on the profit attributable to ordinary shareholders of $6,586 thousand (FY22: $11,880 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as at 31 December 2022 of 352,974 thousand (2022: 344,532 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Profit attributable to ordinary shareholders		5,925	11,753
Amortisation of share-based payment arrangement		661	127
Profit attributable to ordinary shareholders (diluted)		6,586	11,880

Weighted average number of ordinary shares (diluted)

In thousands of shares	Note	6 months ended 31 December 2022	12 months ended 30 June 2022
Weighted average number of ordinary shares as at 1 July	19	336,794	336,794
Effect of rights and options on issue		16,180	7,738
Weighted average number of ordinary shares (diluted) as at 31 December / 30 June		352,974	344,532
Total diluted earnings per share attributable to the ordinary equity holders of the Company		$0.02	$0.03

21. 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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 26.

In thousands of AUD	31 December 2022	30 June 2022
Current		
Insurance premium funding	317	52
Secured bank loan	279	-
	596	52

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			31 December 2022		30 June 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	323	317	53	52
Secured bank loan (BBVA)	IBR + 6.64%	2023	279	279	-	-
Secured bank loan (WAB)	SOFR + 3.00%	2026	-	-	-	-
Total interest-bearing liabilities			602	596	53	52

The Group's secured bank loan (WAB) relates to a US$32.0 million facility with Western Alliance Bancorporation (WAB) through the Company's US-based operating subsidiary, Ainsworth Game Technology Inc. On 20 December 2022, some of the terms and condition of the facility were amended. Key changes of the facility were amending the facility limit to US$32.0 million with no reduction of limit by US$0.5 million at each quarter end and replacement of LIBO rate with SOFR rate as the variable component. There was no change to the financial covenants as a result of this amendment. The facility is currently undrawn.

Insurance premium funding

Finance lease liabilities of the Group are payable as follows:

	31 December 2022			30 June 2022		
In thousands of AUD	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	323	6	317	53	1	52
	323	6	317	53	1	52

22. EMPLOYEE BENEFITS

In thousands of AUD	31 December 2022	30 June 2022
Current		
Accrual for salaries and wages	933	786
Accrual for short-term incentive plan	22	890
Liability for annual leave	4,372	4,174
Liability for long service leave	3,822	3,488
	9,149	9,338
Non-Current		
Liability for long service leave	367	464
	367	464

23. SHARE-BASED PAYMENTS

As at 31 December 2022, the Group had the following share-based payment arrangements:

(a) 24 June 2022 Performance Rights

(i) Description of programme

On 24 June 2022, the Group granted to eligible employees and executives the opportunity to participate in the grant of performance rights over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Rights Share Trust (RST). To be eligible to participate in the RST, the employees were selected by the directors and reviewed by the Remuneration and Nomination Committee. The performance rights were granted at $nil consideration or exercise price however are dependent on service conditions, vesting conditions and share price performance hurdles. The performance rights convert to ordinary shares of the Company on a one-for-one basis with no voting or dividend rights until this conversion. The total issued performance rights under this programme were 8,900,000 units. As at 31 December 2022, all of the total issued performance rights were outstanding.

The key terms and conditions related to the grants under the programme are as follows, with all rights to be settled by the physical delivery of shares.

Employee entitled	Number of instruments issued at grant date	Vesting conditions	Contractual life of rights
Rights granted to key management personnel	5,100,000	Service conditions and performance hurdles from grant date as per RST below	5 years
Rights granted to senior and other employees	3,800,000	Service conditions and performance hurdles from grant date as per RST below	5 years
Total performance rights granted	**8,900,000**		

23. SHARE-BASED PAYMENTS (CONTINUED)

Performance hurdles
▪ Tranche 1 - 25% will vest if the VWAP for 20 consecutive trading days preceding to 30 June 2024 is equal or greater than A$2.00. ▪ Tranche 2 - 25% will vest if the VWAP for 20 consecutive trading days preceding to 31 December 2024 is equal or greater than A$2.40. ▪ Tranche 3 - 50% will vest if the VWAP for 20 consecutive trading days preceding to 30 June 2025 is equal or greater than A$2.76.

The Rights granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the Rights for the current performance period and any non-vested Rights from prior performance periods will vest. The last date whereby all tranches can be re-tested is on the final vesting date, being 30 June 2025, at which time any unvested Rights will lapse.

