



Ainsworth Game Technology Ltd
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23 February 2022

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

ELECTRONIC LODGEMENT

Results for Half Year Ended 31 December 2021 –Appendix 4D Half Year Report

We attach a copy of the Appendix 4D and Interim Financial Report for the half year ended 31 December 2021 in respect of Ainsworth Game Technology Limited.

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

Yours faithfully

Mark Ludski
Company Secretary

Ainsworth Game Technology Limited

ABN 37 068 516 665

APPENDIX 4D

Half Year Report

Half Year Ended: 31 December 2021

Previous corresponding period: 31 December 2020

Results for announcement to the market

	Up/Down	% Change		Half Year Ended 31/12/21 A\$'000
Revenue from operating activities	Up	40%	to	100,691
Reported profit from ordinary activities after tax attributable to members	Up	118%	to	9,098
Net profit for the period attributable to the members	Up	118%	to	9,098
Dividend Information				
Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the half year ended 31 December 2021.				
NTA backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	\$0.61		\$0.55	

Entities where control was gained or lost

Ainsworth Game Technology did not gain or lose control over any entities during the half year ended 31 December 2021.

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

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

Ainsworth Game Technology Limited

ABN: 37 068 516 665

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS	PAGE
Directors' Report	3
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income or Loss	17
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	19
Notes to the Condensed Consolidated Interim Financial Statements	20
Directors' Declaration	33
Independent Auditor's Review Report to the Shareholders of Ainsworth Game Technology Limited	34
Lead Auditor's Independence declaration	36

DIRECTORS' REPORT

The directors of Ainsworth Game Technology Limited (the "Company") present their report together with the condensed consolidated financial statements of the Group comprising the Company and its subsidiaries for the six months ended 31 December 2021 ("H1 FY22") and the auditor's review report thereon.

DIRECTORS

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

Name	Period of Directorship
Mr Daniel Gladstone <i>Chairman and Non-Executive Director</i>	Director since 2010 and Chairman from 26 November 2019.
Mr Graeme Campbell <i>Lead Independent Non-Executive Director</i>	Director since 2007, Chairman from 2016 until 26 November 2019, Lead Independent Director from 26 November 2019.
Mr Colin Henson <i>Independent Non-Executive Director</i>	Director since 2013.
Mr Harald Neumann <i>Non-Executive Director</i>	Director since 2017. Resigned 21 December 2021.

REVIEW OF OPERATIONS

Business Strategy and COVID-19 Recovery

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.

Although it has been a challenging two years with the on-set of the COVID-19 pandemic for our operations, people, and business partners; Ainsworth is now purposefully a different company to the one it was before the pandemic. We have deliberately taken advantage of the opportunities available to us over the last year to become more streamlined, more efficient, and more competitive. We are well positioned for sustainable recovery and growth. This is evident through the delivery of improved results in this period of \$9.1 million profit after tax compared to (\$50.1) million loss after tax in the six months ended 31 December 2020 ("H1 FY21") and (\$3.3) million loss after tax in the six months ended 30 June 2021 ("H2 FY21").

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

- employing the best talent available to drive effective and efficient product development;
- grow the Group's footprint and operating activities in domestic and international markets, particularly North America;

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

- targeted investment in research and development to produce innovative products with leading edge technology;
- manage product and overhead costs through improved efficiencies in supply chain and inventory management; and
- pursue initiatives to continually improve and reduce investment in working capital.

The Group enters the second half of the 2022 fiscal year with a redefined group of executive leadership led by the recently appointed CEO, Mr Harald Neumann. 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. 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 during the recovery phase.

Earnings and Performance Summary

The Group's performance for the current period of H1 FY22 and prior periods of H1 FY21 and H2 FY21 is set out below. H2 FY21 financial results have also been included in the tables below as H2 FY21 is more representative of the Group's performance compared to H1 FY21 results where the majority of the Group's markets were closed and highly impacted by high cases of COVID-19. This combined with relatively low vaccination rates during H1 FY21 compared to H2 FY21 where the economic recovery from the pandemic was progressively improved.

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Reported Results					
Total Revenue	100.7	72.1	28.6	87.4	13.3
Profit / (loss) before tax	13.9	(56.6)	70.5	(2.6)	16.5
Profit / (loss) after tax	9.1	(50.1)	59.2	(3.3)	12.4
EBITDA	24.6	(36.8)	61.4	10.2	14.4
EBIT	13.8	(55.9)	69.7	(2.0)	15.8
Earnings per share (fully diluted)	2.7 cents	(14.9 cents)	17.6 cents	(1.0 cents)	3.7 cents
Underlying Results ⁽¹⁾					
Profit / (loss) before tax	10.0	(18.7)	28.7	1.6	8.4
Profit / (loss) after tax	6.1	(16.8)	22.9	(0.8)	6.9
EBITDA	20.7	1.1	19.6	14.4	6.3
Balance sheet and cash flow					
Total assets	381.4	389.4	(8.0)	393.1	(11.7)
Net assets	301.7	289.2	12.5	287.9	13.8
Operating Cashflow	31.0	2.4	28.6	19.8	11.2
Closing net cash / (debt)	32.2	(15.5)	47.7	5.1	27.1

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

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

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

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Reconciliation:					
Profit / (loss) before tax	13.9	(56.6)	70.5	(2.6)	16.5
Net interest (income) / expense	(0.1)	0.7	(0.8)	0.6	(0.7)
Depreciation and amortisation	10.8	19.1	(8.3)	12.2	(1.4)
Reported EBITDA	24.6	(36.8)	61.4	10.2	14.4
Foreign currency (gains) / losses	(3.5)	13.4	(16.9)	(1.9)	(1.6)
Impairment losses (LATAM CGU)	-	23.2	(23.2)	1.5	(1.5)
Impairment losses (Australia and Other CGU)	-	-	-	8.0	(8.0)
Impairment losses (Receivables)	-	6.0	(6.0)	3.0	(3.0)
JobKeeper subsidies	-	(4.2)	4.2	-	-
Gain on LV parcel of land sale	-	-	-	(3.3)	3.3
US Employment Retention Tax Credit (ERTC)	-	-	-	(3.1)	3.1
Rent concessions	(0.4)	(0.5)	0.1	-	(0.4)
Underlying EBITDA	20.7	1.1	19.6	14.4	6.3

