



**Ainsworth Game Technology Limited**

ABN 37 068 516 665

**APPENDIX 4E  
Preliminary Final Report**

**Year Ended: 30 June 2011**

Previous corresponding period: 30 June 2010

*Results for announcement to the market*

	Up / Down	% Change	Year ended 30/06/11 A\$'000
Revenue from operating activities	Up	41% to	97,963
Profit before tax	up/down	N/A to	14,834
Profit for the period attributable to equity holders of the parent	up/down	N/A to	23,121
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security
Final dividend		-¢	-¢
Interim dividend		-¢	-¢
Previous corresponding period		-¢	-¢
Record date for determining entitlements to the dividend	Not applicable		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:			
Refer Operating and Financial Review section within the attached Directors' Report.			
<b>NTA backing</b>		Current period	Previous corresponding Period
Net tangible asset backing per ordinary security		\$0.09	\$0.01
<b>ANNUAL MEETING</b>			
The annual meeting will be held as follows:			
Place:	"Boggabilla Room" Bankstown Sports Club 8 Greenfield Parade BANKSTOWN NSW 2200		
Date:	Wednesday 23rd November 2011		
Time:	11.00am		
Approximate date the Annual Report will be available:	19 October 2011		



# **Ainsworth Game Technology Limited**

**ABN 37 068 516 665**

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2011**

# Ainsworth Game Technology Limited

## Contents

	<i>Page</i>
<b>Directors' report</b>	<b>3</b>
<b>Consolidated statement of financial position</b>	<b>21</b>
<b>Consolidated statement of comprehensive income</b>	<b>22</b>
<b>Consolidated statement of changes in equity</b>	<b>23</b>
<b>Consolidated statement of cash flows</b>	<b>24</b>
<b>Index to notes to the financial statements</b>	<b>25</b>
<b>Index to significant accounting policies</b>	<b>26</b>
<b>Notes to the financial statements</b>	<b>27</b>
<b>Directors' declaration</b>	<b>70</b>
<b>Independent auditor's report</b>	<b>71</b>
<b>Lead auditor's independence declaration</b>	<b>73</b>

# Ainsworth Game Technology Limited

## Directors' report

### For the year ended 30 June 2011

The directors present their report together with the financial statements of the Group comprising of Ainsworth Game Technology Limited (the Company) and its subsidiaries (the Group) for the financial year ended 30 June 2011 and the auditor's report thereon.

## 1. Directors

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

<b>NAME, QUALIFICATIONS AND INDEPENDENCE STATUS</b>	<b>AGE</b>	<b>EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS</b>
<b>CURRENT</b>		
Mr Leonard Hastings Ainsworth Executive Chairman	88 yrs	<ul style="list-style-type: none"> <li>▪ Fifty-seven years gaming industry experience</li> <li>▪ Founder and former Managing Director of Aristocrat</li> <li>▪ Fellow of the Institute of Company Directors in Australia and the Australian Institute of Management</li> <li>▪ Life member – Clubs N.S.W</li> <li>▪ Inducted into the Australian Gaming Hall of Fame and U.S Gaming Hall of Fame in 1994 and 1995, respectively</li> <li>▪ Recognition as export hero in 2002 by Australian Institute of Export</li> <li>▪ G2E Asia Gaming Visionary Award Recipient in 2010</li> <li>▪ Recipient of Clubs NSW award for outstanding contribution to the club industry in 2011</li> <li>▪ Director and Chairperson since 1995 – Executive Chairperson since 2003</li> </ul>
Mr Stewart Laurence Wallis AO, BCE (Hon), FIE Aust Lead Independent Non-Executive Director	77 yrs	<ul style="list-style-type: none"> <li>▪ Fellow of the Institute of Engineers, Australia</li> <li>▪ Former Chief Executive and Director of Leighton Holdings Limited</li> <li>▪ Director since 2002</li> <li>▪ Chairperson of Remuneration and Nomination Committee</li> <li>▪ Chairperson of Regulatory and Compliance Committee</li> <li>▪ Member of Audit Committee</li> </ul>
Mr Graeme John Campbell Independent Non-Executive Director	54 yrs	<ul style="list-style-type: none"> <li>▪ Graeme has specialised in the area of liquor and hospitality for over 28 years in corporate consultancy services with particular emphasis on hotels and registered clubs</li> <li>▪ Chairman of Harness Racing NSW</li> <li>▪ Director of Central Coast Stadium</li> <li>▪ Director of Blue Pyrenees Wines</li> <li>▪ Chairman of Operational Committee of Panthers Group/ING Entertainment Fund Joint Venture</li> <li>▪ Director since 2007</li> <li>▪ Chairperson of Audit Committee</li> <li>▪ Member of Regulatory and Compliance Committee and Remuneration and Nomination Committee</li> </ul>
Mr Michael Bruce Yates B.Com (with merit), LLB Independent Non-Executive Director	57 yrs	<ul style="list-style-type: none"> <li>▪ Michael has extensive commercial and corporate law experience in a career spanning over 31 years</li> <li>▪ He is a former senior corporate partner of Sydney Law practices Holding Redlich and Dunhill Madden Butler and has acted for a number of clients involved in the gaming industry</li> <li>▪ Director since 2009</li> <li>▪ Member of Audit Committee</li> </ul>

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 1. Directors (continued)

<b>NAME, QUALIFICATIONS AND INDEPENDENCE STATUS</b>	<b>AGE</b>	<b>EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS</b>
<b>CURRENT</b>		
Mr Daniel Eric Gladstone Executive Director and Chief Executive Officer	56 yrs	<ul style="list-style-type: none"> <li>▪ Danny has held senior positions within the gaming industry over a successful career spanning 37 years</li> <li>▪ Inducted into the Club Managers Association Australia Hall of Fame in 2000</li> <li>▪ Chairman of Gaming Technologies Association since January 2011</li> <li>▪ Chief Executive Officer since 2007 - Executive Director since 2010</li> <li>▪ Member of Regulatory and Compliance Committee</li> </ul>
<b>FORMER</b>		
Mr John Malcolm Levee FCA Independent Non-Executive Director	58 yrs	<ul style="list-style-type: none"> <li>▪ John has 33 years experience as a chartered accountant gained in private practice representing numerous high profile individuals, large corporations, clubs and associations</li> <li>▪ Fellow member of the Institute of Chartered Accountants in Australia</li> <li>▪ Appointed Director (subject to regulatory approval) on 24 February 2011, resigned on 29 June 2011</li> </ul>