(ii) Measurement of fair value

The fair value of the Rights granted on 24 June 2022 under the RST are as follows:

	Fair Value per right
Fair value determined at grant date	
Tranche 1 - Vesting date 30 June 2024	$0.3717
Tranche 2 - Vesting date 31 December 2024	$0.3476
Tranche 3 - Vesting date 30 June 2025	$0.3136

The fair value of the Rights has been measured using the Monte Carlo expected valuation method. The inputs used in the measure of the fair value at grant date of the equity settlement shared based payment plan under the RST were as follows:

	RST plan
Share price at grant date	$0.995
Exercise price	Nil
Expected volatility	62.4%
Expected life	5 years
Expected dividend yield	Nil
Risk-free interest rate (based on Treasury Bonds)	2.92%

The volatility rate has been determined using historical data from the three years immediately prior to the grant date. This has been based on an evaluation of the historical volatility of the Company’s compounded share price returns.

23. SHARE-BASED PAYMENTS (CONTINUED)

(b) 30 August 2019 Share options

(i) Description of programme

On 30 August 2019, the Group offered to eligible employees the opportunity to participate in a share option over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Option Share Trust (OST). To be eligible to participate in the OST, the employees were selected by the directors and reviewed by the Remuneration and Nomination Committee. The OST provides for employees an option to purchase allocated shares at the valuation price at grant date. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The ability to exercise the right is conditional on the continuing employment of the participating employee. The total issued share options under this programme were 11,062,029 units. As at 30 June 2022, 7,567,321 share options were outstanding (30 June 2021: 9,004,414). During the current period, 287,604 options were cancelled due to termination of employees with 7,279,717 share options outstanding as at 31 December 2022.

The key terms and conditions related to the grants under the programme are as follows, with all options to be settled by the physical delivery of shares.

Employee entitled	Number of instruments issued at grant date	Vesting conditions	Contractual life of options
Options granted to key management personnel	878,779	Four years' service and performance hurdles from grant date as per OST below	5 years
Options granted to senior and other employees	10,183,250	Four years' service and performance hurdles from grant date as per OST below	5 years
Total share options OST	**11,062,029**		

Performance hurdles

- Tranche 1 - 25% will vest if the VWAP for 20 days preceding to 30/08/2021 is equal to or greater than $1.10.
- Tranche 2 - 25% will vest if the VWAP for 20 days preceding to 30/08/2022 is equal to or greater than $1.32.
- Tranche 3 - 50% will vest if the VWAP for 20 days preceding to 30/08/2023 is equal to or greater than $1.58.

The share options granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the share options for the current performance period and any non-vested share options from prior performance periods will vest. The last date whereby all tranches can be re-tested is on the final vesting date, being 30 August 2023, at which time any unvested share options will lapse. No share options were vested at the second vesting date of 30 August 2022.

(ii) Measurement of fair value

The fair value of the share options granted on 30 August 2019 under the OST are as follows:

	Fair Value per option
Fair value determined at grant date	
Tranche 1 - Vesting date 30 August 2021	$0.1327
Tranche 2 - Vesting date 30 August 2022	$0.1282
Tranche 3 - Vesting date 30 August 2023	$0.1229

The fair value of the share option has been measured using the Black-Scholes-Merton formula. The inputs used in the measure of the fair value at grant date of the equity settlement shared based payment plan under the OST were as follows:

	OST plan
Share price at grant date	$0.737
Exercise price	$0.73
Expected volatility	27.1006%
Expected life	5 years
Expected dividends	3.38%
Risk-free interest rate (based on Treasury Bonds)	0.6940%

The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The volatility rate under this option has been determined based on the daily share price returns over the 5-year period leading up to the date of valuation.

24. TRADE AND OTHER PAYABLES

In thousands of AUD	Note	31 December 2022	30 June 2022
Current			
Trade payables		23,252	15,867
Other payables and accrued expenses		10,791	16,435
Deferred consideration on MTD Gaming Inc acquisition		7,803	3,829
Amount payable to shareholder-controlled entities	29	1,538	122
		43,384	36,253
Non-Current			
Trade payables		1,051	-
Deferred consideration on MTD Gaming Inc acquisition		-	3,702
		1,051	3,702

The deferred consideration on MTD Gaming Inc. acquisition as outlined above relates to an asset acquisition made on 9 March 2020 and is subject to meeting gross profit targets in relevant markets determined at the time of acquisition and this consideration is payable at any time before 30 June

24. TRADE AND OTHER PAYABLES (CONTINUED)

2024. Based on the current projections, it is expected that the deferred consideration will be payable in the relevant periods where those set targets are achieved.

