Ainsworth Game Technology Ltd
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29 February 2024

ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

ELECTRONIC LODGEMENT

Results (unaudited) for Twelve Months ended 31 December 2023 –
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 unaudited results for the twelve months ended 31 December 2023.

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

Yours faithfully

This announcement is authorised for release by;
Mark Ludski
Company Secretary

Ainsworth Game Technology Limited

ABN 37 068 516 665

APPENDIX 4E

Preliminary Final Report

Current Period: 12 months ended 31 December 2023

Previous corresponding Period: 6 months ended 31 December 2022

Results for announcement to the market

	Current period ended (12 months) A$'000	**Previous period ended (6 months) A$'000**	**% Change increase/ (decrease)**	**Amount increase/ (decrease) A$'000**
Revenue from operating activities	284,862	124,147	N/A	N/A
Reported (loss) / profit from ordinary activities after tax attributable to members	(9,040)	2,642	N/A	N/A
Net (loss) / profit for the period attributable to the members	(9,040)	2,642	N/A	N/A

Change of financial year end and comparative results as above

The Group has now fully transitioned its financial year to a calendar year basis ending 31 December. The effective date of this change was 1 January 2023. The comparative period for this financial report is the last audited financial report, which is the six months period ended 31 December 2022, hence prior corresponding period is not directly comparable.

Dividend Information

Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the twelve months ended 31 December 2023.

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security	$0.64	$0.65

Financial Information

This report is prepared based on accounts which are in the process of being audited. Ainsworth Game Technology Limited will be releasing its audited accounts in March 2024. The Company will immediately make a further announcement to the market after the lodgement of its unaudited accounts if there is a material difference between the unaudited accounts and the audited accounts.

Entities where control was gained or lost

Ainsworth Game Technology Limited did not gain or lose control over any entities during the twelve months ended 31 December 2023.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the following pages.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW

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

The Group changed its financial year to a calendar year basis ending 31 December, effective 1 January 2023. The comparative period for this financial report is the last audited financial report which is the 6 months period ended 31 December 2022. For the purpose of providing a comparable review of the Group's financial results, this section of the report will outline a compilation for the 12 months ended 31 December 2022 financial results which are unaudited. These are based on audited results for the 6 months period ended 31 December 2022 and the second half of the audited financial year ended 30 June 2022.

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.

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.

The Group entered FY23 with a redefined global team of executive leadership members led by Mr Harald Neumann, the Group's Chief Executive Officer (CEO). Mr Neumann's top priority is to ensure that Ainsworth's global team is aligned with the same growth vision which will allow the Group to maintain the momentum achieved in future periods. During the year, under Mr Neumann's leadership, he has established a new global organisational structure with new product leadership and clear lines of accountability. He has also initiated implementation of a range of measures focusing on technology, development, and culture to improve product performance, lift staff retention rates and enhance AGT's ability to attract world class development talent.

The Group has shown resilience with a strong balance sheet that will allow the Group to continually invest in talent to develop innovative products and technological capabilities to accelerate growth objectives in future periods.

OPERATING & FINANCIAL REVIEW (CONTINUED)

Investments for Future Performance

The Group continues to evaluate opportunities within domestic and international gaming markets during the period. During the year, the Group expanded the A-Star™ cabinet range with the release of the 32” inch version and Raptor A-Star™ in the market. These cabinets were well received and continue to receive positive reviews. 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 year, 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 through the expansion of its internal studios with 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.

On 29th March 2023, an amended and restated integration and content distribution agreement (“Amended Agreement”) with Game Account Network (GAN) was executed, replacing the previously executed Content Distribution Agreement (“Previous Agreement”). Under the Previous Agreement, the Group provided GAN (Game Account Network) with the exclusive use of current and future Ainsworth real money online game assets within the U.S. for a minimum guaranteed consideration of US$30 million for a period of 5 years, commencing 1st July 2021. Under the Amended Agreement, this exclusivity with GAN terminates on 31st March 2024, instead of 1st November 2026 and the Group has received additional compensation of 1,250,000 ordinary shares in GAN. The Amended Agreement has triggered a reassessment of revenue recognition and as a result, additional revenue of $1.9 million has been recognised in the current period. Revenue from GAN accounts for 69% of total Online Revenue for the year.

Ainsworth’s acquisition of MTD Gaming Inc. in 2020, a Montana-based game development company that specializes in video poker and keno products continues to positively contribute to the Group’s financial results. Strong performance of new Squish Reels™ games in South Dakota contributed to the year’s result. In 2023, Ainsworth extended an exclusivity agreement in Montana with Golden Entertainment (acquired by J&J Ventures) for an additional 12 month period. This gives J&J Ventures the sole right to commercialize Ainsworth’s market leading multi game sets utilizing their own proprietary trademark of Montana Gold. At G2E 2023 Ainsworth displayed the new Bear Elite slant top cabinet as the next generation of cabinet to be utilized with the Gambler’s Gold game suite.

OPERATING & FINANCIAL REVIEW (CONTINUED)

The Group's Class II Historical Horse Racing ("HHR") products continues to be placed into existing and new markets, with Ainsworth continuing to integrate products from other manufacturers such as 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. Ainsworth continues to be a market leader in HHR with expansion into New Hampshire and Alabama as well as additional locations in Kentucky and Wyoming. Expansion of HHR in Kansas will be pursued in 2025. Additional Class II opportunities in Massachusetts and Ontario are being pursued in 2024.

The synergies and benefits with the Group's majority shareholder, Novomatic AG (NAG), are continuing to be explored. During the year, Ainsworth signed an online game development with Greentube, a subsidiary of Novomatic, whereby Ainsworth develops and hosts Novomatic games through Ainsworth's proprietary remote gaming server in the Online Real Money Gaming market within North America. Opportunities to cooperate for technical, commercial, and content sharing are continually being pursued for both companies. During the year, games developed by NAG's game studio, Octavian, have been launched into Americas on Ainsworth's hardware and these games have been the top performing games for Ainsworth in the Latin America market.

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 can 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. During the reporting period, investments were made in Argentina to hedge the devaluation of the Argentinian ("ARG") Pesos against the US Dollar as well as the increased limitations within Argentina to restrict the transfer of monies held in this region. The macro-economic conditions in Argentina continued to be challenging and affected the recoverability of this investment in Argentina. The Group based on best available information, has fully written down these investments during the period. As there are still other investments being held in Argentina and cash inflows continually expected to be collected from customers within this region, the Group continually monitors the situation and regularly reviews strategies to minimise currency losses.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Cash flows

The movement in cash is set out as below:

In millions of AUD	12 months ended 31 Dec 2023 (CY23)	12 months ended 31 Dec 2022 (CY22)	CY23 vs CY22	6 months ended 31 Dec 2022 (H2 CY22)
Profit before tax	**2.6**	**9.2**	**(6.6)**	**7.3**
Net interest income	(6.3)	(4.1)	(2.2)	(3.3)
Depreciation and amortisation	22.6	22.3	0.3	10.9
Change in working capital	(10.8)	(37.2)	26.4	(36.1)
Subtotal	8.1	(9.8)	17.9	(21.2)
Interest and tax	(4.1)	1.8	(5.9)	0.4
Other cash and non-cash movements	23.4	23.4	-	15.5
Net cash generated from / (used in) operating activities	**27.4**	**15.4**	**12.0**	**(5.3)**

In millions of AUD	12 months ended 31 Dec 2023 (CY23)	12 months ended 31 Dec 2022 (CY22)	CY23 vs CY22	6 months ended 31 Dec 2022 (H2 CY22)
Net cash generated from / (used in) operating activities	**27.4**	**15.4**	**12.0**	**(5.3)**
Acquisitions of property, plant and equipment	(11.2)	(2.9)	(8.3)	(2.0)
Development expenditure	(4.9)	(3.3)	(1.6)	(1.9)
Proceeds from sale of investments in financial assets	3.1	-	3.1	-
Investment in financial assets	(16.9)	(9.8)	(7.1)	(4.9)
Proceeds from sale of property, plant and equipment	0.1	0.1	-	0.1
Interest received	-	0.1	(0.1)	
Net cash used in investing activities	**(29.8)**	**(15.8)**	**(14.0)**	**(8.7)**
Proceeds from borrowings	0.4	0.6	(0.2)	0.4
Repayment of borrowings	(0.6)	(15.0)	14.4	(0.4)
Proceeds from finance lease liabilities	0.6	0.8	(0.2)	0.7
Payment from finance lease liabilities	(1.7)	(2.1)	0.4	(1.1)
Borrowing costs paid	(0.9)	(1.4)	0.5	(0.6)
Net cash used in financing activities	**(2.2)**	**(17.1)**	**14.9**	**(1.0)**
Net change in cash	**(4.6)**	**(17.5)**	**12.9**	**(15.0)**

The net decrease in cash predominantly relates to net cash used in investing activities, which was attributable to investments in financial assets made during the period. These investments predominantly were made in Argentina during the year, $13.2 million of these investments were fully written down following difficulties faced by the investment company to meet its payments obligations. Additional CAPEX was incurred in the current period for tooling development costs for the new A-Star™ cabinet range released during the year and leasehold improvements undertaken at the Newington, Sydney facility.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Liquidity and funding

At 31 December 2023, the Group held a cash of $19.8 million, down from the $29.9 million reported at 31 December 2022 (restated). The Group maintained strong overall liquidity and balance sheet over the reporting period.

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

Earnings and Performance Summary

The Group delivered a statutory net loss after tax of $9.0 million in the twelve months ended 31 December 2023 ("CY23"), compared to the net profit after tax of $10.2 million profit recorded in the 12 months ended 31 December 2022 ("CY22"). The current year results were adversely impacted by foreign currency loss of $21.5 million recorded in CY23, compared to $2.6 gain in CY22. The profit after tax, excluding the effect of net foreign currency movement was $7.0 million, a decrease on the $7.7 million profit recorded in CY22. The current year profit before tax, excluding the effect of net foreign currency movement, was $24.1 million, an increase of $17.5 million compared to CY22.