### 2. Company secretary

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

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

### 3. Directors' attendance at Board and Committee meetings during 2011

The attendance of directors of the Board and committee meetings of which they are members is set out below:

<b>Director</b>	<b>Board</b>	<b>Committees</b>		
		<b>Audit</b>	<b>Remuneration &amp; Nomination</b>	<b>Regulatory &amp; Compliance</b>
(Meetings attended / held)				
LH Ainsworth	10/11	-	-	-
SL Wallis	11/11	2/2	4/4	4/5
GJ Campbell	11/11	2/2	4/4	5/5
MB Yates	10/11	2/2	-	-
DE Gladstone	11/11	-	-	5/5
JM Levee <sup>1</sup>	4/4	-	-	-

<sup>1</sup> JM Levee was appointed (subject to regulatory approval) and resigned from the Board on 24 February 2011 and 29 June 2011, respectively.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited

#### 4.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel and secretaries of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration and nomination committee reviews market surveys on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy.

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

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

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

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

#### Fixed compensation

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

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

#### Performance-linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plans (see note 21 to financial statements).

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

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.1 Principles of compensation (continued)

##### Short-term incentive bonus

Each year the remuneration and nomination committee sets the KPIs for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The financial performance objective is 'profit after tax' excluding foreign currency gains / (losses) and the recognition of previously unrecognised tax losses, compared to budgeted amounts which is designed to reward key management personnel for the Group's performance and not simply the achievement of individual segment results. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year the remuneration and nomination committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. A pre-determined maximum amount is awarded depending on results with an additional amount for stretch performance. No bonus is awarded where performance falls below the minimum performance established. The performance evaluation in respect of the year ended 30 June 2011 has taken place in accordance with this process.

The remuneration and nomination committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the Committee with an objective assessment of the individual's performance.

In the current year the Group exceeded the minimum performance targets, with most segments exceeding operational budgeted targets which resulted in short-term incentives being earned during 2011 and was approved by the Board for payment, after release of the Group's annual results. Currently, the performance linked component of compensation comprises approximately 23% of total payments to key management personnel.

##### Long-term incentive

There are two options schemes in place. Options for new shares are issued under an Employee Share Option Trust (ESOT). Additionally, there is an option scheme entitling personnel to options over a number of existing shares personally held by the Company's Executive Chairman, Mr LH Ainsworth under the LH Ainsworth Share Option Trust (ASOT). These share option plans provide for employees to receive options over new or existing ordinary shares for no consideration. The ability to exercise the options is conditional on continuation of employment.

The Group does not currently have a policy that prohibits employees that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. As a result of amendments to the Corporations Act 2001 relating to Director and Executive Remuneration disclosures, this will become mandatory for annual financial reporting periods ending after 1 July 2011.

##### Short-term and long-term incentive structure

The remuneration and nomination committee considers that the above performance-linked remuneration structure is appropriate because the key management personnel have the ability to reach a level of performance which qualifies them for the maximum bonus and options.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.1 Principles of compensation (continued)

##### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration and nomination committee have regard to the following indices in respect of the current financial year and the previous four financial years.

<i>In thousands of AUD</i>	2011	2010	2009	2008	2007
Profit/(loss) attributable to owners of the company	23,121	(2,721)	(12,542)	(19,357)	(49,445)
Dividends paid	-	-	-	-	-
Change in share price	\$0.27	\$0.02	(\$0.02)	(\$0.31)	\$0.06
Return on capital employed	-	-	-	-	-

Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. Profit/(loss) amounts for 2007 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

##### Other benefits

Key management personnel can receive additional benefits such as non-monetary benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of club memberships and motor vehicles. The Company pays fringe benefits tax on these benefits.

##### Service contracts

It is the Group's policy that service contracts for Australian key management personnel and key employees be unlimited in term but capable of termination by either party on 12 months' notice and that the Group retains the right to terminate the contracts immediately, by making payment equal to 12 months' pay in lieu of notice.

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

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

Mr Danny Gladstone, Executive Director and Chief Executive Officer (CEO), has a contract of employment dated 5 February 2007 and amended on 7 December 2010 with the Company. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the board and CEO will early in each financial year, consult and agree objectives for achievement during that year.

The CEO has no entitlement to termination payment in the event of removal for misconduct as specified in his service contract.

Refer to note 26 of the financial statements for details on the financial impact in future periods resulting from the Group's commitments arising from non-cancellable contracts for services with key management personnel.



# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.1 Principles of compensation (continued)

##### Non-executive directors

The fees paid to non-executive directors reflect the demands and responsibilities associated with their roles and the global nature of the operations within the highly regulated environment within which the Group operates. Fees incorporate an allowance for the onerous probity requirements placed on non-executive directors by regulators of the jurisdictions in which the Group operates or proposes to operate in.

The Group's non-executive directors only receive fees, including superannuation, for their services as compensation. In addition to these fees the cost of reasonable expenses are reimbursed as incurred.

Non-executive directors do not currently receive or participate in any performance related compensation. The level of fees paid to non-executive directors has been established based on the demands and responsibilities of their positions and have been set with reference to fees paid to other non-executive directors of comparable companies.

Current fees for directors effective 1 July 2006, excluding superannuation, are set out below. The Executive Chairman, CEO and Company Secretary do not receive any additional fees for undertaking Board or Committee responsibilities. Other non-executive directors who also chair or are a member of a committee receive a supplementary fee in addition to their annual remuneration.