25. PROVISIONS

In thousands of AUD	Service/ warranties	Legal	Mexican Tax Administration Service ("SAT")	Total
Balance as at 1 July 2021	802	31	-	833
Provisions made during the year	2,105	1,597	17,419	21,121
Provisions used during the year	(2,013)	(1,614)	-	(3,627)
Foreign exchange movement	25	-	-	25
Balance as at 30 June 2022	919	14	17,419	18,352

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	1,169	5,473	8,278
Provisions used during the current period	(1,598)	(1,020)	-	(2,618)
Foreign exchange movement	15	-	294	309
Balance as at 31 December 2022	972	163	23,186	24,321

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.

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 $5,473 thousand in the current period resulting in a provision of $23,186 thousand as at 31 December 2022 (30 June 2022: $17,419 thousand). This provision includes estimated unpaid duty and other associated charges. The corresponding expense recorded for this provision has been recognised in the Statement of Profit or Loss and Other Comprehensive Income under 'Other expenses'.

26. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

Trade and other receivables

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	Note	31 December 2022	30 June 2022
Receivables	17	110,267	109,069
		110,267	109,069

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

In thousands of AUD	31 December 2022	30 June 2022
Australia	15,299	15,447
North America	33,862	33,804
Latin America	67,948	66,791
Europe	1,507	1,924
New Zealand	658	289
Asia	1,875	1,865
	121,149	120,120

The Group's concentration of credit risk arises from its two most significant receivable amounts represented by customers in Latin America and North America. They account for $4,416 thousand (30 June 2022: $2,685 thousand) and $3,900 thousand (30 June 2022: $5,722 thousand) of the trade receivables carrying amount as at 31 December 2022 respectively.

Cash and cash equivalents

The Group held cash of $29,668 thousand as at 31 December 2022 (30 June 2022: $42,787 thousand) and $7,426 thousand of cash deposits as at 31 December 2022 (30 June 2022: $7,531 thousand), which represents its maximum credit exposure on these assets. The cash and cash deposits are held with bank and financial institution counterparts, which are rated AA- to A-, based on rating agency Standard & Poor ratings.

Impairment losses on trade receivables

Latin American region customers remain to have the highest concentrated risk by geographic region for the Group as at 31 December 2022 due to the nature of credit term offerings which typically entails extended payment terms and economic conditions coupled with pro-longed COVID-19 lockdowns and restrictions. North America is deemed to have a medium risk while Australia and Other risk remained low and consistent with prior year. The Group recognised net impairment losses of $1,170 thousand (30 June 2022: $1,541 thousand writeback) for trade receivables predominately relating to the Latin America region due to factors outlined above.

26. FINANCIAL INSTRUMENTS (CONTINUED)

In thousands of AUD	31 December 2022		
Geographical region	Loss rate	Debtor balance	Impairment loss allowance under AASB 9
Australia & Other	8.4%	19,339	1,623
North America	0.9%	33,862	298
Latin America	13.2%	67,948	8,961
		121,149	10,882

In thousands of AUD	30 June 2022		
Geographical region	Loss rate	Debtor balance	Impairment loss allowance under AASB 9
Australia & Other	8.0%	19,525	1,567
North America	3.6%	33,804	1,212
Latin America	12.4%	66,791	8,272
		120,120	11,051

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

In thousands of AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Balance as at 1 July	11,051	11,719
Impairment loss written off	(1,526)	(79)
Provision during the period	1,170	-
Reversal of provision	-	(1,541)
Bad debts recovered	-	(28)
Effect of exchange rate fluctuations	187	980
Balance as at 31 December / 30 June	10,882	11,051

Based on historic default rates and current repayment plans in place, the Group believes that apart from the above, no further impairment is necessary in respect of trade receivables not past due or on amounts past due as these relate to known circumstances that are not considered to impact collectability.