The following table summarises the results for the year:

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Reported results				
Total revenue	284.9	243.6	41.3	124.1
Profit before tax	2.6	9.2	(6.6)	7.3
(Loss) / profit after tax	(9.0)	10.2	(19.2)	2.7
EBITDA	18.9	27.4	(8.5)	14.9
EBIT	(3.7)	5.1	(8.8)	4.0
Earnings per share (fully diluted)	(2.7 cents)	3.0 cents	(5.7 cents)	0.8 cents
Underlying results (1)				
Profit before tax	41.5	37.6	3.9	18.8
Profit after tax	23.8	35.3	(11.5)	12.3
EBITDA	57.8	55.8	2.0	26.4
Balance sheet and cash flow				
Total assets	418.4	427.3	(8.9)	427.3
Net assets	313.1	321.9	(8.8)	321.9
Operating cashflow	27.4	15.4	12.0	(5.3)
Closing net cash	19.4	29.3	(9.9)	29.3

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

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Foreign currency (losses) / gains	(21.5)	2.6	(24.1)	(2.1)
GAN exclusivity revenue	1.9	-	1.9	-
Investment writedown	(13.2)	-	(13.2)	-
Impairment of non current assets	(6.1)	(9.1)	3.0	(3.9)
Provision for Mexican duties and other charges	-	(22.0)	22.0	(5.5)
Rent concessions	-	0.1	(0.1)	-
Total currency and one-off items	**(38.9)**	**(28.4)**	**(10.5)**	**(11.5)**

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

Reconciliation of Underlying Profit after tax

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
(Loss) / profit after tax	(9.0)	10.2	(19.2)	2.7
Foreign currency losses / (gains)	16.0	(2.5)	18.5	1.3
GAN exclusivity revenue	(1.5)	-	(1.5)	-
Argentinian Investment writedown	13.2	-	13.2	-
Impairment of non-current assets	5.1	8.2	(3.1)	3.4
Provision for Mexican duties and other charges	-	19.5	(19.5)	4.9
Rent concessions	-	(0.1)	0.1	-
Profit after tax adjusted for currency and one-off items	**23.8**	**35.3**	**(11.5)**	**12.3**

Key earnings and performance highlights are outlined below:

- Reported revenue improvement in CY23 compared to CY22 across all regions, predominantly attributable to the North America and Latin America regions;
- Participation and lease revenue contributed to 24% 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 $25.4 million reported in this period;
- Outright sales momentum continued across all major markets;
- Net cash position of $19.4 million at 31 December 2023 compared to $29.3 million at 31 December 2022 (restated);
- Unfavourable foreign exchange rate predominately relating to the devaluation of assets held in Argentina and strengthening of the Mexican Pesos against USD relating to Mexican Tax Authority ("SAT") provision; and
- Improvement in underlying profit before tax and EBITDA, driven by increase in segment profit within Americas.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Net Profit After Tax movement CY22 to CY23 (A$ million)

The Group reported a loss after tax of $9.0 million compared to $10.2 million profit after tax, driven by adverse foreign currency loss and higher income tax expense recorded during this current period. Notable movements from NPAT in this period when compared to 31 December 2023 are set below:

- Increase in Class III product sales in Latin America;
- Increase in gaming operations revenue contribution from North and Latin America;
- Increase in overheads with additional headcounts occurred in CY2023, with full costs reflected in CY23 for expansion of game studios and related direct selling costs from increase revenue;
- Increase in COGS driven directly by increase in revenue. Gross margin maintained compared to CY22;
- Other expenses in CY23 predominantly represents $13.2 million in write down of investment in Argentina and $6.1 million in impairment charges relating to non-current assets, an overall reduction from the other expenses recognised in CY22. Other expenses in CY22 predominantly represented by $22.0 million provision for the Mexican duties and other charges and $9.1 million in impairment charges relating to non-current assets;
- Tax expense of $11.6 million recognised for the period, compared to $1.0 million income tax benefit recognised in CY22; and
- Unfavourable foreign exchange movement predominately relating to the devaluation of assets held in Argentina and strengthening of the Mexican Pesos against USD relating to Mexican Tax Authority (“SAT”) provision.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Review of Principal Businesses

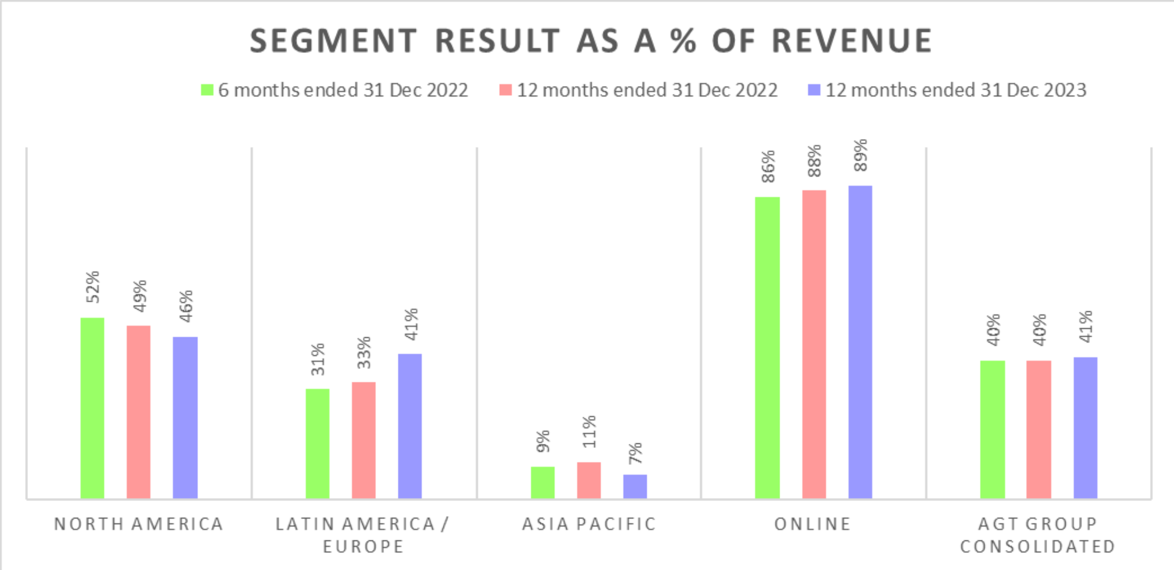
Results in the current period and prior corresponding period are summarised as follows:

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Segment revenue				
Asia Pacific	48.8	47.7	1.1	24.9
North America	140.4	120.2	20.2	59.7
Latin America & Europe	80.1	63.4	16.7	33.1
Online Gaming	15.6	12.3	3.3	6.4
Total segment revenue	**284.9**	**243.6**	**41.3**	**124.1**
Segment result				
Asia Pacific	3.4	5.1	(1.7)	2.3
North America	65.0	59.3	5.7	30.9
Latin America & Europe	33.1	21.1	12.0	10.4
Online Gaming	14.0	10.8	3.2	5.5
Total segment result	**115.5**	**96.3**	**19.2**	**49.1**
Unallocated expenses				
Net foreign currency (losses) / gains	(21.5)	2.6	(24.1)	(2.1)
Research and development expenses	(45.7)	(36.7)	(9.0)	(19.4)
Administrative expenses	(28.3)	(23.0)	(5.3)	(12.9)
Other expenses	(20.8)	(31.2)	10.4	(9.4)
Total unallocated expenses	**(116.3)**	**(88.3)**	**(28.0)**	**(43.8)**
Less : interest included in segment result	(2.9)	(2.9)	-	(1.3)
EBIT	**(3.7)**	**5.1**	**(8.8)**	**4.0**
Net interest income	6.3	4.1	2.2	3.3
Profit before tax	**2.6**	**9.2**	**(6.6)**	**7.3**
Income tax (expense) / benefit	(11.6)	1.0	(12.6)	(4.6)
(Loss) / profit after tax	**(9.0)**	**10.2**	**(19.2)**	**2.7**

*Note – segment results represents Gross Profit less Sales, Service and Marketing expenses.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)



The Group's consolidated segment result has remained fairly consistent around 41%. The earnings performance in the Americas now represents 85% ($98.1 million) of the total segment result compared to 83% ($80.4 million) in CY22. The uplift in the Americas contribution to the total segment result was a result of increased outright sales generated from Argentina which are driven by strong performance. North America contributed strongly to the Group's result but has a lower segment result as a percentage of revenue due to different product mix resulting in higher costs of sales in the current period. Overhead costs pressures and strong USD affecting costs of materials affected the Asia Pacific segment margin. Online segment margin remained consistent with prior periods.

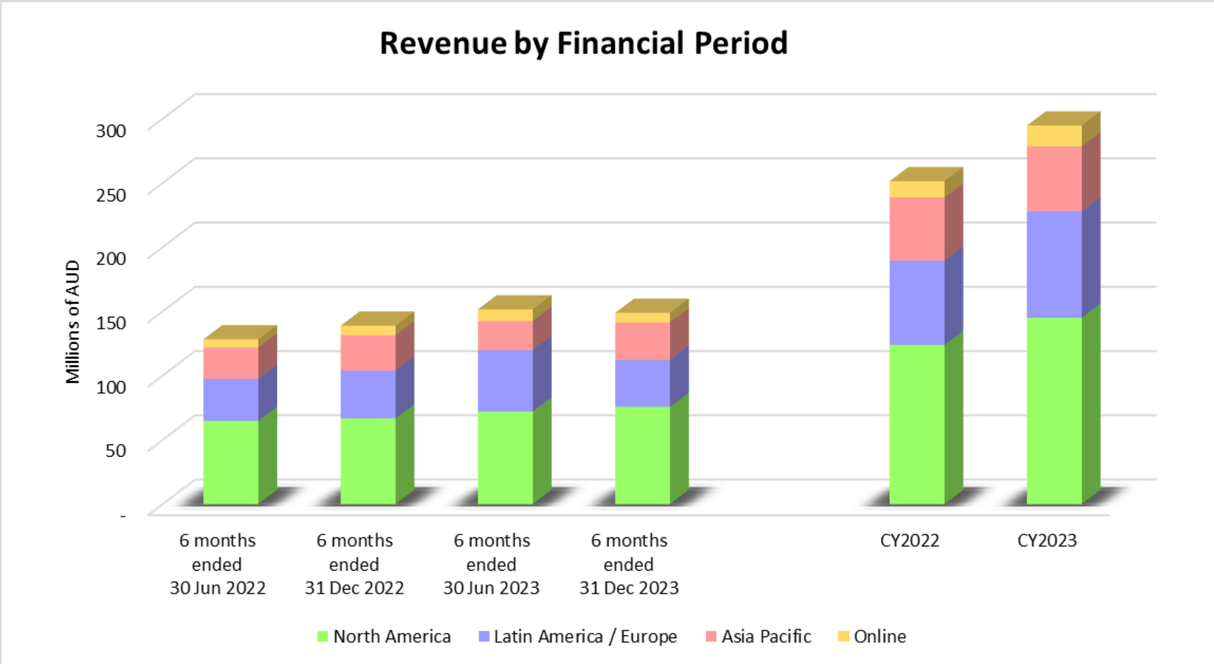
COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Financial performance in the current period and prior corresponding period is summarised as follows:

In millions of AUD	12 months ended 31 Dec 2023 (CY23)	12 months ended 31 Dec 2022 (CY22)	CY23 vs CY22	6 months ended 31 Dec 2022 (H2 CY22)
Domestic revenue	39.8	45.4	(5.6)	23.2
International revenue	245.1	198.2	46.9	100.9
Total revenue	**284.9**	**243.6**	**41.3**	**124.1**
Cost of sales	(109.6)	(92.7)	(16.9)	(44.4)
Gross profit	**175.3**	**150.9**	**24.4**	**79.7**
Gross profit margin %	62%	62%	-	64%
Other income	1.1	0.2	0.9	0.4
Sales, service & marketing expenses	(64.5)	(58.1)	(6.4)	(31.1)
Research and development expenses	(45.7)	(36.7)	(9.0)	(19.4)
Administrative expenses	(28.3)	(23.0)	(5.3)	(12.9)
Writeback / (impairment) of trade receivables	0.8	0.3	0.5	(1.2)
Other expenses	(20.9)	(31.1)	10.2	(9.4)
Net foreign currency (losses) / gains	(21.5)	2.6	(24.1)	(2.1)
Net interest income	6.3	4.1	2.2	3.3
Profit before tax	**2.6**	**9.2**	**(6.6)**	**7.3**
Income tax (expense) / benefit	(11.6)	1.0	(12.6)	(4.6)
(Loss) / profit after tax	**(9.0)**	**10.2**	**(19.2)**	**2.7**

Revenue



OPERATING & FINANCIAL REVIEW (CONTINUED)

Ainsworth's key market, North America, continues to show strong revenue growth contributing $140.4 million which represented 49% of the Group's total revenue, similar to CY22. Historical Horse Racing ("HHR") high performing products continue to positively contribute to revenues within this segment. As at 31 December 2023, a total of 8,118 HHR units were connected to Ainsworth's HHR system generating recurring revenue (31 December 2022 : 5,510 units). Gambler's Gold products (keno and poker based games) through acquisition of MTD Gaming Inc. in March 2020, have continued to positively contribute to the North America segment profit. During the year, the Group also extended its contract with Golden Gaming (acquired by J&J Ventures) for another year (up to October 2024) of exclusivity at Montana.

Despite challenging local operating environments in Latin America, progressive improvement has been achieved within this region with improved game performance. Revenue improved by 26% in the current period when compared to CY22. Participation and lease revenue also increased by 14% compared to CY22.

Asia Pacific's revenue in the current period was similar compared to CY22. Lower unit sales were achieved in Australia during the current period, in particular Queensland and Victoria, with minimal corporate sales contribution and competitive market conditions. Asia and New Zealand sales improvement during the current period resulted from change in sales strategy structure, assisted in offsetting the revenue decline in Australia.

The amended agreement for GAN as outlined previously contributed additional revenue of $1.9 million for the online segment that has been recognised in the current period. Revenue from GAN accounts for 69% of the total Online revenue during this current period.

Cost of sales and operating costs

Gross profit margin of 62% was maintained in this period compared to CY22 despite global cost pressures on materials as increase in average selling prices across the Group have offset these pressures.

Operating costs, excluding cost of sales, other expenses, (writeback) / impairment of trade receivables, and financing costs for the current period were $138.5 million compared to $117.8 million in CY22. These operating costs over total revenue reported were 49%, consistent with CY22. The Group continues to implement cost control measures to ensure maximum return on expenditure.

Sales, service and marketing (SSM) expenses in the current period were $64.5 million compared to $58.1 million in CY22. The increase in SSM expenses is directly attributable to increased variable selling costs, personnel costs and marketing costs.

Research and development (R&D) expenses in the current period were $45.7 million compared to $36.7 million in CY22. Increase in R&D expenses were mainly attributable to evaluation and testing, personnel costs and engagement of new game studios in Americas. 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.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Administration costs were $28.3 million in the current period compared to $23.0 million in CY22. This increase was primarily due to an increase in personnel costs, IT expenses and professional fees. Cost control initiatives are continually being implemented to ensure that administration costs remain relevant to the Group's overall profitability.

Interest income and expenses

Net interest income was $6.3 million in the current period, compared to $4.1 million income CY22.

Interest income was $7.2 million in the current period compared to $5.5 million in CY22. The interest income includes $4.4 million received in the Group's bank term deposits and investments in Argentina and $2.8 million received from customers predominately from the Latin America region.

Interest expenses were $0.9 million in the current period compared to $1.5 million in CY22. The reduction in interest expense was driven by no interest paid on the debt facility as no loan was drawdown in CY23.

Segment review

North America

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Revenue	140.4	120.2	20.2	59.7
Gross Profit	94.8	82.2	12.6	43.4
Segment EBITDA	77.3	70.5	6.8	36.7
Segment Profit	**65.0**	**59.3**	**5.7**	**30.9**
Segment Profit (%)	46%	49%	(3%)	52%

North America segment profit percentage decreased by 3% to $65.0 million compared to CY22, despite an increase in revenue of 17%. This decrease in segment result was a result of increased costs of sales and change in mix of revenue contribution affecting gross profit during this period. Higher proportion of sales, service and marketing costs directly attributable to the revenue increase also impacted margin. Also contributing to the reduced segment profit was the expected credit loss of trade receivables recognised during the current period of $0.3 million in comparison to the writeback of impairment on trade receivables of $1.5 million in the prior half, contributing a $1.8 million increase in costs.

Participation and lease revenue was $47.1 million in the current period compared to $43.5 million in CY22, an 8% increase. The average fee per day comprising of participation and fixed lease of Class II, III and HHR machines was US$31, a reduction from the US$34 previously reported for six months ended 31 December 2022. The drop in performance in Class III installed base affected this fee per day, however, additional Class II installed base which has higher average fee per day assisted in the overall increase in participation and lease revenue.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

There has been an increase in the total gaming operation units placed under Class II machines at 31 December 2023 (2,272 units) compared to 31 December 2022 (1,979 units). 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 2023, a total of 8,118 units (31 December 2022: 5,510 units) were installed in various markets on the Group's HHR system, generating recurring connection fees. The new property opening in VictoryLand in Alabama and additional placements in new and existing Kentucky's properties contributed to these additional 2,608 placements opportunities in this highly profitable market segment.

Ainsworth's Gambler's Gold™ products (poker, keno and video reel content for use in Multi Game and Video Lottery Terminal (VLT) markets) continue to positively contribute to the North America 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. Next generation of Gambler's Gold™ will incorporate successful San Bao™ slot content and additional Keno options.

Latin America / Europe

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Revenue	80.1	63.4	16.7	33.1
Gross Profit	50.0	40.2	9.8	21.8
Segment EBITDA	32.3	19.7	12.6	9.7
Segment Profit	**33.1**	**21.1**	**12.0**	**10.4**
Segment Profit (%)	41%	33%	8%	31%

Despite macro-economic conditions in Argentina continuing to be challenging which affected the recoverability of the investment in Argentina, the Latin America segment has delivered improvement in results. During the current period, a total of 2,264 units were sold compared to 1,918 units in CY22, driving revenue up by 26% in the current period.

As at 31 December 2023, there were 4,132 game operations units installed compared to 3,690 at 31 December 2022. The increase in machines placed under participation and lease were predominantly from Mexico and Peru due to improvement in product performance. The majority of the incremental in game operations units occurred in last quarter of CY24. Participation and lease revenue in the current period was $22.6 million, compared to $19.8 million in CY22. The improvement in segment profit is directly attributable to the increase in revenue, leveraging off fixed costs. 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.

COMMENTARY ON THE RESULTS FOR THE YEAR

OPERATING & FINANCIAL REVIEW (CONTINUED)

Asia Pacific

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Revenue	48.8	47.7	1.1	24.9
Gross Profit	14.9	15.5	(0.6)	8.0
Segment EBITDA	4.1	6.6	(2.5)	3.1
Segment Profit	**3.4**	**5.1**	**(1.7)**	**2.3**
Segment Profit (%)	7%	11%	(4%)	9%

This segment delivered revenue of $48.8 million in the current period, a slight increase from CY22 of $47.6. Despite competitive market conditions, higher average selling price was achieved for this segment during the current period. The introduction of the A100 (from the A-star range) which exclusively contributed to all quarter 4 of CY23 sales demonstrated a positive uptake for this cabinet which was showcased at the Australian Gaming Expo in August 2023.

The low segment profit for Asia Pacific of 7% in the current period was a result of ongoing inflationary pressures, fixed cost base with lower revenue contribution and weakening of AUD against USD adversely impacting costs of productions and gross profit which contributed to the drop in segment profit in the current period.

Increase in unit sales related to Asia with market recovery post pandemic offset the reduction of sales from Australia. Change in sales distributor and new venue openings specifically in Philippines is expected to drive revenue in this market in future periods.

Online

In millions of AUD	**12 months ended 31 Dec 2023 (CY23)**	**12 months ended 31 Dec 2022 (CY22)**	**CY23 vs CY22**	**6 months ended 31 Dec 2022 (H2 CY22)**
Revenue	15.6	12.3	3.3	6.4
Gross Profit	15.6	12.3	3.3	6.4
Segment EBITDA	14.0	10.8	3.2	5.5
Segment Profit	**14.0**	**10.8**	**3.2**	**5.5**
Segment Profit (%)	90%	88%	2%	86%

Online revenue increased during the current period to $15.6 million compared to $12.3 million in CY22. The revenue increase in the current period predominately relates to the contract modification resulting from the amendment on the GAN distribution agreement on 29th March 2023. Despite the revenue increase of 27%, the Group during the year invested in more talent to remain competitive in the online industry, resulting in a similar segment profit margin.