POSITION	\$(per annum)
Australian resident non-executive director	70,000
Chair of Audit Committee	10,000
Chair of Regulatory and Compliance Committee	10,000
Chair of Remuneration and Nomination Committee	6,000
Member of Audit Committee	6,000
Member of Regulatory and Compliance Committee	6,000
Member of Remuneration and Nomination Committee	4,000

Total compensation for all non-executive directors, last voted upon by shareholders at the 2000 AGM, is not to exceed \$500,000 per annum.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel of the Group are:

		Short-term					Post-employment	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Sales Commission	STI cash bonus (A)	Non-monetary benefits	Total	Super-annuation benefits		Options (B)			
In dollars		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>Directors</b>												
<b>Non-executive directors</b>												
<i>Mr SL Wallis</i>	2011	100,280	-	-	-	100,280	-	-	-	100,280	-	-
	2010	92,000	-	-	-	92,000	8,280	-	-	100,280	-	-
<i>Mr GJ Campbell</i>	2011	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
	2010	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
<i>Mr MB Yates</i>	2011	76,000	-	-	-	76,000	6,840	-	-	82,840	-	-
	2010	41,539	-	-	-	41,539	3,739	-	-	45,278	-	-
<i>Mr JM Levee (appointed 24 February 2011, resigned 29 June 2011)</i>	2011	24,404	-	-	-	24,404	2,196	-	-	26,600	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
<i>Sub-total non-executive directors' remuneration</i>	2011	290,684	-	-	-	290,684	17,136	-	-	307,820	-	-
	2010	223,539	-	-	-	223,539	20,119	-	-	243,658	-	-

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report - audited (continued)

#### 4.2 Directors' and executive officers' remuneration (continued)

		Short-term					Post-employment	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Sales Commission	STI cash bonus (A)	Non-monetary benefits	Total	Super-annuation benefits		Options (B)			
In dollars		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>Executive directors</b>												
Mr LH Ainsworth (Executive Chairman)	2011	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
	2010	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
Mr DE Gladstone <sup>(1)</sup> (Chief Executive Officer)	2011	538,460	-	263,372	88,586	890,418	68,703	-	12,876	971,997	30%	1%
	2010	185,879	-	-	27,491	213,370	15,534	-	-	228,904	-	-
Total directors' remuneration	2011	1,029,144	-	263,372	118,586	1,411,102	85,839	-	12,876	1,509,817	19%	1%
	2010	609,418	-	-	57,491	666,909	35,653	-	-	702,562	-	-
<b>Executives</b>												
Mr DE Gladstone <sup>(1)</sup> – Chief Executive Officer	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	352,580	-	-	52,145	404,725	29,466	-	-	434,191	-	-
Mr ML Ludski – Chief Financial Officer / Company Secretary	2011	273,911	-	126,355	94,088	494,354	33,914	-	7,433	535,701	26%	1%
	2010	273,911	-	-	98,607	372,518	22,542	-	-	395,060	-	-
Mr V Bruzzese – General Manager Technical Services	2011	253,576	-	104,221	24,000	381,797	30,572	-	7,726	420,095	27%	1%
	2010	253,576	-	-	24,000	277,576	21,192	-	-	298,768	-	-
Mr I Cooper – General Manager Manufacturing	2011	231,538	-	95,164	31,617	358,319	27,915	-	7,726	393,960	26%	1%
	2010	228,846	-	-	42,550	271,396	19,125	-	-	290,521	-	-

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.2 Directors' and executive officers' remuneration (continued)

In dollars		Short-term					Post-employment	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Sales Commission	STI cash bonus (A)	Non-monetary benefits	Total	Super-annuation benefits		Options (B)			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<b>Executives</b>												
<i>Mr M Cuadros</i> <sup>(2)</sup> - VP Operations Finance & HR – Americas	2011	225,606	67,054	-	35,717	328,377	18,854	-	2,489	349,720	19%	-
	2010	41,770	5,925	-	6,603	54,298	3,491	-	367	58,156	-	1%
<i>Mr S Clarebrough</i> <sup>(3)</sup> - Group General Manager Strategy and Development	2011	235,308	-	193,426	20,000	448,734	37,073	-	10,301	496,108	42%	1%
	2010	-	-	-	-	-	-	-	-	-	-	-
<b>Former</b>												
<i>Mr R Meitzler</i> – Senior VP Sales and Operations (North America) (resigned 30 April 2010)	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	153,212	227,732	-	22,675	403,619	4,280	1,348	-	409,247	-	-
<i>Total executives remuneration</i>	2011	1,219,940	67,054	519,166	205,422	2,011,581	148,328	-	35,675	2,195,584	26%	2%
	2010	1,303,895	233,657	-	246,580	1,784,132	100,096	1,348	367	1,885,943	12%	-
<i>Total directors' and executive officers' remuneration</i>	2011	2,249,084	67,054	782,538	324,008	3,422,683	234,167	-	48,551	3,705,401	23%	1%
	2010	1,913,312	233,657	-	304,071	2,451,040	135,749	1,348	367	2,588,504	9%	-

(1) Mr D Gladstone was an executive up until his appointment as an Executive Director on 25 February 2010 and the above relates to the periods up to and after this appointment.

(2) Mr M Cuadros became a Key Management personnel effective 1 May 2010 following the resignation of Mr R Meitzler.

(3) Mr S Clarebrough was appointed to a Key Management role on 1 January 2011 and the remuneration relates to the period from this appointment.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.2 Directors' and executive officers' remuneration (continued)

##### Notes in relation to the table of directors' and executive officers' remuneration

- A. The short-term incentive bonus is for performance during the 30 June 2011 financial year using the criteria set out on page 6. The amount was considered on 30 June 2011 by the remuneration and nomination committee who recommended that bonuses be paid for the current period, subject to the completion and signing of the audited financial statements.
- B. The fair value of the options is calculated at the date of grant using the Black Scholes Merton option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	1 March 2016	\$0.079	\$0.225	\$0.225	51%	5.25%	-

##### Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 5. Short term incentive bonuses have been provided for in the year ended 30 June 2011.

#### 4.2.1 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, each of the five named Company executives and relevant Group Executives and other key management personnel are detailed below.