The allowance for impairment losses in respect of receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

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

31 December 2022 In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years	5 years or above
Non-derivative financial liabilities						
Insurance premium funding	317	(323)	(282)	(41)	-	-
Lease liabilities	13,603	(15,637)	(1,377)	(1,351)	(9,466)	(3,443)
Secured bank loan	279	(279)	(140)	(139)	-	-
Trade and other payables	44,435	(44,435)	(43,384)	-	(1,051)	-
	58,633	(60,674)	(45,183)	(1,531)	(10,517)	(3,443)

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

30 June 2022 In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years	5 years or above
Non-derivative financial liabilities						
Insurance premium funding	52	(53)	(53)	-	-	-
Lease liabilities	13,940	(16,810)	(1,361)	(1,325)	(9,552)	(4,572)
Secured bank loan	-	-	-	-	-	-
Trade and other payables	39,955	(39,955)	(36,253)	-	(3,702)	-
	53,947	(56,818)	(37,667)	(1,325)	(13,254)	(4,572)

(c) Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD.

The Group monitors and assesses under its Treasury Risk policy and facilities available whether hedging of all trade receivables and trade payables denominated in a foreign currency from time to time is considered appropriate.

26. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Exposure to currency risk

The Group's significant exposures to foreign currency risk at balance date were as follows, based on notional amounts:

	31 December 2022			30 June 2022		
In thousands of AUD	USD	Euro	NZD	USD	Euro	NZD
Trade and other receivables	95,620	285	352	94,382	432	282
Secured bank loan	(279)	-	-	-	-	-
Trade and other payables	(35,380)	(30)	-	(24,064)	(1)	-
Net exposure in statement of financial position	59,961	255	352	70,318	431	282

The following significant exchange rates applied during the financial periods:

	Average rate		Reporting date spot rate	
	6 months ended 31 December 2022	12 months ended 30 June 2022	31 December 2022	30 June 2022
USD	0.6705	0.7259	0.6775	0.6889
Euro	0.6617	0.6450	0.6359	0.6589
NZD	1.1019	1.0668	1.0711	1.1088

(ii) Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term however, permanent changes in foreign exchange will have an impact on profit or (loss).

A 10 percent strengthening of the Australian dollar against the following currencies as at 31 December 2022 would have decreased equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

Effect In thousands of AUD	Equity	Loss
31 December 2022		
USD	(22,810)	(11,702)
Euro	(23)	(23)
NZD	(32)	(32)
30 June 2022		
USD	(20,771)	(10,423)
Euro	(39)	(39)
NZD	(26)	(26)

A 10 percent weakening of the Australian dollar against the following currencies as at 31 December 2022 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

26. FINANCIAL INSTRUMENTS (CONTINUED)

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

Effect In thousands of AUD	Equity	Profit
31 December 2022		
USD	32,719	14,281
Euro	28	28
NZD	39	39
30 June 2022		
USD	30,839	12,740
Euro	48	48
NZD	31	31

(d) Fair Values

The carrying amount of the financial instruments approximate to fair value.

(i) Estimates of fair values

The methods used in determining the fair values of financial instruments are discussed in Note 4.

(ii) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve as at 31 December 2022 plus an adequate constant credit spread and are as follows:

	31 December 2022	30 June 2022
Receivables	6.00% - 8.39%	6.00%
Secured bank loan (WAB)	SOFR + 3.00%	LIBOR + 3.00%
Secured bank loan (BBVA)	IBR + 6.64%	-
Insurance premium funding	4.63%	3.38%
Finance leases	5.19%	5.19%

(e) Interest rate risk

The Group does not account for any fixed-rate financial assets or all financial liabilities, excluding secured bank loan, at fair value through profit and loss. Therefore, a change in the interest rate does not have an impact to the Group's profit and loss.

27. LEASES

(a) Leases as lessee (AASB 16)

The Group leases a number of warehouses and office facilities. The leases run for a period of 1-10 years, with an option to renew the lease after that date. Lease payments are increased every year either by annual increases of 2-4%, or by market rental reviews at stipulated dates. None of the leases include contingent rentals.

27. LEASES (CONTINUED)

The warehouse and office facilities were entered into many years ago as combined leases of land and buildings.

The Group leases plant and equipment. The leases typically run for a period of 5 years.

The Group leases other IT equipment with contract terms of one to three years. These leases are short-term and/or of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented as follows.