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

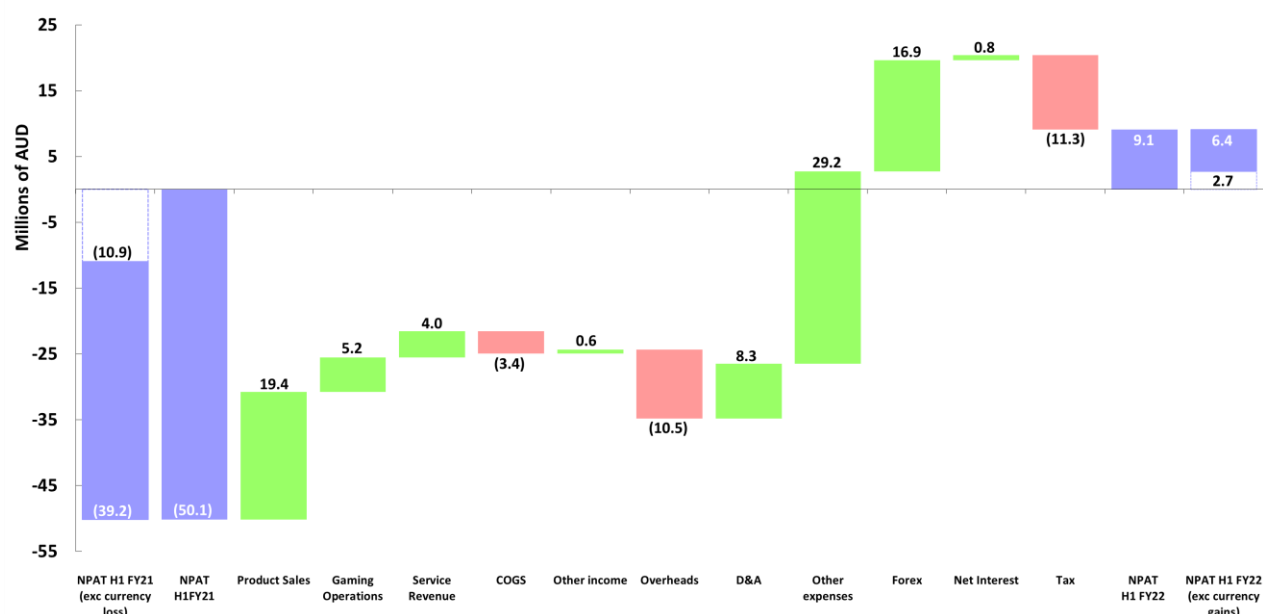
Key earnings and performance highlights are outlined below:

- Reported revenue improvement in this period compared to the last two six month periods, predominantly attributable to the Latin America region as the market recovers;
- 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 \$7.4 million reported in H1 FY22;
- Sale of 400 HHR units to Kentucky Downs in H1 FY22;
- Outright sales momentum continued across all major markets;
- Net cash position of \$32.2 million at 31 December 2021 compared to \$5.1 million at 30 June 2021. Strong cash flows allowed loan repayment of \$24.4 million (US\$18.0 million) in H1 FY22;
- Lower trade receivables balances as customers recommence payments as their operations reopen and resume to more normalised levels, contributing to improvement in working capital;
- Foreign exchange positively contributed to the results by \$16.9 million as a result of strengthening of the US Dollar against the Australian Dollar at reporting date; and
- Underlying EBITDA margin for the period improved to 21%.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Net Profit After Tax movement H1 FY21 to H1 FY22 (A\$ million)



Profit after tax excluding effects of foreign currency of \$6.4 million for the period represented an improvement on the (\$39.2) million loss in H1 FY21 and (\$5.0) million loss in H2 FY21. This was largely driven by improvements in gross profit contributions from all markets. Gross profit for the period was 63% compared to 52% and 59% in H1 FY21 and H2 FY21 respectively. Notable movements from NPAT in this period when compared to H1 FY21 are set below:

- Increase in Class III product sales in North America, Latin America and Australia;
- Increase in Class II product sales in North America;
- Increase in gaming operations revenue contribution from Latin America as customers are resuming their operations to more normalised levels in quarter 2 of FY22;
- Increase in overheads resulting from no COVID-19 government assistance recognised in this period as well as increased selling expenses in relation to higher sales recognised during H1 FY22 and incurred expenses in relation to tradeshows;
- Decrease in depreciation and amortisation (D&A) resulting from no D&A expenses recognised for assets that were fully impaired in 'Australia and other' and 'Latin America' CGU's in prior periods;
- No impairment expenses recognised relating to recoverability of CGU's carrying value in this period;
- Tax expense of (\$4.8) million recognised for the period, compared to \$6.5 million tax benefit recognised in H1 FY21; and
- Favourable foreign exchange rate predominately relating to balance sheet translation originated from investment in the Americas.

DIRECTORS' REPORT

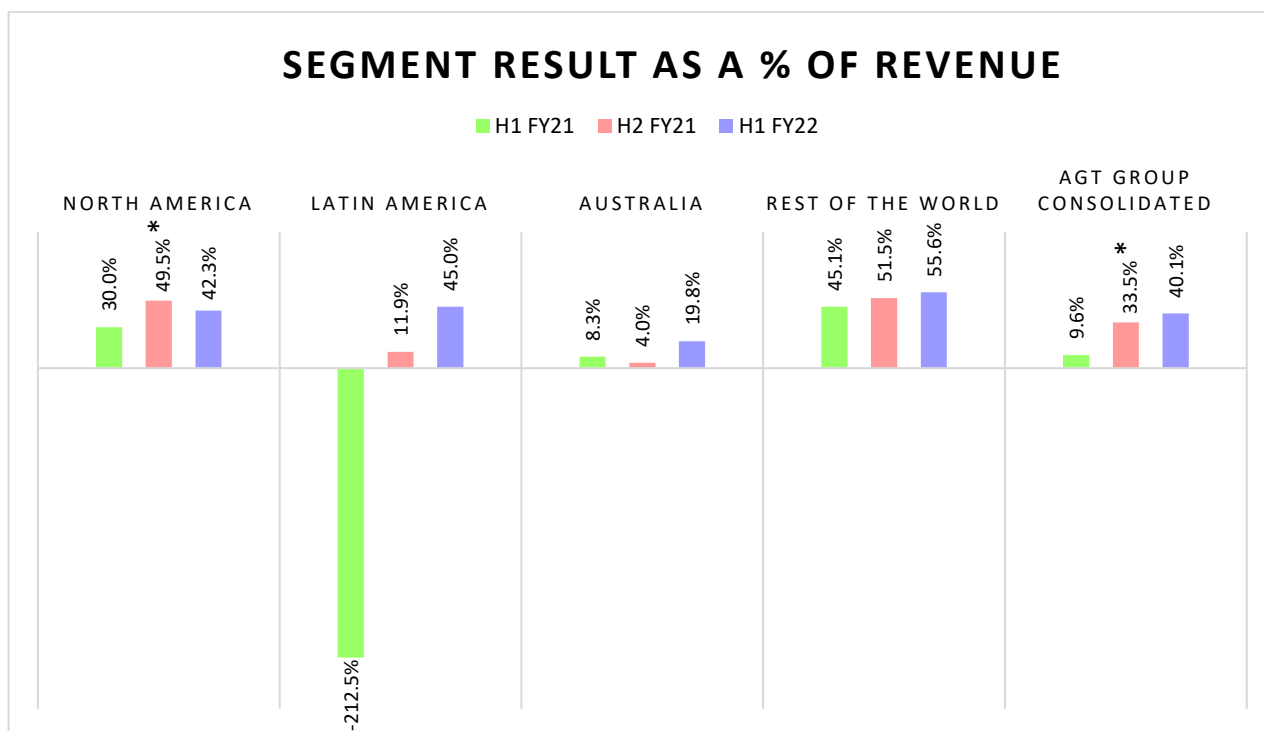
REVIEW OF PRINCIPAL BUSINESSES

Results in the H1 FY22 and prior periods are summarised as follows:

	H1 FY22	H1 FY21	Current Period vs H1 FY21	H2 FY21	Current Period vs H2 FY21
<i>In millions of AUD</i>					
Segment revenue					
Australia and Rest of the World					
Australia	16.7	19.2	(2.5)	19.8	(3.1)
Rest of the World	7.2	7.1	0.1	6.6	0.6
<i>Total Australia and Rest of the World</i>	23.9	26.3	(2.4)	26.4	(2.5)
Americas					
North America	54.6	41.0	13.6	47.5	7.1
Latin America	22.2	4.8	17.4	13.5	8.7
<i>Total Americas</i>	76.8	45.8	31.0	61.0	15.8
Total segment revenue	100.7	72.1	28.6	87.4	13.3
Segment result					
Australia and Rest of the World					
Australia	3.3	1.6	1.7	0.8	2.5
Rest of the World	4.0	3.2	0.8	3.4	0.6
<i>Total Australia and Rest of the World</i>	7.3	4.8	2.5	4.2	3.1
Americas					
North America	23.1	12.3	10.8	26.8	(3.7)
Latin America	10.0	(10.2)	20.2	1.6	8.4
<i>Total Americas</i>	33.1	2.1	31.0	28.4	4.7
Total segment result	40.4	6.9	33.5	32.6	7.8
Unallocated expenses					
Net foreign currency gains / (losses)	3.5	(13.4)	16.9	1.9	1.6
R&D expenses	(18.0)	(16.6)	(1.4)	(16.8)	(1.2)
Corporate expenses	(10.9)	(9.3)	(1.6)	(9.5)	(1.4)
Other expenses	-	(23.1)	23.1	(9.6)	9.6
Total unallocated expenses	(25.4)	(62.4)	37.0	(34.0)	8.6
Less : interest included in segment result	(1.2)	(0.4)	(0.8)	(0.6)	(0.6)
EBIT	13.8	(55.9)	69.7	(2.0)	15.8
Net interest income / (expense)	0.1	(0.7)	0.8	(0.6)	0.7
Profit / (loss) before income tax	13.9	(56.6)	70.5	(2.6)	16.5
Income tax (expense) / benefit	(4.8)	6.5	(11.3)	(0.7)	(4.1)
Profit / (loss) after income tax	9.1	(50.1)	59.2	(3.3)	12.4

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)



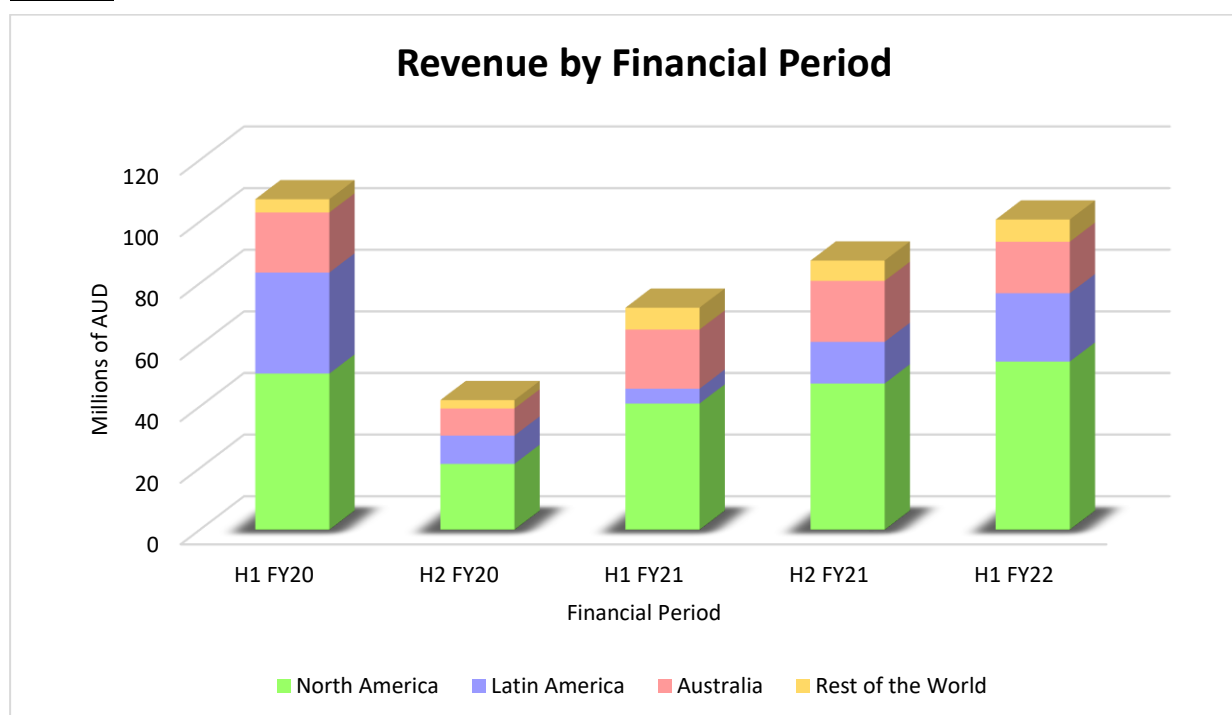
* H2 FY21 North America 49.5% adjusted for one-off profit on sale of land of A\$3.3 million.

The earnings performance in the Americas now represents 82% (\$33.1 million) of the total segment result compared to 30% (\$2.1 million) in H1 FY21. The significant uplift in the Americas contribution to the total segment result was a result of the improvement in the Latin America market as this region progressively reopened in the last quarter of calendar year 2021 after a pro-longed customer venue closures and restrictions in place driven by COVID-19. The majority of the Group's customers within this region have now resumed their operations and returning to more normalised levels. Latin America contributed \$10.0 million segment profit in H1 FY22, compared to (\$10.2) million segment loss in H1 FY21.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Revenue



Ainsworth's key market, North America, continues to show strong revenue contribution of \$54.6 million in revenue representing 54% of the Group's total revenue. HHR high performing products continue to positively contribute to revenues within this segment. 400 HHR units which were previously placed on participation arrangement in Kentucky Downs were converted to sale during H1 FY22. As at 31 December 2021, 4,325 HHR units were connected to Ainsworth's HHR system generating recurring revenue, an increase of 1,606 units on the 2,719 HHR units as at 31 December 2020. MTD has continued to positively contribute to the North America segment profit and provides future growth in premium performing Poker, Keno and Video Reel content.

The Latin America segment has been adversely impacted by the COVID-19 pandemic where there were restrictions placed on our customers operations. However, as the Latin America market reopens and progressively recovers from the effects of COVID-19, this segment has shown positive signs with revenue increasing in H1 FY22 compared to the preceding periods. This segment generated \$22.2 million of revenue, an increase of 363% on the \$4.8 million in H1 FY21 and an increase of 64% on the \$13.5 million in H2 FY21. It is expected that as the regions within this segment continue to recover with higher vaccination rates and further lifting of government restrictions, revenue and segment profit will increase in future periods.