	Short term incentives		
	Included in remuneration \$ (A)	% vested in year	% Forfeited in year (B)
<b>Director</b>			
Mr DE Gladstone	263,372	100%	0%
<b>Executives</b>			
Mr ML Ludski	126,355	100%	0%
Mr V Bruzzese	104,221	100%	0%
Mr I Cooper	95,164	100%	0%
Mr S Clarebrough	193,426	100%	0%

- A. Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2011 financial year.
- B. The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

#### 4.3 Equity instruments

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

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.3 Equity instruments (continued)

##### 4.3.1 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2011	Grant date	Number of options vested during 2011	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date
<b>Director</b>						
Mr DE Gladstone	1,000,000*	01/03/2011	-	0.079	0.225	01/03/2016
<b>Executives</b>						
Mr ML Ludski	577,255*	01/03/2011	-	0.079	0.225	01/03/2016
Mr V Bruzzese	600,000*	01/03/2011	-	0.079	0.225	01/03/2016
Mr I Cooper	600,000*	01/03/2011	-	0.079	0.225	01/03/2016
Mr M Cuadros	200,000	01/03/2011	-	0.079	0.225	01/03/2016
Mr S Clarebrough	800,000*	01/03/2011	-	0.079	0.225	01/03/2016

\* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr LH Ainsworth.

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options issued expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable on an annual basis over a three year period from grant date. Further details, including grant dates and exercise dates regarding options granted to executives under ESOT and ASOT are in note 21 to the financial statements.

##### 4.3.2 Modification of terms of equity-settled share-based payment transactions

On 1 March 2011 the Company and the Company's majority shareholder issued share options to employees under newly established share option plans. A condition of accepting the new share options was that previously issued share options issued were cancelled. The granting of the new share options was treated as a modification as the new share options were replacements of the cancelled share options. The increase in the fair value was determined by reference to the difference in the fair value of the new share options granted as at 1 March 2011 and the fair value of the cancelled options valued at this date. The fair value of the cancelled options on the grant date of the replaced options was determined based on the following factors and assumptions:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
2 July 2007	2 July 2012	\$0.01	\$0.50	\$0.38	51%	5.25%	-

As the fair value of the newly issued options was \$0.079 per option, the incremental fair value of \$0.069 will be recognised as an expense over the vesting period.

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

##### 4.3.3 Exercise of options granted as compensation

During the reporting period or the prior period no shares were issued on the exercise of options previously granted as compensation.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 4. Remuneration report – audited (continued)

#### 4.3 Equity instruments (continued)

##### 4.3.4 Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each director of the Group and each of the five named Company executives and Group executives are detailed below.

	Options granted		% vested in year	% Forfeited in year (A)	Financial years in which grant vests
	Number	Date			
<b>Director</b>					
Mr DE Gladstone	1,000,000*	01/03/2011	-	-	01/03/2012 – 01/03/2014
<b>Executives</b>					
Mr ML Ludski	577,255*	01/03/2011	-	-	01/03/2012 – 01/03/2014
Mr V Bruzzese	600,000*	01/03/2011	-	-	01/03/2012 – 01/03/2014
Mr I Cooper	600,000*	01/03/2011	-	-	01/03/2012 – 01/03/2014
Mr M Cuadros	200,000	02/07/2007	-	100%	02/07/2008 – 02/07/2010
	200,000	01/03/2011	-	-	01/03/2012 – 01/03/2014
Mr S Clarebrough	800,000*	01/03/2011	-	-	01/03/2012 – 01/03/2014

\* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth.

A. The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

##### 4.3.5 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and Group executives is detailed below:

	Granted in year (\$)	Exercised in year (A) (\$)	Forfeited in year (B) (\$)	Total option value in year (\$)
<b>Director</b>				
Mr DE Gladstone	1,000,000*	-	-	12,876
<b>Executives</b>				
Mr ML Ludski	577,255*	-	-	7,433
Mr V Bruzzese	600,000*	-	-	7,726
Mr I Cooper	600,000*	-	-	7,726
Mr M Cuadros	200,000	-	(11,480)	2,489
Mr S Clarebrough	800,000*	-	-	10,301

\* Share options granted over a portion of the personal shareholding of the Group's Executive Chairman, Mr L H Ainsworth.

A. No options were exercised during the year.

B. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes Merton model with no adjustments for whether the performance criteria have or have not been achieved.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 5. Principal activities

The principal activity of the Group during the course of the financial year was the design, development, production, sale and servicing of gaming machines and other related equipment and services.

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

#### Objectives

The Group's objectives are to:

- focus on geographical markets which are expected to achieve the greatest contributions to the Group's financial results and creation of sustained revenue growth;
- provide quality market leading products that are innovative and entertaining providing increased player satisfaction and therefore greater venue profitability through continued investment in product research and developments;
- provide a positive return on equity through profitability and share price growth;
- prudently manage levels of investment in working capital and continue to achieve positive cash flow from operations in the ensuing financial year; and
- establish and build greater presence within North America.

In order to meet these objectives the following action priorities will continue to apply in future financial years:

- grow market share for existing business and increase revenue and operating activities, particularly in both domestic and North American markets;
- Continual investment in research and development;
- further reduce product and overhead costs through improved efficiencies in supply chain and inventory management;
- continue to improve management of working capital;
- to maintain best practice compliance policies and procedures and increase stakeholder awareness of the Group's regulatory environment; and
- ensure retention and development of key employees.

### 6. Operating and financial review

#### Overview of the Group

The profit after income tax for the year ended 30 June 2011 was \$23.1 million, compared to a loss of \$2.7 million in the corresponding 2010 year. This result included the recognition of previously unrecognised tax losses, resulting in deferred tax assets of \$8.5 million included in the full year profit.

The above profit, excluding the impact of previously unrecognised tax losses, resulted in a second half profit of \$11.2 million compared to the reported profit of \$3.4 million for the six month period ended 31 December 2010. Progression of development strategies in all domestic markets together with building a greater presence in North America is expected to provide a strong foundation for growth in the future.

Sales revenue achieved was \$98.0 million compared to \$69.3 million in the corresponding period in 2010, an increase of 41%.