(i) Right-of-use assets

In thousands of AUD	Note	Land & buildings	Plant and equipment	Total
Written down value				
Balance as at 1 July 2021		9,337	138	9,475
Additions to right-of-use assets		513	-	513
Disposals to right-of-use assets		-	-	-
Depreciation charge for the year	9	(1,358)	(47)	(1,405)
Impairment loss for the year		(312)	-	(312)
Effect of movements in foreign exchange		(21)	-	(21)
Balance as at 30 June 2022		8,159	91	8,250
Balance as at 1 July 2022		8,159	91	8,250
Additions to right-of-use assets		657	-	657
Disposals to right-of-use assets		-	-	-
Depreciation charge for the current period	9	(623)	(24)	(647)
Impairment loss for the current period		(631)	-	(631)
Effect of movements in foreign exchange		2	-	2
Balance as at 31 December 2022		7,564	67	7,631

27. LEASES (CONTINUED)

(ii) Lease Liabilities

In thousands of AUD	Note	Land & buildings	Plant and equipment	Total
Outstanding Liabilities				
Balance as at 1 July 2021		(14,446)	(910)	(15,356)
Additions of lease liabilities		(513)	-	(513)
Disposals of lease liabilities		4	5	9
Payments made		1,924	253	2,177
Interest expense		(737)	(20)	(757)
Rent concessions	8	521	-	521
Effects of movements in foreign exchange		(21)	-	(21)
Balance as at 30 June 2022		(13,268)	(672)	(13,940)
Balance as at 1 July 2022		(13,268)	(672)	(13,940)
Additions of lease liabilities		(657)	-	(657)
Disposals of lease liabilities		-	-	-
Payments made		1,244	113	1,357
Interest expense		(349)	(8)	(357)
Rent concessions	8	-	-	-
Effects of movements in foreign exchange		(6)	-	(6)
Balance as at 31 December 2022		(13,036)	(567)	(13,603)

Maturity analysis – contractual undiscounted cash flows

The table below presents the contractual undiscounted cash flows associated with the Group's lease liabilities, representing principal and interest. The figures will not necessarily reconcile with the amount disclosed in the consolidated statement of financial position.

In thousands of AUD	31 December 2022	30 June 2022
Less than one year	2,728	2,686
One to five years	9,466	9,552
More than five years	3,443	4,572
Total undiscounted lease liabilities	15,637	16,810
Current	2,111	2,035
Non-current	11,492	11,905
Lease liabilities included in the consolidated statement of financial position	13,603	13,940

(iii) Amounts recognised in profit or loss

In thousands of AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Interest on lease liabilities	(357)	(757)
Rent concessions recognised in profit and loss	-	521
Depreciation charge for the period	(647)	(1,405)
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	(38)	(63)

NOTES TO THE FINANCIAL STATEMENTS

27. LEASES (CONTINUED)

(iv) Amounts recognised in statement of cash flows

In thousands of AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Total cash outflow for leases	(1,357)	(2,177)

(v) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Management can only be reasonably certain on leases that will critically affect business operations and will require longer period of planning shall a change in lease location be considered. The most material lease for the Group relates to the Group's facility in Sydney, Australia and it was determined that it is reasonably certain that the lease will be extended for a further five years upon expiry of its initial term on 30 June 2024. The Group also reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of $6,978 thousand (FY22: $7,507 thousand).

28. CAPITAL AND OTHER COMMITMENTS

In thousands of AUD	31 December 2022	30 June 2022
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	1,016	1,600
Employee compensation commitments		
Key management personnel		
Commitments under non-cancellable employment contracts		
not provided for in the financial statements and payable:		
Within one year	1,286	1,275

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive Directors Current	Executives Current
Mr DE Gladstone	Mr HK Neumann (Chief Executive Officer, Ainsworth Game Technology Limited)
Mr GJ Campbell	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)
Mr CJ Henson	Mr D Bollesen (Chief Technology Officer, Ainsworth Game Technology Limited)
Ms HA Scheibenstock – Re-appointed in July 2022	Mr R Comstock (Chief Operating Officer, Ainsworth Game Technology Limited)

(a) Key management personnel compensation

The key management personnel compensation included in ‘employee benefit expenses' (see Note 10) is as follows:

In AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Short-term employee benefits	1,469,000	3,045,062
Post-employment benefits	87,283	235,145
Share based payments	343,854	(17,353)
Other long-term benefits	82,443	200,620
Termination benefit	-	360,500
	1,982,580	3,823,974

(b) Individual Directors and Executives Compensation disclosures

Information regarding individual directors and executive’s compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors’ Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors’ interests existing at period-end.