Australia showed a decline in revenue of 13% compared to H1 FY21 due to the spread of Delta strain of COVID-19 that prompted lockdowns and restrictions during the period, which affected customer operations and capital spent during this period.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Rest of the World revenue remained fairly consistent compared to H1 FY21 with an increase of only 1% and an increase of 9% compared to H2 FY21. Included in the Rest of the World revenue is online revenue of \$3.7 million compared to the \$3.0 million at H1 FY21 and \$2.9 million at H2 FY21. The increase in the online revenue is attributable to the execution of a 5-year partnership with GAN Limited ("GAN") on 1 July 2021. As the Michigan and Pennsylvania gaming server certification approvals were obtained only in November 2021, one month's revenue recognition relating to these two states was reflected in the results. As all three markets under the GAN agreement have now been certified, it is expected that GAN's revenue contribution to online will increase in future periods.

Cost of sales and operating costs

Gross margin of 63% was achieved in this period compared to 53% in H1 FY21, an increase of 10%. The improvement in margin is mainly from the improvement in fixed production overhead recovery as more units were produced and sold during this period.

Operating costs, excluding cost of sales, other expenses, impairment of trade receivables, and financing costs for H1 FY22 were \$53.9 million compared to \$51.8 million in H1 FY21, an increase of 4%. On a constant currency basis, the operating costs are on similar level. These operating costs over total revenue is 54% compared to 72% in H1 FY21. The implementation of cost minimisation measures initiated from prior periods have been maintained to ensure maximum return on expenditure.

Sales, service and marketing (SSM) expenses in H1 FY22 were \$25.0 million, which is fairly consistent when compared to \$25.9 million in H1 FY21. As the Group's major markets, North America, Latin America and Australia, reopen and continue to recover from COVID-19, better leverage of fixed costs within SSM has been achieved, contributing to overall improvement in segment profit.

Research and development (R&D) expenses in H1 FY22 were \$18.0 million compared to \$16.6 million in H1 FY21, an increase of 8%. Increase in R&D expenses were mainly attributable to an increase in personnel costs as no government assistance such as JobKeeper subsidies in Australia were received, however; savings achieved through initiatives implemented in prior periods to create a more streamlined and efficient R&D workforce are still in place.

Administration costs were \$10.9 million in H1 FY22, an increase of 17% compared to the \$9.3 million in H1 FY21. This increase was due to no JobKeeper subsidies in Australia were recognised during this period. Cost control initiatives are continually being implemented to ensure that administration costs remain relevant to the Group's overall profitability.

Financing income and loss

Net financing income was \$3.6 million in H1 FY22, compared to a net financing loss of (\$14.1) million in H1 FY21. This favourable movement of \$17.7 million was a result of net foreign exchange gain of \$3.5 million recognised in H1 FY22 (H1 FY21: net foreign exchange loss of (\$13.4) million), a favourable change of \$16.9 million. The favourable change in the foreign currency movement is due to the strengthening of the US dollar against AU dollar resulting in favourable valuation on US dollar denominated balance sheet items.

Interest income on trade receivables, predominantly from Latin America, was \$1.2 million recognised in H1 FY22 compared to \$0.4 million in H1 FY21, a favourable change of \$0.8 million.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Segment review

▪ North America

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Revenue	54.6	41.0	13.6	47.5	7.1
Gross Profit	36.8	26.1	10.7	34.0	2.8
Segment EBITDA	28.4	18.6	9.8	32.2	(3.8)
Segment Profit	23.1	12.3	10.8	26.8	(3.7)
Segment Profit (%)	42%	30%	12%	56%	(14%)

North America segment profit increased by 88% to \$23.1 million compared to H1 FY21, driven by higher outright unit sales (1,175 units compared to 876 units) achieved during this period which included the 400 HHR units sales to Kentucky Downs. The segment profit in H2 FY21 includes a one-off gain on sale of land of \$3.3 million. Excluding this gain, the segment profit in H1 FY22 is similar to H2 FY21. Participation and lease revenue was \$16.4 million, consistent with H1 FY21 but a decrease of 27% on H2 FY21. The decrease was driven by the drop in the total gaming operation units for Class II machines during the period, predominantly resulting from the 400 HHR unit sales to Kentucky Downs that was converted to sales from a participation arrangement. Segment profit over revenue increased by 12% compared to H1 FY21, driven by higher average selling price and improved production overhead recovery as more units are produced and sold. Key game titles from the high denomination game suites, particularly the Quick Spin range, drove sales momentum. High performing HHR products continue to contribute to the revenue growth in this segment.

The average fee per day for H1 FY22 was US\$32, a drop from the US\$37 for year ending 30 June 2021. This resulted from the reduction in the number of Class II machines in the installed base which contributed a higher average fee per day compared to Class III machines.

During the period, 106 machines and 530 conversion kits were sold in MTD markets. During the period, certification for MTD products was approved in California. The certification in Nevada which was initially expected to be completed by late calendar year 2021 is now expected to occur in the second quarter of calendar year 2022 with field tests now being progressed.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

▪ Latin America

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Revenue	22.2	4.8	17.4	13.5	8.7
Gross Profit	15.0	2.6	12.4	8.5	6.5
Segment EBITDA	9.3	(5.4)	14.7	1.1	8.2
Segment Profit / (Loss)	10.0	(10.2)	20.2	1.6	8.4
Segment Profit / (Loss) (%)	45%	(213%)	258%	12%	33%

The significant uplift in the Latin America segment revenue and profit is driven by market re-opening in last quarter of calendar year 2021. Of the 889 machines AGT sold in the period, 39% were reconditioned units. As these markets increase vaccination rates, it is expected that government restrictions will be further eased within H2 FY22 and additional revenue opportunities can be expected as previously deferred purchasing decisions are progressed across the region.

At 31 December 2021, 3,241 units of the 4,091 total game operations installed based were operating compared to 2,713 units at 30 June 2021 and 2,163 units at 31 December 2020. The progressive increase in number of machines operating reflects the incremental contribution of participation and lease revenue reported compared to preceding periods. Machines under game operations contributed \$7.5 million revenue in H1 FY22 compared to \$4.8 million at H2 FY21 and \$2.0 million at H1 FY21. More machines are anticipated to resume operations as it is expected that government restrictions will further ease.

▪ Australia

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Revenue	16.7	19.2	(2.5)	19.8	(3.1)
Gross Profit	6.6	5.3	1.3	5.3	1.3
Segment EBITDA	3.8	3.3	0.5	2.1	1.7
Segment Profit	3.3	1.6	1.7	0.8	2.5
Segment Profit (%)	20%	8%	12%	4%	16%

Operational challenges and extended lock downs in New South Wales and other states within Australia has impacted Australia's revenue. Revenue in Australia decreased by 13% compared to H1 FY21, predominately from New South Wales and South Australia. Servicing revenues, which are primarily derived from maintenance contracts in NSW were also impacted by government restrictions and venue closures during the first quarter. Queensland's revenue contribution increased by 50% following the success of the Cash Stacks game in this state. Increase in corporate sales within Victoria in H1 FY22 resulted in an increase of revenue by 31% compared to H1 FY21.