Domestic revenue contributed 76% of total revenue representing an increase of 55% on the previous corresponding period. Further strong product performance and increased market share was achieved following the introduction of the A560™ product family which was launched within New South Wales, Queensland and selected international markets during the year.

International revenue was \$23.3 million compared to \$21.0 million in the corresponding 2010 year, representing an increase of 11%. Revenue increases in international markets of North America, New Zealand and Europe were achieved in the current period and assisted the Group to offset revenue reductions experienced within South America and Asia.



# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 6. Operating and financial review (continued)

#### Review of financial conditions (continued)

##### *Capital structure and treasury policy*

The Company currently has on issue 278,942,304 ordinary shares and 17,261,787 convertible notes. As at 30 June 2011 17,486,219 convertible notes were on issue with a further 224,432 notes purchased since the reporting date under the Company's buy-back program. Mr LH Ainsworth and his spouse (including entities they control) who collectively own 12,283,568 notes on issue have agreed to extend the maturity of their convertible notes until 31 December 2014. All other registered noteholders are given a right to extend their notes prior to redemption for the same period should they elect to do so.

The Company has the right to redeem all convertible notes that are extended, including those held by Mr LH Ainsworth and his spouse on 31 December 2011 or at the end of every six months until the maturity date of 31 December 2014. The current interest rate payable on the convertible notes is 10% per annum.

The Group is exposed to foreign currency risks on sales and purchases that are denominated in currencies other than AUD. The Group continually monitors and reviews the financial impact of currency variations and should facilities be available looks at establishing call options to minimise the volatility of changes in foreign currency exchange rates. No call options were placed in the current period due to the expectation of a reduction in the Group's net asset exposure and the favourable reversal of previous translational impacts.

##### *Liquidity and funding*

The Company currently has a loan facility in place of \$40.0 million with an entity controlled by the Executive Chairman, Mr LH Ainsworth, of which \$26.9 million is unutilised at the reporting date. The maturity date of this facility is 4 years from the will of Mr LH Ainsworth coming into effect and does not call for repayment of interest accrued until this maturity date.

In addition to the above an additional \$6.5 million trade finance facility has been established with an entity controlled by the Executive Chairman, Mr LH Ainsworth of which \$0.6 million is unutilised at the reporting date.

##### *Cash flows from operations*

The cash inflow from operations for the period under review was \$18.2 million compared to \$10.6 million in the corresponding period in 2010. The Group continues to monitor closely its working capital requirements and continues to monitor the extent of credit offered on sales made in all jurisdictions.

##### *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 licences will allow the Group to expand its operations.

#### Review of principal businesses

##### *Revenue*

Sales revenue of \$98.0 million was recorded in the period under review compared to \$69.3 million in the corresponding period in 2010, an increase of 41%. Within domestic markets revenue achieved was \$74.7 million, an increase of 55% over the corresponding period in 2010. This increase was predominately in the New South Wales and Queensland markets which represented 89% of domestic revenue. The success of the A560™ gaming machine and continued leading product performance resulted in the Group further increasing its market share in these markets. The increased revenue within Australia was primarily due to the product development strategies previously introduced providing improved game performance and a greater range of cabinet variants within the A560™ product family.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 6. Operating and financial review (continued)

#### Review of principal businesses (continued)

##### *Revenue (continued)*

International revenue was \$23.3 million compared to \$21.0 million in the corresponding 2010 year, representing an increase of 11%. The key market of North America contributed 48% of total international revenue, an increase on the preceding 2010 year of 24%. The Group expects to achieve higher international revenue in FY12, arising from substantially increased investment and a planned build-up in resources in the Americas. This will include establishing an operational base for North America in Las Vegas, Nevada, the ongoing release of newly developed product initiatives and the commencement of local product development and assembly based in Las Vegas.

Increases in other international markets of New Zealand and Europe assisted the Group to offset revenue reductions within South America and Asia in the period.

##### *Operating costs*

Cost of sales in the period were \$34.5 million resulting in improved gross margins of 65% compared to 54% in the previous period in 2010. This increase is attributable to increased sales of the Group's premium progressive range of products combined with leading product performance, cost reductions and continued efficiencies in production processes. It is expected that further improvements in margin will continue once the Group fully transitions in all markets to the A560™ product range.

Operating costs, excluding cost of sales and financing costs, were \$40.5 million compared to \$33.1 million in the corresponding period in 2010. Included in operating costs were sales, service and marketing costs of \$17.0 million, an increase of 20% compared to 2010. As a percentage of sales these costs fell from 21% to 17% and were attributable to the 41% increase in revenue in the current period.

Further investment in product development strategies resulted in research and development costs of \$13.1 million, an increase of 29% in the period. These costs represented 13% of revenue compared to 15% in the corresponding period in 2010. Continual investment in progressing product development is expected to assist the Group in maintaining itself at the forefront of gaming technology and innovation.

Administration costs were \$10.3 million, an increase of \$1.6 million compared to the corresponding period in 2010. This increase was attributable to staff incentive initiatives reflecting the improved performance of the Company and \$0.6 million of impairment losses on assets written down.

##### *Financing costs*

Net financing costs were \$8.2 million in the period, an increase of \$1.3 million on the corresponding period in 2010. This increase was primarily a result of net foreign exchange losses of \$2.7 million in the current period compared to currency losses of \$0.5 million in the corresponding period in 2010, an adverse variance of \$2.2 million.

#### Significant changes in the state of affairs

Investment in research and development continues to ensure development initiatives positively affect product performance. Further investment is envisaged in 2012 within the Americas to ensure the Group is positioned to capitalise on the significant opportunities within this region as market conditions improve from the impact of the Global Financial Crisis (GFC).

The development and recent release of new product in selected markets has enabled the Group to continue to grow revenue and improve financial performance.

Other than the matters noted above, there were no significant changes in the state of affairs of the Group during the financial year.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 7. Dividends

No dividends were paid or declared by the Company since the end of the previous financial year. The directors do not recommend that any dividends be paid in respect of the 2011 financial year.