INDEX TO NOTES TO THE FINANCIAL REPORT	PAGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of AUD

	Note	31 December 2023	31 December 2022 Restated*
Assets			
Cash and cash equivalents	19	19,834	29,861
Receivables and other assets	18	103,263	89,935
Current tax assets		3,055	2,697
Inventories	17	72,604	90,124
Prepayments		7,077	7,701
Investment in financial asset	29	3,818	7,537
Total current assets		**209,651**	**227,855**
Receivables and other assets	18	16,121	25,601
Deferred tax assets	16	21,558	18,803
Property, plant and equipment	13	95,116	70,189
Right-of-use assets	27	5,931	7,631
Intangible assets	14	70,071	77,247
Total non-current assets		**208,797**	**199,471**
Total assets		**418,448**	**427,326**
Liabilities			
Trade and other payables	25	34,855	43,384
Loans and borrowings	22	357	596
Lease liabilities	27	996	2,111
Employee benefits	23	13,176	9,149
Deferred income	15	5,079	8,281
Current tax liability		8,784	4,678
Provisions	26	32,898	24,321
Total current liabilities		**96,145**	**92,520**
Trade and other payables	25	79	1,051
Lease liabilities	27	8,747	11,492
Employee benefits	23	330	367
Total non-current liabilities		**9,156**	**12,910**
Total liabilities		**105,301**	**105,430**
Net assets		**313,147**	**321,896**
Equity			
Share capital		207,709	207,709
Reserves		134,855	134,564
Accumulated losses		(29,417)	(20,377)
Total equity		**313,147**	**321,896**

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

The notes on pages 21 to 73 are an integral part of these consolidated financial report.

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

In thousands of AUD

	Note	12 months ended 31 December 2023	6 months ended 31 December 2022 Restated*
Revenue	*7*	284,862	124,147
Cost of sales		(109,617)	(44,409)
Gross profit		**175,245**	**79,738**
Other income	*8*	1,072	393
Sales, service and marketing expenses		(64,340)	(31,151)
Research and development expenses	*6*	(45,712)	(19,446)
Administrative expenses	*6*	(28,285)	(12,871)
Writeback / (impairment) of trade receivables	*9*	757	(1,170)
Other expenses	*10*	(20,873)	(9,410)
Results from operating activities		**17,864**	**6,083**
Finance income	*12*	7,185	3,868
Finance costs	*12*	(892)	(573)
Net finance income		**6,293**	**3,295**
Foreign exchange losses	*6*	(21,517)	(2,101)
Profit before tax		**2,640**	**7,277**
Income tax expense		(11,680)	(4,635)
(Loss) / Profit for the year		**(9,040)**	**2,642**
Other comprehensive (loss) / income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		(951)	2,328
Total other comprehensive (loss) / income		**(951)**	**2,328**
Total comprehensive (loss) / income for the period		**(9,991)**	**4,970**
(Loss) / Profit attributable to owners of the Company		**(9,040)**	**2,642**
Total comprehensive (loss) / income attributable to the owners of the Company		**(9,991)**	**4,970**
Earnings per share:			
Basic earnings per share (AUD)		$ (0.03)	$ 0.01
Diluted earnings per share (AUD)		$ (0.03)	$ 0.01

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

The notes on pages 21 to 73 are an integral part of these consolidated financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of AUD	Attributable to owners of the Company						
	Issued Capital	**Equity compensation reserve**	**Fair value reserve**	**Translation reserve**	**Profit reserve**	**Retained Earnings / (Accumulated losses)**	**Total Equity**
Balance at 1 July 2022	**207,709**	**5,431**	**9,684**	**21,022**	**95,438**	**(27,956)**	**311,328**
Total comprehensive income for the period							
Restatement of prior year deferred tax asset						4,937	4,937
***Restated balance at 1 July 2022**	207,709	5,431	9,684	21,022	95,438	(23,019)	316,265
Profit	-	-	-	-	-	2,642	2,642
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	-	2,642	4,970
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**	**(20,377)**	**321,896**
Balance at 1 January 2023	**207,709**	**6,092**	**9,684**	**23,350**	**95,438**	**(20,377)**	**321,896**
Loss	-	-	-	-	-	(9,040)	(9,040)
Transfer between reserves	-	-	-	-	-	-	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	(951)	-	-	(951)
Total other comprehensive income	-	-	-	(951)	-	-	(951)
Total comprehensive income for the period	-	-	-	(951)	-	(9,040)	(9,991)
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	1,242	-	-	-	-	1,242
Total transactions with owners	-	1,242	-	-	-	-	1,242
Balance at 31 December 2023	**207,709**	**7,334**	**9,684**	**22,399**	**95,438**	**(29,417)**	**313,147**

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

The notes on pages 21 to 73 are an integral part of these consolidated financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of AUD

	Note	12 months ended 31 December 2023	6 months ended 31 December 2022 Restated*
Cash flows generated from / (used in) operating activities			
Cash receipts from customers		295,698	117,687
Cash paid to suppliers and employees		(264,286)	(123,407)
Cash generated / (used in) from operations		**31,412**	**(5,720)**
Interest received		7,185	3,868
Income taxes paid		(11,239)	(3,486)
Net cash generated from / (used in) operating activities		**27,358**	**(5,338)**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		68	101
Proceeds from sale of investments in financial assets		3,140	-
Acquisitions of property, plant and equipment	*13*	(11,209)	(2,042)
Development expenditure	*14*	(4,895)	(1,898)
Investment in financial assets	*29*	(16,845)	(4,877)
Net cash used in investing activities		**(29,741)**	**(8,716)**
Cash flows used in financing activities			
Borrowing costs paid		(892)	(573)
Proceeds from borrowings		382	412
Repayment of borrowings		(622)	(419)
Proceeds from finance lease liabilities		571	657
Payment from finance lease liabilities		(1,675)	(1,077)
Net cash used in financing activities		**(2,236)**	**(1,000)**
Net decrease in cash and cash equivalents		(4,619)	(15,054)
Cash and cash equivalents at start of period		29,861	45,776
Effect of exchange rate fluctuations on cash held		(5,408)	(861)
Cash and cash equivalents at end of period		**19,834**	**29,861**

Refer to note 2 for further information on the restatements.

The notes on pages 21 to 73 are an integral part of these consolidated financial report.

1. REPORTING ENTITY

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial report of the Company as at and for the year ended 31 December 2023 comprised of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and primarily is involved in the design, development, 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 financial report comprises of the consolidated financial reports of the Group. For the purposes of preparing the consolidated financial report, the Company is a for-profit entity.

The financial report is general purpose financial report which has 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 report is in conformity with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

Compliance with Australian Accounting Standards ensures that the financial report and notes of the Group comply with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with International Financial Reporting Standards as issued by the IASB.

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 because 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 is on their new reporting schedule from 1 January 2023 onwards, with the first year of the new financial report for 31 December 2023 with the Short FY as the comparative period.

The financial report is based on accounts which are in the process of being audited and has been prepared in accordance with ASX Listing Rule 4.3A. As such, this preliminary report does not include all the notes that are included in an annual financial report which will be released before 31st March 2024.

2. BASIS OF PREPARATION (CONTINUED)

(b) Going Concern

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

(c) Basis of measurement

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

(d) Presentation currency and rounding

This financial report is presented in Australian Dollars ($). Foreign operations are included in accordance with the policies set out in note 3.

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

(e) Judgements and Estimates

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

For the 12 months ended 31 December 2023, the changes to the Group's key sources of estimation uncertainty, including restatement of balances were the following:

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

2. BASIS OF PREPARATION (CONTINUED)

In accordance with AASB 136 *Impairment of Assets*, the Group is required to perform an annual impairment assessment to estimate the recoverable amount of goodwill, intangible assets under development and indefinite life intangible assets or when indicators of impairment are present in the identified cash generating units ("CGUs") within the Group. As a result, all 4 CGUs were assessed for impairment as at 31 December 2023.

The value in use was determined as the recoverable amount for each CGU. When the impairment assessment was performed at reporting date, it was identified that the Latin America/Europe CGU had a recoverable amount which was lower than the carrying value of $29,150 thousand. In allocating the impairment loss pertaining to this deficiency, the Group has exercised significant judgement and has not reduced the carrying amount of an asset below the highest of: (a) its fair value less costs of disposal (if measurable); (b) its value in use (if determinable); and (c) zero. This has resulted in $6,104 thousand being recorded as an impairment loss in the current year related to the non-current assets within the Latin America/Europe CGU. Should the fair value of these assets change in the future, the Group will need to reperform an impairment assessment and recognise an impairment loss against those assets respectively.

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

The following errors have been identified during the reporting period:

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

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

Similarly, certain balances in prepayments should also have been classified as 'investments in financial assets' Following the requirements of paragraph 42 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has restated the Consolidated Statement of Financial Position for the comparative period, i.e., 31 December 2022. This restatement has also resulted in adjustments to investments in financial assets and restatement of related interest received into operating activities within the Condensed Consolidated Statement of Cash Flows. The investment balance as at 1 July 2022 of $4,542 thousand has also been restated in the Condensed Consolidated Statement of Cash Flows. The relevant changes made in the financial report are outlined as below:

NOTES TO THE FINANCIAL REPORT

2. BASIS OF PREPARATION (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
In thousands of AUD

	As previously Stated	Adjustments	As restated
Assets			
Cash and cash equivalents	37,094	(7,233)	29,861
Prepayments	8,005	(304)	7,701
Investment in financial asset	-	7,537	7,537
Total current assets	**227,855**	**-**	**227,855**

CONSOLIDATED STATEMENT OF CASHFLOWS

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

iii. Recognition of deferred tax assets on 31 December 2022

During the year, certain errors in prior period tax computations were identified. These related to non-recognition of deferred tax balances on Research & Development ('R&D') tax offsets and written down values of capitalised development costs that have been subject to R&D claims which resulted in an (increase/decrease) in deferred tax (assets/liabilities). Further, errors were also identified with regard to the deferred tax impact of CGU impairment, controlled foreign company ('CFC') attribution and other balances which resulted in an (increase/decrease) in deferred tax (assets/liabilities). These errors only impact deferred tax assets and liabilities and deferred tax expense.