Despite the lower revenue recorded during this period, an improvement in segment profit was achieved due to reduced depreciation expenses relating to assets that were fully written down at 30 June 2021. Gross profit of 40% also contributed to an improved segment result as no significant write down of inventories carrying value was recognised in this period.

DIRECTORS' REPORT

REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

▪ Rest of the World ("ROW")

<i>In millions of AUD</i>	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
Revenue	7.2	7.1	0.1	6.6	0.6
Gross Profit	4.7	3.8	0.9	4.0	0.7
Segment EBITDA	4.1	3.5	0.6	3.6	0.5
Segment Profit	4.0	3.2	0.8	3.4	0.6
Segment Profit (%)	56%	45%	11%	52%	4%

The revenue increase from this segment is predominantly from the online division, contributing 51% of its total revenue. The Asia market remains challenging as this region is continually being impacted by COVID-19 with border closures. New Zealand was in lockdown between August to December 2021 which further impacted this region's revenue contribution for this period.

Similar to the Australian segment, the improved segment profit of 56% compared to H1 FY21 and H2 FY21 resulted from no significant write-down of inventories carrying value recognised in this period.

The online revenue of \$3.7 million reflects a portion of the revenue contribution from GAN following the execution of GAN's partnership with Ainsworth on 1 July 2021. This partnership with GAN continues to progress well as the certification of gaming servers in the remaining two states, i.e. Michigan and Pennsylvania was obtained during this period. As the certification of these two states only occurred in November 2021, the revenue contribution from GAN in H1 FY22 does not represent a full six-months revenue figure from GAN. It is expected that the revenue contribution from GAN will increase in future periods.

REVIEW OF FINANCIAL CONDITION

Capital structure and treasury policy

The Company currently has on issue 336,793,929 ordinary shares. The Board continues to ensure a strong capital base is maintained to enable investment in the development of the business. Group performance is monitored to oversee an acceptable return on capital is achieved and dividends are able to be provided to ordinary shareholders 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.

DIRECTORS' REPORT

REVIEW OF FINANCIAL CONDITION (CONTINUED)

Cash flows

The movement in cash is set out as below:

	H1 FY22	H1 FY21	Current period vs H1 FY21	H2 FY21	Current period vs H2 FY21
<i>In millions of AUD</i>					
EBITDA	24.6	(36.8)	61.4	10.2	14.4
Change in working capital	9.1	(17.8)	26.9	1.3	7.8
Subtotal	33.7	(54.6)	88.3	11.5	22.2
Interest and tax	(0.1)	(0.4)	0.3	2.8	(2.9)
Significant items (non-cash)	2.0	58.9	(56.9)	7.4	(5.4)
Other cash and non-cash movements	(4.6)	(1.5)	(3.1)	(1.9)	(2.7)
Operating cash flow	31.0	2.4	28.6	19.8	11.2
<i>In millions of AUD</i>					
Operating cash flow	31.0	2.4	28.6	19.8	11.2
Capex	(0.8)	(0.7)	(0.1)	(1.5)	0.7
Development expenditure	(2.4)	(1.1)	(1.3)	(1.2)	(1.2)
Proceeds from sale of PPE	-	0.1	(0.1)	5.4	(5.4)
Investing cash flow	(3.2)	(1.7)	(1.5)	2.7	(5.9)
Proceeds from borrowings	0.3	0.4	(0.1)	36.2	(35.9)
Repayment of borrowings	(24.5)	(0.1)	(24.4)	(39.1)	14.6
Proceeds from finance lease liabilities	0.4	0.2	0.2	0.9	(0.5)
Repayment from finance lease liabilities	(0.6)	(0.6)	-	(1.2)	0.6
Borrowing costs paid	(1.0)	(0.9)	(0.1)	(1.3)	0.3
Financing cash flow	(25.4)	(1.0)	(24.4)	(4.5)	(20.9)
Net increase / (decrease) in cash	2.4	(0.3)	2.7	18.0	(15.6)

The Group continues to generate positive cash flows from operating activities. Net cash inflows from operations for H1 FY22 were \$31.0 million, an increase of \$28.6 million compared to H1 FY21. This was mainly attributable to the increase in debtors' collections as a result of higher sales during this period and recommencement of payments from Latin America customers.

Liquidity and funding

AGT had cash balances at 31 December 2021 of \$46.3 million, compared to \$42.4 million at 30 June 2021. Net cash at 31 December 2021 was \$32.2 million, compared to net cash of \$5.1 million at 30 June 2021.

The Group maintained strong overall liquidity and balance sheet over the reporting period. The debt position as at 31 December 2021 predominately relates to the US\$10 million loan utilisation from the Western Alliance Bancorporation (WAB) US\$35 million facility. US\$18 million of the loan was repaid during this period.

Under the WAB facility, the Company's US-based operating subsidiary, Ainsworth Game Technology Inc., acts as the borrower and party to the relevant credit agreements while its parent entities within the AGT Group of companies, AGT Pty Ltd and Ainsworth Game Technology Limited, serve as guarantors. This facility imposes certain customary financial covenants which includes minimum liquidity, total leverage and fixed charge coverage ratios measured on a quarterly and annually basis.

DIRECTORS' REPORT

REVIEW OF FINANCIAL CONDITION (CONTINUED)

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

The Group continues to work with regulatory authorities to ensure that the necessary product approvals to support its operations within global markets are granted on a timely and cost-effective basis. The granting of such licenses will allow the Group to expand its operations. The Group aims to conduct its business worldwide in jurisdictions where gaming is legal and commercially viable. Accordingly, the Group is subject to licensing and other regulatory requirements of those jurisdictions.

The Group's ability to operate in existing and new jurisdictions could be adversely impacted by new or changing laws or regulations and delays or difficulties in obtaining or maintaining approvals and licenses.

EVENTS SUBSEQUENT TO REPORTING DATE

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 36 and forms part of the directors' report for the six months ended 31 December 2021.