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES (CONTINUED)

The aggregate value of transactions and outstanding balances relating to related parties were as follows:

In AUD	Note	Transactions value for		Balance receivable/ (payable) as at	
Transaction		**6 months ended 31 December 2022**	**12 months ended 30 June 2022**	**31 December 2022**	**30 June 2022**
Sales to Novomatic and its related entities	*(i)*	55,714	194,867	454,813	674,377
Purchases from Novomatic and its related entities	*(i)*	407,884	309,920	(421,268)	(121,898)
Other charges made on behalf of Novomatic	*(i)*	-	336,930	-	107,405
Purchases and other charges made on behalf of the Group	*(i)*	1,125,073	761,084	(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.

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

In AUD	31 December 2022	30 June 2022
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Amount receivable from shareholder-controlled entities	454,813	781,782
Current trade and other payables		
Amount payable to shareholder-controlled entities	1,538,166	121,898

NOTES TO THE FINANCIAL STATEMENTS

30. GROUP ENTITIES

	Country of incorporation	Ownership interest	
Parent entity		**31 December 2022**	**30 June 2022**
Ainsworth Game Technology Limited	Australia		
Subsidiaries			
AGT Pty Ltd	Australia	100%	100%
• AGT Pty Mexico S. de R.L. de C.V.	Mexico	100%	100%
• AGT Pty Peru S.R.L.	Peru	100%	100%
• AGT Pty Argentina S.R.L.	Argentina	100%	100%
• AGT Pty Colombia SAS	Colombia	100%	100%
• AGT Alderney Limited	Alderney	100%	100%
• Ainsworth Game Technology Inc	USA	100%	100%
• Ainsworth Interactive Pty Ltd	Australia	100%	100%
• AGT Gaming Services S. de R.L de C.V.	Mexico	-	N/A[1]
• AGT Interactive S. de R.L de C.V.	Mexico	100%	100%
• Ainsworth Panama S.A.	Panama	100%	100%
• AGT Brasil - Technologia LTDA.	Brasil	100%	100%
AGT Service Pty Ltd	Australia	100%	100%
• AGT Service (NSW) Pty Ltd	Australia	100%	100%
• J & A Machines Pty Ltd	Australia	100%	100%
• Bull Club Services Pty Ltd	Australia	-	N/A[1]

[1] During the year ended 30 June 2022, the Group merged AGT Gaming Services S. dr R.L de C.V. into AGT Pty Mexico S. de R.L. se. C.V and deregistered Bull Club Services Pty Ltd.

31. SUBSEQUENT EVENTS

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 affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

32. AUDITOR'S REMUNERATION

In AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Audit and review services		
Auditors of the Company – KPMG		
Audit and review of financial statements	406,500	328,000
Other regulatory audit services	27,500	27,500
	434,000	355,500
Other services		
Auditors of the Company – KPMG		
In relation to taxation and other services	60,750	91,750

NOTES TO THE FINANCIAL STATEMENTS

33. PARENT ENTITY DISCLOSURES

As at and throughout the financial period ended 31 December 2022 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of AUD	6 months ended 31 December 2022	12 months ended 30 June 2022
Result of parent entity		
Profit for the period	6,702	10,090
Total comprehensive income for the period	7,327	13,171
Financial position of parent entity at period end		
Current assets	40,253	51,429
Total assets	336,607	333,604
Current liabilities	19,019	18,916
Total liabilities	31,580	32,374
Total equity of parent entity comprising of:		
Share capital	207,709	207,709
Equity compensation and translation reserve	15,321	14,038
Fair value reserve	9,684	9,684
Profit reserves	95,438	95,438
Accumulated losses	(23,125)	(25,639)
Total equity	305,027	301,230

Parent entity capital commitments for acquisitions of property, plant and equipment

In thousands of AUD	31 December 2022	30 June 2022
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	1,315	696

DIRECTORS' DECLARATION

1. In the opinion of the directors of Ainsworth Game Technology Limited (the 'Company'):

   (a) the consolidated financial statements and notes that are set out on pages 47 to 111 and the Remuneration report in sections 15.1 to 15.8 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial period ended on that date;

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial six months ended 31 December 2022.

3. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

D. Gladstone

Danny Gladstone
Chairperson

Dated at Sydney this 27th day of February 2023

Independent Auditor's Report

To the shareholders of Ainsworth Game Technology Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Ainsworth Game Technology Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2022 and of its financial performance for the period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the period-end or from time to time during the financial period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition;
- Recoverability of trade receivables;
- Carrying value of goodwill and intangible assets; and
- Provision for Mexican Tax Administration Service ("SAT").