### 8. Events subsequent to reporting date

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.

### 9. Likely developments

The Group will continue to evaluate and pursue further product approvals of the Group's products to help ensure sustainable revenue growth and continued improvement in results is achieved in future periods. This strategy is aimed at achieving increased market share in selected geographical business sectors so as to positively contribute to Group results in future financial years.

The difficult market conditions caused by the GFC are expected to continue to impact international revenue opportunities in the short term. The planned building of an increased presence in the Americas and release of new product initiatives is however expected to help ensure sustainable revenue growth.

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

### 10. Directors' interests

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

	Ainsworth Game Technology Limited		
	Ordinary shares	Convertible Notes	Options over ordinary shares
<b>Current</b>			
Mr Leonard H Ainsworth	174,044,331	10,385,282	-
Mr Stewart L Wallis	1,016,703	232,000	-
Mr Graeme J Campbell	799,674	-	-
Mr Michael B Yates	108,400	-	-
Mr Daniel E Gladstone	100,000	-	1,000,000*

\* The options issued to Mr DE Gladstone are over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 11. Share options

#### Options granted to directors and officers of the Company

During or since the end of the financial year, share options were granted for no consideration over unissued ordinary shares in the Company under the ESOT and over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth under the ASOT, to the following of the five most highly remunerated officers of the Group as part of their remuneration:

	Number of options granted	Exercise price (\$)	Expiry date
<b>Director</b>			
Mr DE Gladstone	1,000,000*	\$0.225	01/03/2016
<b>Executives</b>			
Mr ML Ludski	577,255*	\$0.225	01/03/2016
Mr V Bruzzese	600,000*	\$0.225	01/03/2016
Mr I Cooper	600,000*	\$0.225	01/03/2016
Mr MC Cuadros	200,000	\$0.225	01/03/2016
Mr S Clarebrough	800,000*	\$0.225	01/03/2016

\* Share options granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

#### Unissued shares under options

At the date of this report unissued ordinary shares of the Group under option are:

Expiry date	Exercise price (\$)	Number of shares
1 March 2016	0.225	1,024,749

In addition to the share options issued by the Company, an incentive plan was introduced whereby share options were granted under the ASOT to Australian employees, excluding directors. The share options granted on 1 March 2011 to Australian employees totalled 9,969,718 and was granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth.

As the new share options were granted as replacement for the cancelled share options, the new share options were treated as a modification to the cancelled share options and the increase in the fair value was determined by reference to the difference in the fair value of the new share options granted on 1 March 2011 and the fair value of the cancelled share options valued as at that date.

During or since the end of the financial year 70,536 options forfeited due to cessation of employment leaving a balance of 9,898,182 share options under issue. The share options under this incentive plan issued to key management personnel totalled 3,577,255 share options.

The options above have vesting conditions, which must be satisfied prior to the options being exercised. The vesting conditions are set with reference to the anniversary of the issue date of the option. All options expire on the earlier of their expiry date or termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

#### Shares issued on exercise of options

During or since the end of the financial year, the Company issued no ordinary shares as a result of the exercise of options.

# Ainsworth Game Technology Limited

## Directors' report (continued)

For the year ended 30 June 2011

### 12. Indemnification and insurance of officers

#### Indemnification

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

#### Insurance premiums

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

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

### 13. Non-audit services

During the year KPMG, the Group's auditor, has performed no other services in addition to its statutory duties.

Details of the amounts paid to the auditor of the Group, KPMG, for audit services provided during the year are set out below.

	2011 \$	2010 \$
<b>Audit services:</b>		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	212,000	179,750

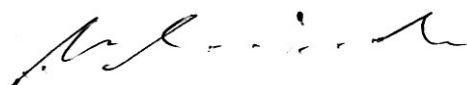
### 14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 73 and forms part of the directors' report for the financial year ended 30 June 2011.

### 15. Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.



LH Ainsworth  
Executive Chairman

Dated at Sydney this 31<sup>st</sup> day of August 2011

# Ainsworth Game Technology Limited

## Consolidated statement of financial position

As at 30 June 2011

In thousands of dollars

	Note	2011	2010
<b>Assets</b>			
Cash and cash equivalents	16	15,377	6,144
Receivables and other assets	15	25,372	18,703
Inventories	14	13,392	11,491
Prepayments		573	980
<b>Total current assets</b>		<b>54,714</b>	<b>37,318</b>
Receivables and other assets	15	11,724	10,325
Deferred tax assets	13	8,509	-
Property, plant and equipment	11	23,539	24,655
Intangible assets	12	14,615	12,966
<b>Total non-current assets</b>		<b>58,387</b>	<b>47,946</b>
<b>Total assets</b>		<b>113,101</b>	<b>85,264</b>
<b>Current liabilities</b>			
Trade and other payables	23	8,692	6,875
Loans and borrowings	19	13,726	6,162
Employee benefits	20	4,432	2,287
Provisions	22	171	140
<b>Total current liabilities</b>		<b>27,021</b>	<b>15,464</b>
Loans and borrowings	19	46,991	54,242
Employee benefits	20	397	425
<b>Total non-current liabilities</b>		<b>47,388</b>	<b>54,667</b>
<b>Total liabilities</b>		<b>74,409</b>	<b>70,131</b>
<b>Net assets</b>		<b>38,692</b>	<b>15,133</b>
<b>Equity</b>			
Share capital		122,373	122,373
Reserves		12,048	11,626
Accumulated losses		(95,729)	(118,866)
<b>Total equity</b>		<b>38,692</b>	<b>15,133</b>