ROUNDING OFF

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

Signed in accordance with a resolution of the directors:



Danny Gladstone
Chairman

Dated at Sydney this 23rd day of February 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
In thousands of AUD

	Note	31-Dec-21	30-Jun-21
Assets			
Cash and cash equivalents		46,253	42,393
Receivables and other assets		73,956	82,501
Current tax assets		2,852	1,874
Inventories		55,660	56,116
Prepayments		8,559	8,873
Total current assets		187,280	191,757
Receivables and other assets	12	29,567	33,944
Deferred tax assets	9	9,145	12,246
Property, plant and equipment	11	67,521	66,735
Right-of-use assets	11	9,169	9,475
Intangible assets	11	78,709	78,989
Total non-current assets		194,111	201,389
Total assets		381,391	393,146
Liabilities			
Trade and other payables		28,610	34,757
Loans and borrowings	13	237	52
Lease liabilities		2,145	1,824
Employee benefits		9,192	8,406
Deferred income	14	6,575	844
Current tax liability		1,409	-
Provisions		787	833
Total current liabilities		48,955	46,716
Trade and other payables	12	3,292	6,472
Loans and borrowings	13	13,782	37,240
Lease liabilities	12	12,674	13,532
Employee benefits		509	493
Deferred tax liabilities		521	760
Total non-current liabilities		30,778	58,497
Total liabilities		79,733	105,213
Net assets		301,658	287,933
Equity			
Share capital		207,709	207,709
Reserves		128,116	119,933
Accumulated losses		(34,167)	(39,709)
Total equity		301,658	287,933

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS
For the six months ended 31 December 2021
In thousands of AUD

	Note	31-Dec-21	31-Dec-20
Revenue	6	100,691	72,073
Cost of sales		(37,652)	(34,247)
Gross profit		63,039	37,826
Other income		1,230	644
Sales, service and marketing expenses		(25,049)	(25,930)
Research and development expenses		(17,984)	(16,564)
Administrative expenses		(10,898)	(9,327)
Impairment of trade receivables	8	-	(6,045)
Other expenses		-	(23,147)
Results from operating activities		10,338	(42,543)
Finance income		4,639	386
Finance costs		(1,121)	(14,456)
Net finance income / (costs)		3,518	(14,070)
Profit / (loss) before tax		13,856	(56,613)
Income tax (expense) / benefit	9	(4,758)	6,558
Profit / (loss) for the year		9,098	(50,055)
Other comprehensive income / (loss)			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		4,567	(15,540)
Total other comprehensive income / (loss)		4,567	(15,540)
Total comprehensive income / (loss) for the year		13,665	(65,595)
Profit / (loss) attributable to owners of the Company		9,098	(50,055)
Total comprehensive profit / (loss) attributable to the owners of the Company		13,665	(65,595)
Earnings per share:			
Basic earnings per share (AUD)		\$ 0.03	\$ (0.15)
Diluted earnings per share (AUD)		\$ 0.03	\$ (0.15)

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

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 2020	207,709	4,879	9,684	23,145	122,760	(13,622)	354,555
Total comprehensive loss for the period							
Loss	-	-	-	-	-	(53,409)	(53,409)
Transfer between reserves	-	-	-	-	(27,322)	27,322	-
Other comprehensive loss							
Foreign currency translation reserve	-	-	-	(13,638)	-	-	(13,638)
Total other comprehensive loss	-	-	-	(13,638)	-	-	(13,638)
Total comprehensive loss for the period	-	-	-	(13,638)	(27,322)	(26,087)	(67,047)
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	425	-	-	-	-	425
Total transactions with owners	-	425	-	-	-	-	425
Balance at 30 June 2021	207,709	5,304	9,684	9,507	95,438	(39,709)	287,933
Balance at 1 July 2021	207,709	5,304	9,684	9,507	95,438	(39,709)	287,933
Total comprehensive income for the period							
Profit	-	-	-	-	-	9,098	9,098
Transfer between reserves	-	-	-	-	3,556	(3,556)	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	4,567	-	-	4,567
Total other comprehensive income	-	-	-	4,567	-	-	4,567
Total comprehensive income for the period	-	-	-	4,567	3,556	5,542	13,665
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	60	-	-	-	-	60
Total transactions with owners	-	60	-	-	-	-	60
Balance at 31 December 2021	207,709	5,364	9,684	14,074	98,994	(34,167)	301,658

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
For the six months ended 31 December 2021
In thousands of AUD

	<i>Note</i>	31-Dec-21	31-Dec-20
Cash flows from operating activities			
Cash receipts from customers		118,694	61,762
Cash paid to suppliers and employees		(87,544)	(58,949)
Cash generated from operations		31,150	2,813
Interest received		1,183	384
Income taxes paid		(1,295)	(756)
Net cash from operating activities		31,038	2,441
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		14	54
Interest received		1	2
Acquisitions of property, plant and equipment		(844)	(679)
Development expenditure		(2,350)	(1,135)
Net cash used in investing activities		(3,179)	(1,758)
Cash flows used in financing activities			
Borrowing costs paid		(976)	(926)
Proceeds from borrowings		300	371
Repayment of borrowings		(24,493)	(88)
Proceeds from finance lease		395	193
Payment of lease liabilities		(638)	(569)
Net cash used in financing activities		(25,412)	(1,019)
Net increase / (decrease) in cash and cash equivalents		2,447	(336)
Cash and cash equivalents at 1 July		42,393	26,543
Effect of exchange rate fluctuations on cash held		1,413	(2,254)
Cash and cash equivalents at 31 December		46,253	23,953

The notes on pages 20 to 32 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Ainsworth Game Technology Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is 10 Holker Street, Newington, NSW, 2127. The condensed consolidated interim financial statements as at and for the six months ended 31 December 2021 comprised of the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’). The Group is for-profit entity and primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 is available upon request from the Company’s registered office at 10 Holker Street, Newington, NSW, 2127 or at www.agtslots.com.

2. BASIS OF PREPARATION

Statement of Compliance

These interim financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with the International Accounting Standards (IAS) 34 *Interim Financial Reporting*.

These interim financial statements do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2021.

These interim financial statements were approved by the Board of Directors on 23 February 2022.

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 condensed consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Judgements and Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions including the ongoing COVID-19 pandemic implications that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

3. CHANGES IN NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2021, and early adoption is permitted. However, there are currently no new standards, amendments to standards or accounting interpretations that are expected to affect the Group’s consolidated financial statements in future periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2021.

5. OPERATING SEGMENTS

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

Information reported to the Group's Chief Executive Officer (CEO) as the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographical location of customers of gaming machines. As such, the Group's reportable segments are as follows:

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

Performance of each reportable segment is based on segment revenue and segment result as included in internal management reports that are reviewed by the Group's CEO. Segment results includes segment revenues and expenses that are directly attributable to the segment, which management believes is the most relevant approach in evaluating segment performance. The revenue from external parties reported to the CEO is measured in a manner consistent within the condensed consolidated statement of profit or loss and other comprehensive income or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. OPERATING SEGMENTS (CONTINUED)

FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

	----- Australia and other -----							Total			
<i>In thousands of AUD</i>	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other	Australia and Other	North America	Latin America	Total
Reportable segment revenue	6,456	5,389	2,492	2,338	623	1,541	5,081	23,920	54,585	22,186	100,691
Result											
Segment result	398	1,318	741	829	125	428	3,437	7,276	23,124	10,002	40,402
Interest revenue not allocated to segments											-
Interest expense											(1,121)
Foreign currency gain											3,457
R & D expenses											(17,984)
Corporate and administrative expenses											(10,898)
Other expenses not allocated to segments											-
Profit before tax											13,856
Income tax expense											(4,758)
Net profit after tax											9,098

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. OPERATING SEGMENTS (CONTINUED)