Following the requirements of paragraph 42 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the Group has restated the Consolidated Statement of Financial Position for the comparative period, i.e., 31 December 2022. This restatement has also resulted in adjustments to income tax benefit in Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss and retained earnings in Consolidated Statement of Changes in Equity. The opening balance at 1 July 2022 retained accumulated losses in the Consolidated Statement of Changes in Equity was also restated and the impact on the deferred tax asset balance as of 1 July 2022 was $4,937 thousand. The relevant changes made in the financial report are outlined as below:

NOTES TO THE FINANCIAL REPORT

2. BASIS OF PREPARATION (CONTINUED)

Consolidated statement of profit or loss and other comprehensive income or loss

For the six months ended 31 December 2022

In thousands of AUD

	As previously Stated	Adjustments	As restated
Income tax expense	(1,352)	(3,283)	(4,635)
Profit for the year	**5,925**	**(3,283)**	**2,642**
Total comprehensive income for the period	**8,253**	**(3,283)**	**4,970**
Profit attributable to owners of the Company	**5,925**	**(3,283)**	**2,642**
Total comprehensive income attributable to the owners of the Company	**8,253**	**(3,283)**	**4,970**

Consolidated statement of financial position

As at 31 December 2022

In thousands of AUD

	As previously Stated	Adjustments	As restated
Assets			
Deferred tax assets	17,149	1,654	18,803
Total non-current assets	**197,817**	**1,654**	**199,471**
Equity			
Adjustment to accumulated losses in opening balance - 1 July 2022		4,937	4,937
Adjustment to accumulated losses during the period		(3,283)	(3,283)
Accumulated losses	(22,031)	1,654	1,654
Total equity	**320,242**	**1,654**	**321,896**

Consolidated statement of changes in equity

For the 6 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	Earnings / (Accumulated losses)	Total Equity
Balance at 1 July 2022	**207,709**	**5,431**	**9,684**	**21,022**	**95,438**	**(27,956)**	**311,328**
*** Restated Balance at 1 July 2022**	**207,709**	**5,431**	**9,684**	**21,022**	**95,438**	**(23,019)**	**316,265**
Total comprehensive income for the period							
Profit	-	-	-	-	-	2,642	2,642
Total comprehensive income for the period	-	-	-	2,328	-	2,642	4,970
Balance at 31 December 2022	**207,709**	**6,092**	**9,684**	**23,350**	**95,438**	**(20,377)**	**321,896**

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables, investments in financial assets (investments in non bank financial institution and investments in shares) 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. After initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured by the following:

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

Financial assets are not reclassified after 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 receivables involves reviewing the contractual term and how it compares to the current payment trend. When the current payment trend is not in line with actual contractual terms, then the Group will base the current and non-current split 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 - 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 and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all 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.

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.

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost using the effective interest rate 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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) 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(iii) Depreciation

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

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

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

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

• buildings	40 years
• leasehold improvements	10 years or remaining lease period, whichever is less
• 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 where 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(h)).

(ii) Research and development

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

Development activities involve a plan or design to produce 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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. Generally, other development expenditure and discontinued projects that are expected to have no further economic benefit are recognised in profit or loss when incurred. However, Project Team Meetings and Project Management Activities relating to the development phase are capitalised. Tracking of such activities are performed by employees signing off timesheets, allocated by project. These are signed off by the respective managers handling the projects.

Research and development costs cease to be capitalised when the project is completed and ready for use after which the capitalised costs are transferred to the appropriate class of intangible assets and amortisation based on its useful life commences.

(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 are as follows:

• 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
• goodwill	N/A – not amortized.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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 expected credit losses ("ECLs") on financial assets measured at amortised cost. The Group measures expected credit losses 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. 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 (refer note 3 (f) and deferred tax assets (refer note 3 n), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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.

(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, annual leave and long service 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, because 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.

(k) Revenue

Recognised under AASB15 *Revenue from contracts with customers*

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.	Multi-element arrangements could consist of any combination of machine and part sales, installation of machine, game conversions and the option to convert a game. The arrangements are like machine and part sales however payment terms on multi-elements are monthly over the term of the contract. Machine sales and game conversions are recognised at a point in time.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Type of product/ service	Revenue recognition methods and timing of payments	Description of revenue recognition
		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.
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 relates to the integration of another manufacturers machines into AGT's proprietary HHR system. For license income that is recognised over time, the performance obligations relate to provision of hosting services of remote gaming servers in the online market (this mainly relates to GAN exclusivity agreement) and recurring connection fees from other manufacturers utilising AGT's proprietary HHR system. 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.

Recognised under AASB16 *Leases*

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 based on 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 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 $69,696 thousand for the year (6 months ended 31 December 2022: $34,821 thousand)
vi. Finance 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.

(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 based on 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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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.

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

Refer to Note 3(k) (v) & (vi)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Finance income and finance costs

Finance income comprises of interest income from customers, investment and bank term deposits. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on lease liabilities and insurance premium funding.

(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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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. Deferred tax assets and liabilities are only netted off within the same tax authorities.

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 16.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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 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

Several new standards and amendments to standards are effective for annual periods beginning after 1 January 2023. The following new standards and interpretations are considered by the Group:

Insurance-related amendments:

- AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*
- AASB 17 *Insurance Contracts*
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*
- AASB 2022-8 *Amendments to Australian Accounting Standard – Insurance Contracts: Consequential Amendments*

The Group does not anticipate that the amendments listed above will have a material impact on the Group but may change the disclosure of accounting policy information included in the annual financial report.

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

- AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*.

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

- AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*.

The Group currently has operations in Australia, New Zealand, LATAM, and North America. The Pillar Two Model Rules will apply for Multinational Groups that have a consolidated accounting revenue of EUR $750 million. Management is assessing applicability of Pillar Two Model Rules as part of Novomatic AG (Group's majority shareholder) meeting its requirements. However, currently the legislation has not been substantially enacted in any of the operating jurisdictions.

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

4. DETERMINATION OF FAIR VALUES

Several 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 24: share-based payments.

(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.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(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. Financial Instruments are recognised at fair value based on quoted prices in active markets for identical assets or liabilities. 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 the amortised cost.

(d) Lease liabilities

At the date of commencement of the lease liability, the fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

(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 considered in determining fair value.

5. FINANCIAL RISK MANAGEMENT

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Guarantees

The Group's policy is to provide financial guarantees only for wholly owned subsidiaries. At 31 December 2023, no guarantees were outstanding (six months ended 31 December 2022: none).

Capital management

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

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.

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

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

Performance of each reportable segment is based on segment revenue and segment results as included in internal management reports that are reviewed by the Group's CEO. Segment results includes segment revenues and expenses that are directly attributable to the segment, which management believes is the most relevant approach in evaluating segment performance. Items that are not part of the ordinary course of business or one-off items do not form part of the segment results. The revenue from external parties reported to the CEO is measured in a manner consistent within the condensed consolidated statement of profit or loss and other comprehensive income or loss.

NOTES TO THE FINANCIAL REPORT

6. OPERATING SEGMENTS (CONTINUED)

The comparative table for 6 months ended 31 December 2022 has also been updated to reflect the current operating segments with no change to the total segment results for the prior reporting period.

FOR THE 12 MONTHS ENDED 31 DECEMBER 2023					
In thousands of AUD	**Asia Pacific**	**North America**	**Latin America / Europe**	**Online**	**Total**
Reportable segment revenue	48,780	140,347	80,099	15,636	284,862
Result					
Segment result	3,388	65,034	33,131	13,947	115,500
Segment result (%)	7%	46%	41%	89%	41%
Segment EBITDA	4,132	77,335	32,334	13,947	127,748
Interest revenue not allocated to segments					4,394
Interest expense					(892)
Foreign currency loss					(21,517)
R & D expenses					(45,712)
Corporate and administrative expenses					(28,285)
Other expenses not allocated to segments					(20,848)
Profit before tax					2,640
Income tax expense					(11,680)
Net loss after tax					(9,040)

Out of ordinary items such as write down on the investment in a non-bank lender in Argentina and the Impairment of LATAM CGU have been recognised in "Other expenses not allocated to Segments". Please refer to Note 10 for more information.

*Note – Segment results represents Gross Profit less Sales, Service and Marketing expenses.

FOR THE 6 MONTHS ENDED 31 DECEMBER 2022					
In thousands of AUD	**Asia Pacific**	**North America**	**Latin America / Europe**	**Online**	**Total**
Reportable segment revenue	24,899	59,705	33,162	6,381	124,147
Result					
Segment result	2,348	30,823	10,351	5,533	49,055
Segment result (%)	9%	52%	31%	87%	40%
Segment EBITDA	3,055	36,661	9,686	5,533	54,935
Interest revenue not allocated to segments					2,623
Interest expense					(573)
Foreign currency loss					(2,101)
R & D expenses					(19,446)
Corporate and administrative expenses					(12,871)
Other expenses not allocated to segments					(9,410)
Profit before tax					7,277
Income tax expense					(4,635)
Net profit after tax					2,642

7. REVENUE

The Group's operations and main revenue streams remained consistent with those described in the financial report for the six months ended 31 December 2022. 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. To ensure consistency of the geographical market presentation outlined in Note 6 Operating Segments, the presentation by geographical market within this note has been updated as well for current and prior period.

FOR THE 12 MONTHS ENDED 31 DECEMBER 2023

In thousands of AUD	Asia Pacific	North America	Latin America / Europe	Online	Total
Major products/service lines					
Recognised under AASB15					
Machine and part sales	34,346	57,307	37,884	-	129,537
Multi element arrangements	9,510	-	-	-	9,510
Rendering of services	4,923	26,837	5	-	31,765
License income	-	6,925	1,144	15,636	23,705
Total revenue recognised under AASB15	48,779	91,069	39,033	15,636	194,517
Recognised under AASB16					
Rental and participation	1	47,081	22,615	-	69,697
Finance leases	-	2,197	18,451	-	20,648
Total revenue recognised under AASB16	1	49,278	41,066	-	90,345
	48,780	**140,347**	**80,099**	**15,636**	**284,862**
Timing of revenue recognition					
Products and services transferred at a point in time	43,781	61,918	56,826	-	162,525
Products and services transferred over time	4,999	78,429	23,273	15,636	122,337
	48,780	**140,347**	**80,099**	**15,636**	**284,862**

FOR THE 6 MONTHS ENDED 31 DECEMBER 2022

In thousands of AUD	Asia Pacific	North America	Latin America / Europe	Online	Total
Major products/service lines					
Recognised under AASB15					
Machine and part sales	18,359	19,947	14,060	-	52,366
Multi element arrangements	4,088	-	-	-	4,088
Rendering of services	2,451	11,438	79	-	13,968
License income	-	4,274	395	6,381	11,050
Total revenue recognised under AASB15	24,898	35,659	14,534	6,381	81,472
Recognised under AASB16					
Rental and participation	1	23,654	10,553	-	34,208
Finance leases	-	392	8,075	-	8,467
Total revenue recognised under AASB16	1	24,046	18,628	-	42,675
	24,899	**59,705**	**33,162**	**6,381**	**124,147**
Timing of revenue recognition					
Products and services transferred at a point in time	22,420	23,253	22,145	-	67,818
Products and services transferred over time	2,479	36,452	11,017	6,381	56,329
	24,899	**59,705**	**33,162**	**6,381**	**124,147**

8. OTHER INCOME

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Rent received		328	107
Other income		744	-
Gain on sale of property plant and equipment		-	286
		1,072	393