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

# Ainsworth Game Technology Limited

## Consolidated statement of comprehensive income

For the year ended 30 June 2011

*In thousands of dollars*

	Note	2011	2010
Revenue	7	97,963	69,278
Cost of sales		(34,508)	(31,784)
<b>Gross profit</b>		<b>63,455</b>	<b>37,494</b>
Other income		100	198
Sales, service and marketing expenses		(17,042)	(14,192)
Research and development expenses		(13,121)	(10,213)
Administrative expenses		(10,336)	(8,699)
<b>Results from operating activities</b>		<b>23,056</b>	<b>4,588</b>
Finance income	9	1,037	798
Finance costs	9	(9,259)	(7,752)
<b>Net finance costs</b>		<b>(8,222)</b>	<b>(6,954)</b>
<b>Profit/(loss) before income tax</b>		<b>14,834</b>	<b>(2,366)</b>
Income tax benefit / (expense)	10	8,287	(355)
<b>Profit/(loss) for the year</b>		<b>23,121</b>	<b>(2,721)</b>
<b>Other comprehensive income</b>			
Foreign currency translation reserve		(206)	(29)
<b>Total comprehensive income for the year</b>		<b>22,915</b>	<b>(2,750)</b>
<b>Profit/(loss) attributable to owners of the Company</b>		<b>23,121</b>	<b>(2,721)</b>
<b>Total comprehensive income attributable to the owners of the Company</b>		<b>22,915</b>	<b>(2,750)</b>
<b>Earnings per share:</b>			
Basic earnings per share (dollars)	18	\$0.08	(\$0.01)
Diluted earnings per share (dollars)	18	\$0.08	(\$0.01)

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

# Ainsworth Game Technology Limited

## Consolidated Statement of changes in equity

### Attributable to equity holders of the Company

For the year ended 30 June 2011

In thousands of dollars

	Issued capital	Equity compensation reserve	Fair value reserve	Translation reserve	Accumulated losses	Total equity
Balance at 1 July 2009	122,373	1,012	10,044	226	(116,580)	17,075
<b>Total comprehensive income for the year</b>						
Loss	-	-	-	-	(2,721)	(2,721)
<b>Other comprehensive income</b>						
Foreign currency translation reserve	-	-	-	(29)	-	(29)
Total other comprehensive income	-	-	-	(29)	-	(29)
Total comprehensive income for the year	-	-	-	(29)	(2,721)	(2,750)
<b>Transactions with owners, recorded directly in equity</b>						
Equity component of related party borrowings	-	-	720	-	-	720
Share based payment transactions	-	88	-	-	-	88
Share based payment adjustment on non-vesting options	-	(435)	-	-	435	-
Total transactions with owners	-	(347)	720	-	435	808
Balance at 30 June 2010	<b>122,373</b>	<b>665</b>	<b>10,764</b>	<b>197</b>	<b>(118,866)</b>	<b>15,133</b>
Balance at 1 July 2010	<b>122,373</b>	<b>665</b>	<b>10,764</b>	<b>197</b>	<b>(118,866)</b>	<b>15,133</b>
<b>Total comprehensive income for the year</b>						
Profit	-	-	-	-	23,121	23,121
<b>Other comprehensive income</b>						
Foreign currency translation reserve	-	-	-	(206)	-	(206)
Total other comprehensive income	-	-	-	(206)	-	(206)
Total comprehensive income for the year	-	-	-	(206)	23,121	22,915
<b>Transactions with owners, recorded directly in equity</b>						
Equity component of related party borrowings	-	-	523	-	-	523
Equity component of re-purchase of convertible note	-	(13)	-	-	-	(13)
Share based payment transactions	-	134	-	-	-	134
Share based payment adjustment on non-vesting options	-	(16)	-	-	16	-
Total transactions with owners	-	105	523	-	16	644
Balance at 30 June 2011	<b>122,373</b>	<b>770</b>	<b>11,287</b>	<b>(9)</b>	<b>(95,729)</b>	<b>38,692</b>

The notes on pages 25 to 69 are an integral part of these consolidated financial statements



# Ainsworth Game Technology Limited

## Consolidated statement of cash flows

For the year ended 30 June 2011

*In thousands of dollars*

	Note	2011	2010
<b>Cash flows from operating activities</b>			
Cash receipts from customers		93,198	73,640
Cash paid to suppliers and employees		(71,723)	(59,801)
<b>Cash generated from operations</b>		<b>21,475</b>	<b>13,839</b>
Income taxes paid		(229)	(355)
Borrowing costs paid		(3,093)	(2,863)
<b>Net cash from operating activities</b>	<b>16b</b>	<b>18,153</b>	<b>10,621</b>
<b>Cash flows from / (used in) investing activities</b>			
Proceeds from sale of property, plant and equipment		17	188
Interest received		993	750
Acquisitions of property, plant and equipment		(995)	(932)
Development expenditure	12	(3,987)	(3,517)
Acquisition of other intangibles	12	(23)	(542)
<b>Net cash used in investing activities</b>		<b>(3,995)</b>	<b>(4,053)</b>
<b>Cash flows from / (used in) financing activities</b>			
Proceeds from borrowings		-	500
Repayment of borrowings		(424)	(500)
Re-purchase of convertible notes		(2,855)	-
Payment of finance lease liabilities		(1,317)	(1,285)
<b>Net cash used in financing activities</b>		<b>(4,596)</b>	<b>(1,285)</b>
Net increase in cash and cash equivalents		9,562	5,283
Cash and cash equivalents at 1 July		6,144	958
Effect of exchange rate fluctuations on cash held		(329)	(97)
<b>Cash and cash equivalents at 30 June</b>	<b>16</b>	<b>15,377</b>	<b>6,144</b>

*The notes on pages 25 to 69 are an integral part of these consolidated financial statements*

# Ainsworth Game Technology Limited

## Index to notes to the financial statements

	<b>Page</b>		<b>Page</b>
1.	27	17.	49
2.	27	18.	50
3.	28	19.	51
4.	36	20.	54
5.	37	21.	55
6.	39	22.	57
7.	42	23.	57
8.	42	24.	57
9.	42	25.	62
10.	43	26.	62
11.	43	27.	63
12.	45	28.	68
13.	47	29.	68
14.	48	30.	68
15.	48	31.	69
16.	49		
16b.	49		

# Ainsworth Game Technology Limited

## Index to significant accounting policies

	<b>Page</b>
(a) Basis of consolidation	28
(b) Foreign currency	28
(c) Financial instruments	28
(d) Property, plant and equipment	30
(e) Intangible assets	31
(f) Leased assets	31
(g) Inventories	32
(h) Impairment	32
(i) Employee benefits	33
(j) Provisions	34
(k) Warranties	34
(l) Revenue	34
(m) Lease payments	34
(n) Finance income and finance costs	35
(o) Income tax	35
(p) Earnings per share	35
(q) Segment reporting	36
(r) New standards and interpretations not yet adopted	36

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 1. Reporting entity

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

### 2. Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2011.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for loans and borrowings with a Director related entity, which are measured initially at fair value and then subsequently carried at amortised cost.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

#### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in note 12 - Intangible assets, note 13 - Deferred tax assets.