FOR THE SIX MONTHS ENDING 31 DECEMBER 2020

<i>In thousands of AUD</i>	----- Australia and other -----							Total			Total
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other	Australia and Other	North America	Latin America	
Reportable segment revenue	10,013	3,587	1,895	3,732	756	1,590	4,700	26,273	41,034	4,766	72,073
Result											
Segment result	312	(98)	396	953	95	112	3,014	4,784	12,298	(10,203)	6,879
Interest revenue not allocated to segments											2
Interest expense											(1,065)
Foreign currency loss											(13,391)
R & D expenses											(16,564)
Corporate and administrative expenses											(9,327)
Other expenses not allocated to segments											(23,147)
Loss before tax											(56,613)
Income tax benefit											6,558
Net loss after tax											(50,055)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. REVENUE

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

Disaggregation of Revenue

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

FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

	----- Australia and other -----							Total Australia and Other	North America	Latin America	Total
<i>In thousands of AUD</i>	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other				
Major products/service lines											
Machine and part sales	4,279	4,693	2,086	1,649	623	1,541	1,425	16,296	27,494	14,481	58,271
Multi element arrangements	562	696	406	689	-	-	-	2,353	-	-	2,353
Sale type leases	-	-	-	-	-	-	-	-	522	-	522
Rendering of services	1,615	-	-	-	-	-	-	1,615	8,296	-	9,911
License income	-	-	-	-	-	-	3,656	3,656	1,868	194	5,718
Rental and participation	-	-	-	-	-	-	-	-	16,405	7,511	23,916
	6,456	5,389	2,492	2,338	623	1,541	5,081	23,920	54,585	22,186	100,691
Timing of revenue recognition											
Products and services transferred at a point in time	4,832	5,381	2,477	2,338	623	1,541	1,425	18,617	28,203	14,450	61,270
Products and services transferred over time	1,624	8	15	-	-	-	3,656	5,303	26,382	7,736	39,421
	6,456	5,389	2,492	2,338	623	1,541	5,081	23,920	54,585	22,186	100,691

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

FOR THE SIX MONTHS ENDING 31 DECEMBER 2020

	----- Australia and other-----							Total Australia and Other	North America	Latin America	Total
<i>In thousands of AUD</i>	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other				
Major products/service lines											
Machine and part sales	6,183	2,795	1,337	3,018	756	1,590	2,566	18,245	16,546	2,094	36,885
Multi element arrangements	1,551	792	558	714	-	-	-	3,615	-	-	3,615
Sale type leases	-	-	-	-	-	-	-	-	251	-	251
Rendering of services	2,279	-	-	-	-	-	-	2,279	3,638	-	5,917
License income	-	-	-	-	-	-	2,134	2,134	4,187	409	6,730
Rental and participation	-	-	-	-	-	-	-	-	16,412	2,263	18,675
	10,013	3,587	1,895	3,732	756	1,590	4,700	26,273	41,034	4,766	72,073
Timing of revenue recognition											
Products and services transferred at a point in time	7,710	3,574	1,854	3,731	756	1,590	2,566	21,781	16,797	2,086	40,664
Products and services transferred over time	2,303	13	41	1	-	-	2,134	4,492	24,237	2,680	31,409
	10,013	3,587	1,895	3,732	756	1,590	4,700	26,273	41,034	4,766	72,073

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INVENTORIES

Write-down of Inventories

During the six months ended 31 December 2021, the write-down of inventories to net realisable value amounted to \$2,283 thousand (six months ended 31 December 2020: \$3,399 thousand). The write down in this period related to older style cabinets, mainly the A560 series cabinets. With the increased uptake of the A-Star series cabinets in the market, management assessed the saleability of these cabinets, also incorporating the effects of COVID-19 pandemic, and has determined it was necessary to write down these inventories to their net realisable value.

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

8. IMPAIRMENT OF TRADE RECEIVABLES

The Group's provision for doubtful debts was \$11,795 thousand as at 31 December 2021 which is materially consistent with the prior corresponding period (31 December 2020: \$10,912 thousand).

At 31 December 2020, due to the adverse impacts of COVID-19 pandemic in certain regions where the Group's trade receivables operate; management reassessed its expected credit loss matrix provision to incorporate additional risks resulting from the pandemic. This remeasurement of expected credit losses resulted in significant recognition of net impairment losses for trade receivable (\$6,045 thousand), particularly for the Latin America region receivables.

Latin America region customers remain to have the highest concentrated credit risk by geographic region for the Group as at 31 December 2021 due to the nature of credit term offerings and economic conditions coupled with the pro-longed COVID-19 lockdowns and restrictions. However, as the Latin America market reopens and most customers are able to resume operations to more normalised levels and recommencing payments to the Group; no additional significant risks were identified, which resulted in no recognition of additional impairment losses during this period.

9. INCOME TAXES

Management has assessed that the carrying amount of deferred tax assets of \$9,145 thousand (six months ended 31 December 2020: \$10,334 thousand) can be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

The Group's consolidated effective tax rate for the six months ended 31 December 2021 is 34.3% (six months ended 31 December 2020: 11.6%). The 11.6% effective tax rate in the prior corresponding period was a result of not recognising the tax losses in the Latin America entities.

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2021, the Group capitalised assets with a cost of \$8,117 thousand (six months ended 31 December 2020: \$12,864 thousand).

Included in the \$8,117 thousand are assets with a cost of \$6,978 thousand (six months ended 31 December 2020: \$11,645 thousand) associated with gaming products under rental and participation arrangements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In addition, \$4,040 thousand (six months ended 31 December 2020: \$1,544 thousand) of gaming product assets were transferred to inventory after being returned or sold to customers. Also, other assets with a carrying amount of \$73 thousand were disposed of during the six months ended 31 December 2021 (six months ended 31 December 2020: \$166 thousand).

The transfer of inventory and the disposal of other assets resulted in a profit of \$533 thousand (six months ended 31 December 2020: \$57 thousand), which is included in other income in the condensed consolidated statement of profit or loss and other comprehensive income or loss.

No assets were transferred to assets held-for-sale during the six months ended 31 December 2021 (six months ended 31 December 2020: \$2,305 thousand).

11. INTANGIBLE ASSETS

Impairment testing for development costs

In accordance with the Group's accounting policies, the Group has evaluated whether the carrying amount of a CGU or group of CGUs exceeds the recoverable amount as at 31 December 2021 due to the presence of impairment indicators at reporting date.

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

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

The carrying amount of the Group's development costs amounts to \$18,095 thousand (June 2021: \$18,683 thousand), comprising of \$15,555 thousand in development costs relating to product development and \$2,540 thousand in development costs relating to online development activities.

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

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

The Group has allocated goodwill and intangible assets on a consistent basis with last financial year. This includes allocation of goodwill arising from the acquisition of Nova Technologies in 2016 and MTD Gaming Inc. in 2020 which have been allocated to the North America CGU. There has been no movement in the carrying value of goodwill compared to 30 June 2021 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (CONTINUED)

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

31 December 2021					
CGUs	Goodwill '\$000	Indefinite life intangible assets '\$000	Capitalised development costs '\$000	Other assets '\$000	Recoverable amount '\$000
Development	-	-	18,095	37,606	65,253
Australia and other	-	-	-	214	(7,493)
North America	39,384	1,583	-	54,969	231,339
Latin America	-	-	-	3,548	4,346

As at 30 June 2021, all assets within the Australia & Other CGU and Latin America CGU were fully impaired as a result of recoverable amount being lower than the carrying value.