9. EXPENSES BY NATURE

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Cost of goods sold		92,429	32,128
Argentinian investment write-down	10	13,179	-
Provision for Mexican duty and other charges	10	1,565	5,531
Employee benefits expense	11	77,421	32,985
Sales commission expense		8,196	3,793
Depreciation and amortisation expense	13,14,27	22,560	10,950
Impairment of property, plant and equipment	13	3,966	3,249
Impairment of intangibles	14	3,149	-
(Writeback) / accrual for expected credit losses of trade receivables		(757)	1,170
Impairment of ROU Assets	27	177	631
Legal expenses		1,883	867
Evaluation and testing expenses		7,619	3,976
Marketing expenses		4,663	2,592
Computer and communications expenses		4,130	1,495
Warranty expenses		3,530	1,636
Duty charges		1,801	2,010
License fees		3,672	1,713
Property related expenses		5,445	2,604
Travel and entertainment expenses		5,535	2,695
Other expenses		7,907	8,432
		268,070	118,457

10. OTHER EXPENSES

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Argentinian investment write-down	29	13,179	-
Mexican duty and other charges	26	1,565	5,531
Impairment of non-current assets	14	6,104	3,879
Loss on sale of property plant and equipment		25	-
		20,873	9,410

NOTES TO THE FINANCIAL REPORT

11. EMPLOYEE BENEFIT EXPENSES

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Wages and salaries		68,229	29,668
Short-term incentives		3,467	247
Contributions to defined contribution superannuation funds		3,877	1,754
(Decrease) / increase in liability for annual leave	23	(9)	198
Increase in liability for long service leave	23	368	237
Termination benefits		248	220
Equity settled share-based payment transactions		1,241	661
		77,421	32,985

12. FINANCE INCOME AND FINANCE COSTS

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Interest income from customers, investments and bank term deposits		7,185	3,868
Finance income		7,185	3,868
Interest expense on financial liabilities – lease liabilities and insurance premium funding		(892)	(573)
Finance costs		(892)	(573)
Net finance income recognised in profit or loss		6,293	3,295

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Land & buildings	Plant & equipment	Leasehold improvements	Total
Cost					
Balance at 1 July 2022		61,224	144,620	4,361	210,205
Net re-classification of inventory to plant and equipment		-	2,721	-	2,721
Additions		302	1,988	-	2,290
Disposals		-	(1,225)	(3)	(1,228)
Effect of movements in foreign exchange		1,030	1,970	7	3,007
Balance at 31 December 2022		62,556	150,074	4,365	216,995
Balance at 1 January 2023		62,556	150,074	4,365	216,995
Net re-classification of inventory to plant and equipment		-	15,095	-	15,095
Additions		290	12,375	-	12,665
Disposals		-	(1,464)	-	(1,464)
Effect of movements in foreign change		(594)	(1,161)	(5)	(1,760)
Balance at 31 December 2023		62,252	174,919	4,360	241,531

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of AUD	Note	Land & buildings	Plant & equipment	Leasehold improvements	Total
Depreciation and Impairment Losses					
Balance at 1 July 2022		17,479	122,199	3,395	143,073
Depreciation charge for the half year	9	866	5,133	111	6,110
Impairment Loss	13	-	3,249	-	3,249
Leased assets disposals		-	(6,363)	-	(6,363)
Other disposals		-	(1,115)	-	(1,115)
Effect of movements in foreign exchange		285	1,560	7	1,852
Balance at 31 December 2022		18,630	124,663	3,513	146,806
Balance at 1 January 2023		18,630	124,663	3,513	146,806
Depreciation charge for the year	9	1,394	11,362	132	12,888
Impairment Loss	13	-	3,430	536	3,966
Leased assets disposals		-	(14,368)	-	(14,368)
Other disposals		-	(1,339)	-	(1,339)
Effect of movements in foreign exchange		(216)	(1,317)	(5)	(1,538)
Balance at 31 December 2023		19,808	122,431	4,176	146,415
Carrying Amounts					
At 1 July 2022		43,745	22,421	966	67,132
At 31 December 2022		43,926	25,411	852	70,189
At 31 December 2023		42,444	52,488	184	95,116

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of $1,934 thousand (12 months ended 31 December 2022: $704 thousand) at net book value.

The carrying amount of plant and equipment on participation and fixed rental leases is $39,625 thousand (12 months ended 31 December 2022: $20,977 thousand).

Impairment loss of $3,966 thousand (six months ended 31 December 2022: $3,249 thousand) recognised during the year relates to the recoverability of the carrying value of assets within the ‘Latin America and Europe’ cash generating unit as well as the recoverability of the carrying value of leased machines in ‘North America’ . See ‘Note 14 – Intangible assets’ for further details.

NOTES TO THE FINANCIAL REPORT

14. INTANGIBLE ASSETS

In thousands of AUD	Note	Goodwill	Development Costs	Nevada Licence Costs	Technology & Software	Customer Relationships & Workforce	Tradenames & Trademarks	Total
Cost								
Balance at 1 July 2022		43,918	3,357	1,583	50,524	16,848	1,133	117,363
Additions		-	1,898	-	-	-	-	1,898
*Transfers		-	(329)	-	329	-	-	-
Intangible assets fully amortised and written off		-	-	-	(7,258)	-	-	(7,258)
Effects of movements in foreign currency		698	-	-	181	284	18	1,181
Balance at 31 December 2022		44,616	4,926	1,583	43,776	17,132	1,151	113,184
Balance at 1 January 2023		44,616	4,926	1,583	43,776	17,132	1,151	113,184
Additions		-	4,895	-	-	-	-	4,895
*Transfers		-	(8,197)	-	8,197	-	-	-
Intangible assets fully amortised and written off		-	-	-	-	-	-	-
Effects of movements in foreign currency		(401)	(1)	-	(104)	(163)	(11)	(680)
Balance at 31 December 2023		44,215	1,623	1,583	51,869	16,969	1,140	117,399

14. 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 at 1 July 2022		2,436	-	-	26,559	9,290	525	38,810
Amortisation for the half year		-	-	-	3,262	815	116	4,193
Intangible assets fully amortised and written off	9	-	-	-	(7,258)	-	-	(7,258)
Impairment losses		-	-	-	-	-	-	-
Effects of movement in foreign currency		-	-	-	36	148	8	192
Balance at 31 December 2022		2,436	-	-	22,599	10,253	649	35,937
Balance at 1 January 2023		2,436	-	-	22,599	10,253	649	35,937
Amortisation for the year	9	-	-	-	6,583	1,644	235	8,462
Intangible assets fully amortised and written off		-	-	-	-	-	-	-
Impairment losses		-	-	-	3,149	-	-	3,149
Effects of movement in foreign currency		-	-	-	(62)	(144)	(14)	(220)
Balance at 31 December 2023		2,436	-	-	32,269	11,753	870	47,328
Carrying amounts								
At 1 July 2022		41,482	3,357	1,583	23,965	7,558	608	78,553
At 31 December 2022		42,180	4,926	1,583	21,177	6,879	502	77,247
At 31 December 2023		41,779	1,623	1,583	19,600	5,216	270	70,071

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

14. INTANGIBLE ASSETS (CONTINUED)

Impairment testing

In accordance with the Group's accounting policies, the Group has evaluated whether the carrying amount of a cash generating units ("CGU") or group of CGUs exceeds the recoverable amount as at 31 December 2023 due to the presence of impairment indicators at reporting date. Every year, goodwill and development cost assets are tested annually for indicators of impairment.

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

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

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

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

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

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

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

The 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.

14. INTANGIBLE ASSETS (CONTINUED)

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

31 December 2023						
CGUs	**Goodwill '$000**	**Development Costs '$000**	**Other Indefinite life intangible assets '$000**	**Total Carrying Value including Goodwill and Indefinite life intangible assets '$000**	**Recoverable amount '$000**	**Headroom '$000**
North America	41,779	8,848	1,583	138,896	336,244	197,348
Latin America / Europe	-	-	-	23,103	23,103	-
Asia Pacific	-	2,230	-	5,838	10,732	4,894
Online	-	2,098	-	3,281	60,481	57,200

Due to changes in CGUs, the comparative information has been excluded as it will not provide meaningful information to the user of this financial statement.

Key assumptions used in determining the recoverable amount

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

	31 December 2023		
CGUs	**Pre-tax Discount rate**	**Average annual revenue growth rate[1]**	**Terminal Year growth rate**
North America	14.8%	18.9%	2.1%
Latin America / Europe	23.0%	1.1%	4.0%
Asia Pacific	14.0%	14.5%	2.5%
Online	14.5%	4.2%	2.1%

[1] The 5 years forecast average annual revenue growth rates (CY24 to CY28) has been calculated based on CY23 revenue as the base year.

<u>Impairment charges recognised during the current period</u>

Challenging macro-economic environment and political instability within the different regions (particularly Argentina) have resulted in reduced revenue projections growth in Latin America CGU. This has resulted in reduced recoverable amount in this CGU and the Group recorded an impairment charge of $6,104 thousand against the Latin America/Europe CGU's property, plant and equipment and corporate assets mainly relating to capitalised technology and software.

14. INTANGIBLE ASSETS (CONTINUED)

The impact of possible changes in key assumptions

North America CGU

As at 31 December 2023, this CGU has significant headroom, therefore the Group does not believe that a reasonable possible change in key assumptions will result in a material impairment charge due to the headroom in forecasted recoverable amount when compared to its carrying amount.

Latin America / Europe CGU

Given there is no headroom in this CGU, any adverse change to the key assumptions when determining the recoverable amount, may result in additional impairment charges recognised in future periods.

Asia Pacific CGU

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

Assumptions	Model Assumption	Sensitivity	Asia Pacific CGU Headroom Impact '$000	Triggers Impairment for Asia Pacific CGU
Change in average annual revenue growth rate	14.5%	+ 200 basis points	14,095	No
		- 200 basis points	(14,462)	Yes
Change in discount rate	11.1%	+ 100 basis points	(4,336)	No
		- 100 basis points	5,545	No
Change in terminal year growth rate	2.5%	+ 100 basis points	2,241	No
		- 100 basis points	(1,807)	No

Online CGU

Given the significant headroom in this CGU, any adverse change to the key assumptions when determining the recoverable amount, would not result in impairment charges recognised in future periods.

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

15. DEFERRED INCOME

The carrying value of deferred income in the consolidated statement of financial position predominantly relates to contracts with customers that have prepaid for performance obligations that are yet to be met by the Group. It is expected that as payments are received, these payments are recognised as deferred income and revenue will be recognised over the life of the contract, subject to meeting the Group's performance obligations and revenue recognition policies.