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 7 of the Financial Report ($124.1m AUD)

The key audit matter	How the matter was addressed in our audit
Revenue recognition was a key audit matter due to: • importance of revenue as a key performance indicator to the Group and its shareholders given the Group's performance; and • the audit effort associated with multiple revenue streams with differing recognition criteria, generated across several geographic locations. Key revenue streams include: • outright machine and spare parts sales; • rental revenue from both fixed and participation rental arrangements; and • revenue from multi-element arrangements which consist of several revenue components within the revenue stream. Due to varying revenue recognition and measurement principles of the revenues generated by the Group, it necessitated greater involvement by the audit team to evaluate timing and measurement of revenue recognised.	Our procedures included: • evaluating the Group's revenue recognition policies against the requirements of AASB 15 *Revenue from contracts with customers* and/or AASB 16 *Leases*; • testing key revenue recognition controls of the Group, across different geographic locations, such as the Group's control of matching underlying documents to determine the timing of revenue recognition. In testing these controls we inspected underlying documents such as invoices, delivery notes, customer contracts, purchase orders and sales orders; • testing statistical samples of transactions in key revenue streams, across different geographic locations, to underlying records. We inspected the terms and conditions of the revenue contract for consistency to the Group's policy for timing and measurement of revenue recognition; • testing a sample of revenue transactions, across different geographic locations, from immediately before and immediately after period end. We compared the year in which the revenue was recognised by the Group to terms of the underlying contract and satisfaction of the performance obligation by

	the Group; • testing samples of multi-element revenue transactions recorded by the Group against contract terms; and • assessing the disclosures in the Group's financial report using our understanding obtained from our testing against the requirements of accounting standards.

Recoverability of trade receivables	
Refer to note 17 of the Financial Report ($115.5m AUD)	
The key audit matter	**How the matter was addressed in our audit**
Recoverability of trade receivables was a key audit matter because payment terms, prevailing industry practices and adverse market conditions impacting the economic outlook which vary significantly across the different geographic locations in which the Group operates. These conditions give rise to heightened exposure to credit risk across the Group, thus requiring greater audit focus. The prevailing practice by the Group in certain locations in which the Group operates is to provide payment terms which are extended beyond traditional payment terms observed in Australia. This required a heightened element of judgement, and scrutiny to be applied by us when assessing the recoverability of trade receivables, such as: • assessment of amounts overdue compared to contractual payment terms; • evidence from internal diligence performed by the Group on the continued credit worthiness of customers; • settlement history of previous sales with the Group; and • evidence of ongoing dialogue and correspondence with the Group.	Our procedures included: • testing controls in relation to credit limit checks and approvals by management and examining customers adherence to the terms of payment; • testing the recoverability of selected samples of trade receivable balances held by the Group across geographic locations through: - enquiries with the Group on the samples selected to understand the rationale behind the Group's recoverability assessment; and - challenging the Group's recoverability assessment utilising our understanding of: ▪ market conditions and practice; ▪ ongoing correspondence between the customer and the Group; ▪ the Group's internal diligence check on the continued credit worthiness of the customer; ▪ customer contract and payment history including adherence to contractual terms of payment throughout the financial period and subsequent to period end. • evaluating the expected credit loss model for the geographical locations in which the Group

<table>
<tr><td></td><td>operates in accordance with AASB 9 Financial Instruments;

• assessing the Group's disclosures in relation to trade receivable credit risk, by comparing these disclosures to our understanding obtained from our testing and the requirements of the accounting standards.</td></tr>
<tr><td colspan="2">Carrying value of goodwill and intangible assets</td></tr>
<tr><td colspan="2">Refer to note 13 of the Financial Report ($77.2m AUD)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Annual testing of goodwill and intangible assets is a key audit matter, due to impacts to the Group caused by current economic conditions and the significant judgement applied when evaluating the forward-looking assumptions, including:

• forecast cash flows and the growth rates (including terminal growth rates) applied to those forecasts in light of current competitive market conditions as well as significant business disruption arising from the ongoing impacts of COVID-19. These factors increase the estimation uncertainty and provide a risk of inaccurate forecasts;

• the value in use model prepared by management is sensitive to the assumptions adopted by the Group including forecast growth rates and the discount rates applied for different jurisdictions applicable to each identified Cash Generating Unit (CGU). These assumptions have a significant impact on the recoverable amount of the assets within the identified CGUs. This drives additional audit effort to assess the feasibility and consistency of assumptions adopted by the Group; and