30 June 2021					
CGUs	Goodwill '\$000	Indefinite life intangible assets '\$000	Capitalised development costs '\$000	Other assets '\$000	Recoverable amount '\$000
Development	-	-	18,683	38,039	64,717
North America	38,011	1,583	-	58,883	201,732

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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (CONTINUED)

	31 December 2021		30 June 2021	
CGUs	Pre-tax Discount rate	Average annual revenue growth rate ⁽¹⁾	Pre-tax Discount rate	Average annual revenue growth rate
Development	15.8%	19.3% ⁽²⁾	14.7%	16.9%
Australia and other	14.4%	10.5% ⁽³⁾	14.3%	13.5%
North America	14.5%	12.1%	13.7%	12.1%
Latin America	19.5%	34.9% ⁽⁴⁾	20.4%	31.9%

- ¹The 5 years forecast average annual revenue growth rates (FY22 to FY26) has been calculated based on FY21 revenue as the base year, which has been adversely impacted by COVID-19. When estimating the revenue growth rates, management have considered and incorporated the effects of the pandemic for each CGU.
- ²The change in average annual revenue growth rate by 350 basis points for the Development CGU compared to 30 June 2021 is a result of higher forecasted online revenue as this CGU continues to grow its footprint in the online market.
- ³The reduction in the average annual revenue growth rate in Australia is due to revised cash flow projections resulting from the extended lockdowns and restrictions, affecting customers capital expenditure commitment.
- ⁴Improvement in average annual revenue growth rate driven by the reopening of regions and improvement in trading activities within the LATAM CGU. This is evident with H1 FY22 actual revenue exceeding H1 FY22 projection.

The impact of possible changes in key assumptions

Australia and other CGU

As at 31 December 2021, the Australia and other CGU has a deficiency in forecasted recoverable amount when compared to its carrying amount. Any adverse change to the key assumptions within this cash flow, particularly revenue projections, may result in impairment charges recognised in future periods.

Latin America CGU

As at 31 December 2021, Latin America CGU has a forecasted recoverable amount exceeding carrying amount ("headroom") of \$798 thousand. 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.

North America CGU

The increase of \$32,148 thousand in the headroom in this CGU compared to 30 June 2021 is driven by the change in certain key assumptions. As the headroom of this CGU is \$135,403 thousand, management does not believe that a reasonable possible change in key assumptions will result in a material impairment charge.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (CONTINUED)

Development CGU

The recoverable amount of the Development CGU is significantly driven by the performance of the other CGUs' and a change in key assumptions will impact both the geographical and the Development CGUs'. As the revenue projections of the Australia and other, North America and Latin America CGUs are also dependent on the success of products supplied by the Development CGU, impairment could also potentially arise at the Development CGU level shall any of the other CGUs have deficiencies in their recoverable amounts compared to their carrying amounts. Other than the recoverable amount of the Development CGU being significantly driven by the performance of the other CGUs, management does not believe a reasonable possible change in key assumptions within this CGU will result in a material impairment charge.

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

12. FINANCIAL INSTRUMENTS

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

<i>In thousands of AUD</i>	Carrying Amounts 31-Dec-21	Fair Value 31-Dec-21
Non-Current Financial Assets		
Trade and other receivables	29,567	29,567
Non-Current Financial Liabilities		
Trade and other payables	3,292	3,292
Lease liabilities	12,674	12,674

13. LOANS & BORROWINGS

The following loans and borrowings (current and non-current) were obtained and repaid during the six months ended 31 December 2021:

<i>In thousands of AUD</i>	Currency	Nominal Interest Rate	Face Value	Carrying Amount	Year of Maturity
Balance at 1 July 2021			37,293	37,292	
New Funding					
Insurance premium funding	AUD	3.38%	300	298	2022
Repayments					
Insurance premium funding	AUD	3.38%	(114)	(113)	2022
Secured bank loan	USD	LIBOR+3.50%	(24,379)	(24,379)	2026
The effects of foreign exchange rate					
Secured bank loan	USD	LIBOR+3.50%	921	921	2026
Balance at 31 December 2021			14,021	14,019	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. LOANS & BORROWINGS (CONTINUED)

The loans and borrowings amount predominately relates to a \$10 Million USD loan drawdown under the Western Alliance Bancorporation facility. 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. The facility imposes certain customary financial covenants which includes minimum liquidity, total leverage and fixed charge coverage ratios measured on quarterly and annually basis. As at 31 December 2021, the Group has met all its financial covenants.

14. DEFERRED INCOME

The carrying value of deferred income in the condensed consolidated statement of financial position as at 31 December 2021 predominantly relates to the execution of a 5-year partnership with GAN Limited ("GAN") on 1 July 2021 whereby the Group provides GAN with the exclusive use of current and future Ainsworth real money online game assets within the U.S. for a minimum guaranteed consideration of US\$30 million. It is expected that as payments are received, these payments are recognised as deferred income and will be recognised over the life of the contract, subject to meeting the Group's performance obligations and revenue recognition policies. As at 31 December 2021, of the \$6,575 thousand carrying value recognised in deferred income, \$5,158 thousand (30 June 2021: \$nil) relates to this GAN contract.

15. RELATED PARTIES

Transactions with Key Management Personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards. The Group recognised total compensation of \$1,956 thousand for key management personnel for the six months ended 31 December 2021 (six months ended 31 December 2020: \$1,126 thousand).

Other Related Party Transactions

	Transaction value six months ended		Balance receivable/(payable)	
<i>In thousands of AUD</i>	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Sale/Purchase				
<i>Novomatic AG and its related entities ⁽ⁱ⁾</i>				
- sale of goods	166	1,534	1,239	1,516
- purchase of goods	194	82	(34)	(2,035)
Expenses				
<i>Novomatic AG and its related entities ⁽ⁱ⁾</i>				
- purchases and other charges made by the Group	759	-	-	-
Note:				
<i>⁽ⁱ⁾ Transactions with Novomatic AG and its related entities are considered related party transactions as Novomatic AG holds the controlling interest in the Group</i>				

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. SUBSEQUENT EVENTS

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

DIRECTORS DECLARATION

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

1. the financial statements and notes set out on pages 16 to 32, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Danny Gladstone
Chairman

Dated at Sydney this 23rd day of February 2022



Independent Auditor's Review Report

To the shareholders of Ainsworth Game Technology

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Ainsworth Game Technology Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Ainsworth Game Technology Limited. does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021
- Condensed consolidated statement of profit or loss, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration

The **Group** comprises Ainsworth Game Technology Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Julie Cleary
Partner

Sydney
23 February 2022



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

To the Directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Ainsworth Game Technology Limited for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Julie Cleary
Partner

Sydney
23 February 2022