15. DEFERRED INCOME (CONTINUED)

As of 31 December 2023, of the $5,079 thousand carrying value recognised in deferred income, $2,741 thousand relates to a one-year exclusivity contract with Golden Gaming (subsequently acquired by J&J Ventures) to distribute Ainsworth's products in Montana and this exclusivity will expire on 30 October 2024.

GAN Contract

One of the contracts within the deferred income relates to the execution of a partnership with GAN Limited ("GAN") for real money online game assets within the U.S.GAN contract contributes $1,952 thousand (31 December 2022: $8,281 thousand) of the deferred income carrying value and further details on this contract are outlined below:

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

Under the Amended Agreement, the following took effect:

1) A revised total minimum guaranteed cash consideration of US$15 million (previously US$30 million) with termination of GAN's exclusivity on 31 March 2024 (previously 1 July 2026); and

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

   The change in the GAN contract terms was accounted for as a contract modification and not as a separate contract under AASB 15 as there was no increase in scope because of the amended contract. The Group determined that the remaining services are not distinct from the previous services provided and are therefore accounted for as part of the existing contract instead of a termination of the existing contract and creation of a new contract. Therefore, the Group has reassessed its transaction price and measure of progress towards the completion of the performance obligations. This has resulted in additional revenue of $1,930 thousand of revenue being recognised at the date of the contract modification as a cumulative catch-up.

   During the same period and as at 31 December 2023, all shares in GAN were sold for a total consideration of $1,974 thousand (USD1,350 thousand) and the Group has recognised a loss of $752 thousand (USD500 thousand).

16. TAXES

Management has assessed that the carrying amount of deferred tax assets of $21,558 thousand (six months ended 31 December 2022: $18,803 thousand) can be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

17. INVENTORIES

In thousands of AUD	31 December 2023	31 December 2022
Raw materials and consumables	44,120	54,133
Finished goods	24,283	32,987
Stock in transit	4,201	3,004
Inventories stated at the lower of cost and net realisable value	72,604	90,124

During the year ended 31 December 2023 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $89,422 thousand (six months ended 31 December 2022: $30,414 thousand).

A re-classification from inventory to property, plant and equipment of $32,766 thousand (six months ended 31 December 2022: $10,036 thousand) was recorded to reflect gaming products for which rental and participation agreements were entered into during the year.

During the year ended 31 December 2023, the write down of inventories to net realisable value amounted to $5,918 thousand (six months ended 31 December 2022: $6,148 thousand). The write down in this period related to older style cabinets, predominately the A600 series cabinets. With the increased uptake of the A-Star series cabinets including the recently launched Raptor A-star cabinet in the market, management assessed the saleability of these cabinets, and has determined it was necessary to write down these inventories to their net realisable value.

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

18. RECEIVABLES AND OTHER ASSETS

In thousands of AUD	Note	31 December 2023	31 December 2022
Current			
Trade receivables		108,884	95,093
Less expected credit losses		(7,727)	(10,882)
		101,157	84,211
Other assets		1,921	3,357
Right of return		-	1,912
Amount receivable from shareholder-controlled entities	28	185	455
		103,263	89,935
Non-current			
Trade receivables		16,121	25,601
		16,121	25,601

18. RECEIVABLES AND OTHER ASSETS (CONTINUED)

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

The Group's expected credit losses for trade receivables was $7,727 thousand as at 31 December 2023 compared to $10,882 thousand as at 31 December 2022. The reduction in the expected credit losses predominantly related to Latin America (other than Argentina) with operations returning to pre-pandemic levels resulting in improved collections from customers.

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

Leasing Arrangements

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

In thousands of AUD	31 December 2023	31 December 2022
Minimum lease payments under finance leases are receivable as follows:		
Less than one year	13,129	11,601
One to two years	4,875	6,619
Two to three years	-	888
	18,004	19,108
Unearned finance income as follows:		
Less than one year	69	62
One to two years	47	18
Two to three years	-	-
	116	80
The present value of minimum lease payments and lease receivables classification is as follows:		
Less than one year	13,060	11,539
One to two years	4,828	6,601
Two to three years	-	888
	17,888	19,028

19. CASH AND CASH EQUIVALENTS

In thousands of AUD	31 December 2023	31 December 2022
Bank balances	15,877	20,946
Cash deposits	1,765	7,426
Restricted Cash	2,192	1,489
Cash and cash equivalents in the statement of cash flows	19,834	29,861

19. CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2023, cash balances in Argentina were $2,192 thousand (31 December 2022: $1,489 thousand) and these were considered restricted due to the government imposing strict foreign exchange regulations which has limited the amount of foreign currency within the country. Apart from the cash balances in Argentina, the remaining cash within the Group was not restricted at 31 December 2023 and 31 December 2022.

19A. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Cash flows from operating activities			
(Loss) / profit for the period		(9,040)	2,642
Adjustments for:			
Equity-settled share-based payment transactions	11	1,241	661
Net finance income	12	(6,293)	(3,295)
Depreciation	13,27	14,098	6,757
Impairment losses on trade receivables and provision for obsolescence		3,009	7,319
Argentinian investment write-down	29	13,179	-
Amortisation of intangible assets	14	8,462	4,193
GAN exclusivity revenue		(1,930)	-
Reversal of fines and penalties		(4,232)	-
Impairment of non-current assets	14	6,105	3,880
Provision for Mexican duty and other charges		3,997	5,531
Gain / (loss) on sale of property, plant and equipment		25	(286)
Unrealised currency translation movements		1,872	1,754
Income tax expense		11,680	1,352
Operating profit before changes in working capital & provisions		42,173	30,508
Change in trade and other receivables		(2,355)	(7,063)
Change in inventories		18,685	(24,409)
Net transfers between inventory and leased assets		(30,577)	(9,325)
Change in other assets		(3,479)	(7,419)
Change in trade and other payables		(5,058)	10,328
Change in provisions and employee benefits		12,023	1,660
Cash generated from / (used in) operations		31,412	(5,720)
Interest received		7,185	3,868
Income taxes paid		(11,239)	(3,486)
Net cash generated from / (used in) operating activities		27,358	(5,338)

20. CAPITAL & RESERVES

(a) Share Capital

In thousands of shares	Ordinary shares 12 months ended 31 December 2023	Ordinary shares 6 months ended 31 December 2022
In issue at 1 January	336,794	336,794
Shares issued during the year	-	-
In issue at 31 December – 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 year, 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 report 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 year (six months ended 31 December 2022: nil).

The amount of franking credits available to shareholders for subsequent financial years is $28,017 thousand (six months ended 31 December 2022: $28,017 thousand). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

21. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the 12 months ended 31 December 2023 was based on the loss attributable to ordinary shareholders of $9,040 thousand (six months ended 31 December 2022: profit of $2,642 thousand) and a weighted average number of ordinary shares outstanding as at 31 December 2023 of 336,794 thousand (31 December 2022: 336,794 thousand) calculated as follows:

(Loss) / profit attributable to ordinary shareholders

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
(Loss) / profit for the period		(9,040)	2,642
(Loss) / profit attributable to ordinary shareholders		(9,040)	2,642

Weighted average number of ordinary shares

In thousands of shares	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Issued ordinary shares at 1 Jan / July	20	336,794	336,794
Effect of shares issued		-	-
Weighted average number of ordinary shares at 31 December		336,794	336,794
Total basic earnings per share attributable to the ordinary equity holders of the Company		($0.03)	$0.01

Diluted earnings per share

The calculation of diluted earnings per share for the 12 months ended 31 December 2023 was based on the loss attributable to ordinary shareholders of $7,799 thousand (six months ended 31 December 2022: profit of 3,303 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 336,794 thousand as at 31 December 2023 (31 December 2022: 352,974 thousand), calculated as follows:

(Loss) / profit attributable to ordinary shareholders (diluted)

In thousands of AUD	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
(Loss) / profit attributable to ordinary shareholders		(9,040)	2,642
Amortisation of share-based payment arrangement		1,241	661
(Loss) / profit attributable to ordinary shareholders (diluted)		(7,799)	3,303

21. EARNINGS PER SHARE (CONTINUED)

Weighted average number of ordinary shares (diluted)

In thousands of shares	Note	12 months ended 31 December 2023	6 months ended 31 December 2022
Weighted average number of ordinary shares at 31 December	20	336,794	336,794
Effect of rights and options on issue		-	16,180
Weighted average number of ordinary shares (diluted) at 31 December		336,794	352,974
Total diluted earnings per share attributable to the ordinary equity holders of the Company		($0.03)	$0.01

As at 31 December 2023, 9,261 thousand rights (31 December 2022: nil rights) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

22. LOANS & BORROWINGS

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

In thousands of AUD	31 December 2023	31 December 2022
Current		
Insurance premium funding	357	317
Secured bank loan	-	279
	357	596

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			31 December 2023		31 December 2022	
In thousands of AUD	Nominal interest rate	Year of maturity	Face value	Carrying Amount	Face value	Carrying Amount
Insurance premium funding	5.29%	2024	362	357	323	317
Secured bank loan (BBVA)	IBR + 6.64%	2023	-	-	279	279
Total interest-bearing liabilities			362	357	602	596

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

23. EMPLOYEE BENEFITS

In thousands of AUD	31 December 2023	31 December 2022
Current		
Accrual for salaries and wages	1,265	933
Accrual for short-term incentive plan	3,321	22
Liability for annual leave	4,363	4,372
Liability for long service leave	4,227	3,822
	13,176	9,149
Non-Current		
Liability for long service leave	330	367

24. SHARE-BASED PAYMENTS

On 31 December 2023, 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 2023, 100,000 performance rights lapsed due to cessation of employment resulting in 8,800,000 performance rights still 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	4,300,000	Service conditions and performance hurdles from grant date as per RST below	5 years
Rights granted to senior and other employees	4,600,000	Service conditions and performance hurdles from grant date as per RST below	5 years
Total performance rights granted	**8,900,000**		

24. 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.

24. SHARE-BASED PAYMENTS (CONTINUED)

(b) 1 March 2023 Performance Rights

(i) Description of programme

On 1 March 2023, the Group granted to eligible 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 550,000 units. As at 31 December 2023, all 550,000 performance rights remains 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 senior and other employees	550,000	Service conditions and performance hurdles from grant date as per RST below	5 years
Total performance rights granted	**550,000**		

The performance hurdles and vesting dates of this performance rights is the same as the 24 June 2022 performance rights.

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.