• discount rates are complex in nature and vary according to the conditions and environment in which the CGU operates. The Group operates in various jurisdictions and is therefore subject to different discount rates for each CGU. In addition, an assessment of the forecasting risk applied in the discount rate required significant judgement during</td><td>Working with our valuation specialists, our procedures included:

• analysing key assumptions in the Group's value in use models, we:

    • met with management to understand the ongoing impacts of COVID-19 and the impact of the current economic conditions to the Group;

    • we assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model and applied increased scepticism to assumptions in areas where previous forecasts were not achieved;

    • challenged the Group's forecast cash flow and growth rates' assumptions by applying our knowledge of the Group, its past performance, and our industry understanding; and

    • compared forecast growth rates and the terminal growth rates to published studies of industry trends and expectations across different jurisdictions and geographic locations, and considered differences for the Group's operations;

• we considered the sensitivity of the value in use model to changes in the assumptions and the resulting outcomes by varying key assumptions, such as forecast growth rates,</td></tr>
</table>

these uncertain times. This drives additional audit effort in challenging the assumptions used by the Group in determining the discount rate for each CGU. The Group uses complex models to perform its annual impairment testing of goodwill and intangible assets. Complex models, particularly those containing highly judgemental allocations of corporate assets and costs to CGUs using forward looking assumptions tend to be prone to greater risk of potential bias, error and/or inconsistent application. Such conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used to derive assumptions, and their consistent application.	terminal growth rates and discount rates within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those assumptions at higher risk of bias which may give rise to impairment and to focus our further procedures; • we independently developed a discount rate range, across different jurisdictions and geographic locations applicable to each identified CGU. We did this using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in; • evaluating the value in use model used for goodwill and intangibles impairment testing against the requirements of the accounting standards; • we assessed the integrity of the value in use models used, including the accuracy of the underlying formulas; • we assessed the Group's allocation of corporate assets to CGUs based on the requirements of the accounting standards; and • we assessed the adequacy of the disclosures in the financial report using our understanding obtained from our testing against the requirements of the accounting standards.

Provision for Mexican Tax Administration Service ("SAT")

Refer to note 25 to the financial report ($23.1m AUD)

The key audit matter	How the matter was addressed in our audit
The Mexican Tax Administration Service ("SAT") provision is a key audit matter due to the additional audit effort arising due to the: • inherent complexity in the Group's estimation of the provision relating to import duties on gaming machines; and • significant judgement applied by the Group and audit effort for us, in analysing the	Our procedures included: • understanding updates to the claims and inspecting further correspondence from the SAT; • comparing the basis for recognition and measurement of the SAT provision for consistency with NAFTA regulatory requirements regarding preferential tariff

probabilities of the expected scenarios and the associated exposure for these outcomes. The estimate of the SAT provision is influenced by: • the complexity of the North American Free Trade Agreement ("NAFTA") and it's regulatory requirements concerning preferential tariff treatment; • the expected legal strategy of the Group to address the claim by SAT regarding preferential tariff treatment; • the likelihood and timing of further reviews by SAT; and • the legislation and provisions of the Mexican Federal Tax Code surrounding penalties.	treatment and criteria in the accounting standards; and • assessing the Group's SAT provision estimation by: - comparing the value of a sample of custom imports in the Group's SAT provision estimation to the underlying import documentation; - independently calculating the expected scenarios by applying the Mexican Federal Tax Code to the unpaid charges and comparing this with the provision estimated by the Group; - inquiring with the Group and understanding updates of the legal strategy to address the SAT's claims; • assessing the appropriateness of disclosures in the financial report using our understanding obtained from our testing against the requirements of the accounting standard.

Other Information

Other Information is financial and non-financial information in Ainsworth Game Technology's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report, including the Remuneration report. The Chairman's Report, Performance Overview, New Products, Board of Directors, Chief Executive Officer's Report, Sustainability Statement, Shareholder Information and Corporate Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ainsworth Game Technology Limited for the period ended 31 December 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 30 to 45 of the Directors' report for the period ended 31 December 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Julie Cleary

Partner

Sydney

27 February 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ainsworth Game Technology Limited for the financial period ended 31 December 2022 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Julie Cleary

Partner

Sydney

27 February 2023