24. SHARE-BASED PAYMENTS (CONTINUED)

(ii) Measurement of fair value

The fair value of the Rights granted on 1 March 2023 under the RST are as follows:

	Fair Value per right
Fair value determined at grant date	
Tranche 1 - Vesting date 30 June 2024	$0.3896
Tranche 2 - Vesting date 31 December 2024	$0.3511
Tranche 3 - Vesting date 30 June 2025	$0.3388

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	$1.06
Exercise price	Nil
Expected volatility	66.7%
Expected life	5 years
Expected dividend yield	Nil
Risk-free interest rate (based on Treasury Bonds)	3.07%

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.

(c) 30 August 2019 Share Options

The last vesting date for these options was on 30 August 2023. The performance hurdles were not met and these options have now lapsed.

25. TRADE AND OTHER PAYABLES

In thousands of AUD	Note	31 December 2023	31 December 2022
Current			
Trade payables		15,801	23,252
Other payables and accrued expenses		13,685	10,791
Deferred consideration on MTD Gaming Inc acquisition		3,883	7,803
Amount payable to shareholder-controlled entities	28	1,486	1,538
		34,855	43,384
Non-Current			
Trade Payables		79	1,051

26. PROVISIONS

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

In thousands of AUD	Service/ warranties	Legal	Mexican Tax Administration Service ("SAT")	Total
Balance at 1 January 2023	972	163	23,186	24,321
Provisions made during the year	3,530	2,067	3,997	9,594
Provisions used during the year	(3,426)	(2,137)	-	(5,563)
Foreign exchange movement	9	(3)	4,540	4,546
Balance at 31 December 2023	1,085	90	31,723	32,898

The Mexican Tax Administration Service ("SAT") provision is a result of audits being carried out by SAT on the Group's subsidiary, AGT Pty Mexico S. de. R.L. de C.V., on import duties and other associated charges for prior periods. This matter has progressed and discussions with SAT continued throughout the current period. Based on these discussions, the Group has reached an in-principle agreement for the relevant years and the provision has been updated to reflect this agreement. It is expected that the Group will conclude on this matter, once all administrative procedures are undertaken (expected to be completed in the next 6 months), and as such the provision has been classified as current.

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 the reporting date. Based on the Group's best estimate of the outcome and estimated expenditure required to settle the obligation at the reporting date, the Group recorded an additional provision of $3,997 thousand in the current period relating to estimated unpaid duty and associated charges. In addition, $4,541 thousand foreign exchange movement (loss) was recorded due to the strengthening of the local currency Mexican Pesos against the US Dollar. The provisions made during the year comprised of $1,565 thousand recognised in the Statement of Profit or Loss and Other Comprehensive Income under 'Other expenses' and $2,432 thousand relating to tax credits recognised in the Statement of Financial Position under 'Receivables and other assets'.

27. LEASES

(a) Leases as lessee

The Group leases several 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.

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 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 year	9	(623)	(24)	(647)
Impairment loss for the year		(631)	-	(631)
Effect of movements in foreign exchange		2	-	2
Balance at 31 December 2022		7,564	67	7,631
Balance at 1 January 2023		7,564	67	7,631
Additions to right-of-use assets		10,738	571	11,309
Disposals to right-of-use assets		(11,583)	(39)	(11,622)
Depreciation charge for the year	9	(1,132)	(79)	(1,211)
Impairment loss for the year		(64)	(113)	(177)
Effect of movements in foreign exchange		4	(3)	1
Balance at 31 December 2023		5,527	404	5,931

27. LEASES (CONTINUED)

(ii) Lease Liabilities

In thousands of AUD	Note	Land & Buildings	Plant and Equipment	Total
Outstanding Liabilities				
Balance 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)
Effects of movements in foreign exchange		(6)	-	(6)
Balance at 31 December 2022		(13,036)	(567)	(13,603)
Balance at 1 January 2023		(13,036)	(567)	(13,603)
Additions of lease liabilities		(8,738)	(571)	(9,309)
Disposals of lease liabilities		11,583	61	11,644
Payments made		1,887	268	2,155
Interest expense		(606)	(29)	(635)
Effects of movements in foreign exchange		5	-	5
Balance at 31 December 2023		(8,905)	(838)	(9,743)

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 2023	31 December 2022
Less than one year	1,639	2,728
One to five years	9,161	9,466
More than five years	1,129	3,443
Total undiscounted lease liabilities at 31 December 2023	11,929	15,637

The Group's split between Current and Non-Current split for lease liabilities is shown below:

In thousands of AUD	31 December 2023	31 December 2022
Current	996	2,111
Non-current	8,747	11,492
Lease liabilities included in the consolidated statement of financial position	9,743	13,603

27. LEASES (CONTINUED)

(iii) Amounts recognised in profit or loss

In thousands of AUD	12 months ended 31 December 2023	6 months ended 31 December 2022
Interest on lease liabilities	(653)	(357)
Depreciation charge for the year	(1,211)	(647)
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	(91)	(38)

We have recognised $177 thousand in ROU Impairment through profit and loss (for the 12 months ended 31 December 2023.

(iv) Amounts recognised in statement of cash flows

In thousands of AUD	12 months ended 31 December 2023	6 months ended 31 December 2022
Total cash outflow for leases	(2,155)	(1,357)

(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. On 1 May 2023, the Group renewed the lease facility in Sydney, Australia, which resulted in a lease modification for a further 5 years which resulted in the end of the lease by June 2029. As a result, there was a modification to the lease liability and the right-of-use assets for this lease, resulting in a derecognition and re-recognition with an updated discount rate.

28. 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 (CEO), Ainsworth Game Technology Limited)
Mr GJ Campbell	Ms L Mah (Chief Financial Officer (CFO), Ainsworth Game Technology Limited), appointed on 1 January 2023
Mr CJ Henson	Mr D Bollesen (Chief Technology Officer (CTO), Ainsworth Game Technology Limited)
Ms H Scheibenstock	Mr R Comstock (Chief Operating Officer (COO), Ainsworth Game Technology Limited)
Dr HE Asenbauer (appointed 22 March 2023)	

(a) Key management personnel compensation

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

In AUD	12 months ended 31 December 2023	6 months ended 31 December 2022
Short-term employee benefits	3,693,936	1,469,000
Post-employment benefits	209,531	87,283
Share based payments	571,587	343,854
Other long-term benefits	104,517	82,443
	4,579,571	1,982,580

28. RELATED PARTIES (CONTINUED)

(b) Related party transactions and outstanding balances

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

In AUD	Note	Transactions value		Balance receivable/ (payable) as at 31 Dec	
Transaction		**12 months ended 31 December 2023**	**6 months ended 31 December 2022**	**31 December 2023**	**31 December 2022**
Sales to Novomatic and its related entities	*(i)*	40,798	55,714	15,904	454,813
Purchases from Novomatic and its related entities	*(i)*	3,058,757	407,884	(1,307,693)	(421,268)
Other charges made on behalf of Novomatic	*(i)*	435,604	-	169,105	-
Purchases and other charges made on behalf of the Group	*(i)*	173,119	1,125,073	(177,965)	(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 2023	31 December 2022
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Amount receivable from shareholder-controlled entities	185,009	454,813
Current trade and other payables		
Amount payable to shareholder-controlled entities	1,485,658	1,538,166

(c) Transactions with key management personnel

Payments of $126,667 were paid to Innovation of Business Pty Ltd on behalf of Ms HA Scheibenstock for services as a Non-Executive Director. The amount payable to Innovation of Business Pty Ltd as at 31 December 2023 is $2,000 (31 December 2022: $667).

29. INVESTMENTS IN FINANCIAL ASSETS

In thousands of AUD	31 December 2023	31 December 2022
Term deposit held in Colombia	379	304
Investment in financial instruments in Argentina	3,439	7,233
	3,818	7,537

During the year, the Group held two types of investments in Argentina:

- Investment in shares listed in Argentina stock exchange; and
- Investment in a non-bank lender within Argentina

These investments were a response to the introduction of increased limitations within Argentina to allow the transfer out of monies held in this region.

Investment in shares listed in Argentina stock exchange

During the current year, the Group invested in shares listed in the Argentina stock exchange to diversify its investment portfolio in Argentina and to mitigate further devaluation of the pesos against USD.

In thousands of AUD	12 months ended 31 December 2023	6 months ended 31 December 2022
Opening balance	-	-
Investment made	6,427	-
Gain made on share price movement	1,149	-
Effects of movements in foreign exchange	(4,137)	-
Closing balance	3,439	-

Investment in a non-bank lender within Argentina

The Group held investment amounting to $13,179 thousand at 31 December 2023 (prior to any expected credit loss recorded) in a non-bank lender within Argentina. The terms of the investments held in Argentina ranges from 60 days to 365 days with a fixed interest rate. These investments have been classified as current investments in financial assets in the condensed consolidated statement of financial position. These investments are measured at amortised cost. The investments within Argentina generated interest income of $3,336 thousand in the period (six months ended 31 December 2022: $2,623 thousand).

In August 2023, the Group was notified by the investment company that a reorganization petition had been filed by the trustee of the investments, following difficulties to meet with its payment obligations. Due to administrative delays in Court proceedings relating to the proposed reorganization petition and the ability to access any reliable information to assess recoverability, a full write-down of $13,179 thousand (six months ended 31 December 2022: $nil thousand) relating to this investment was included in 'Other Expenses' within the current year.

29. INVESTMENTS IN FINANCIAL ASSETS (CONTINUED)

As at 31 December 2023, there has been no indication that trigger a change in the current provision. As more information becomes available, the Group will reassess the recoverability of this investment in future periods.

In thousands of AUD	12 months ended 31 December 2023	6 months ended 31 December 2022
Opening balance	7,233	4,451*
Investment made	10,039	4,877
Withdrawal	(1,166)	-
Write down on funds in trust	(13,179)	-
Effects of movements in foreign exchange	(2,927)	(2,095)
Closing balance	-	7,233

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

30. SUBSEQUENT EVENTS

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

31. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company.

In AUD	12 months ended 31 December 2023	6 months ended 31 December 2022*
Deloitte Touche Tohmatsu Australia		
Audit and review of financial report	645,000	406,500
Other regulatory audit services	-	27,500
Total Deloitte Touche Tohmatsu Australia	645,000	434,000
Deloitte Touche Tohmatsu related practices		
Taxation and other services	729,436	60,750
Total Deloitte Touche Tohmatsu related practices	729,436	60,750
Total Remuneration of auditors	1,374,436	494,750

*For the comparative six months ended 31 December 2022, the Group's auditor was KPMG.