#### (e) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 31.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation, including a re-classification of gaming machines previously recorded as inventory to property, plant and equipment, see note 11.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements 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 statements.

##### (iii) *Acquisitions prior to 1 July 2004*

As part of its transition to AASBs, the Group elected to restate only those business combinations that occurred on or after 1 July 2004. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the Group's previous accounting framework, Australian GAAP.

##### (iv) *Acquisitions on or after 1 July 2004*

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

#### (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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

##### (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 exchange rates at the dates of the transactions.

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.

#### (c) Financial instruments

##### (i) *Non-derivative financial assets*

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (i) *Non-derivative financial assets* (continued)

Trade and other receivables are recognised on the date that they are originated. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of ownership of the financial asset are transferred.

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

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to 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.

##### (ii) *Non-derivative financial liabilities*

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

Debt securities issued and subordinated 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. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

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

Where the terms and conditions of borrowings are modified, the carrying amount is remeasured to fair value. Any difference between the carrying amount and fair value is recognised in equity.

##### (iii) *Compound financial instruments*

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is re-classified to equity. No gain or loss is recognised on conversion.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iv) *Share capital* *Ordinary shares*

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

#### (d) Property, plant and equipment

##### (i) *Recognition and measurement*

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. 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. The proceeds of the sale of the machine is then recognised as revenue in accordance with the accounting policy described in note (l) (i) Goods sold.

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" in profit and loss.

##### (ii) *Subsequent costs*

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

##### (iii) *Depreciation*

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

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

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

- |   |                |
|---|----------------|
| • buildings   | 40 years       |
| • leasehold improvements                            | 10 years       |
| • plant and equipment                               | 2.5 – 20 years |
| • machines under rental or participation agreements | 3 years        |

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (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)(iii) and (iv).

##### (ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

##### (iii) Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

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

##### (iv) Other intangible assets

Other intangible assets, which include service contracts, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

##### (v) 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.

##### (vi) Amortisation

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

- capitalised development costs 2 – 5 years
- service contracts 8 years
- intellectual property 10 years

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

#### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (g) 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.

#### (h) Impairment

##### (i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor will enter bankruptcy.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

##### (ii) *Non-financial assets*

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

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, CGU or group of CGUs. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU or group of CGUs"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to CGUs or group of CGUs that are 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 or group of CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU or group of CGUs to which the corporate asset is allocated.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (h) Impairment (continued)

##### (ii) *Non-financial assets (continued)*

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 or group of CGUs 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.

#### (i) 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 government 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 and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers remuneration insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (i) Employee benefits (continued)

##### (v) *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.

#### (j) Provisions

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

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

#### (k) 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.

#### (l) Revenue

##### (i) *Goods sold*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue is recognised when persuasive evidence exists usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The consideration from a revenue arrangement is based on the relative fair values of each separate unit.

##### (ii) *Services*

Revenue from services rendered is recognised in profit or loss when the services are performed.

##### (iii) *Rental and participation*

Revenue from rental of gaming machines is recognised in profit or loss on a straight line basis over the term of the rental agreement. Participation revenue is recognised in accordance with the terms of the participation agreement.

#### (m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (n) Finance income and finance costs

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

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

Foreign currency gains and losses are reported on a net basis.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, see note 13.

#### (p) 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 weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (q) 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.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

#### (r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

### 4. Determination of fair values

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

#### (i) Intangible assets

The fair value of customer contracts 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.

#### (ii) 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.

#### (iii) 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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### (iv) Loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

#### (v) Finance lease liabilities

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 4. Determination of fair values (continued)

#### (vi) **Share-based payment transactions**

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

### 5. Financial risk management

#### **Overview**

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

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

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

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established processes through the Group Audit Committee, which is responsible for developing and monitoring risk management policies. The Committee 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 Audit Committee 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 Audit Committee 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 Audit Committee.

#### **Credit risk**

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 5. Financial risk management (continued)

#### Credit risk (continued)

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, including the default risk of the industry and country in which customers operate. The Group's most significant receivable amount is represented by a customer within South America, which accounts for 18% (2010: 35%) of the trade receivables carrying amount as at 30 June 2011.

Credit policy guidelines have been introduced under which each new customer is assessed by the compliance division as to suitability and analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes investigations, external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's creditworthiness criteria may only transact with the Group within established limits unless Board approval is received or otherwise only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a distributor, operator or customer, geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate mainly to the Group's direct customers, operators and established distributors. Customers that are graded as "high risk" require future sales to be made on a prepayment basis with approval of the Chief Executive Officer and Chief Financial Officer up to approved limits and thereafter only with Board approval.

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

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

#### **Guarantees**

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries. At 30 June 2011 no guarantees were outstanding (2010: none).

#### **Liquidity risk**

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

Typically the Group ensures that it has access to sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- \$40.0 million facility that can be drawn down to meet short-term financing needs; and
- \$6.5 million trade facility.

#### **Market risk**

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 5. Financial risk management (continued)

#### Market risk (continued)

##### *Currency risk*

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the US dollar (USD). The currencies in which these transactions primarily are denominated are AUD, USD, Euro and New Zealand dollar (NZD). The Group regularly monitors and reviews, dependant on available facilities, the hedging of net assets denominated in a foreign currency. The Group has at various times utilised currency call options to hedge its currency risk, most with a maturity of less than six months. No currency call options were utilised throughout the reporting period.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group monitors its net exposure to address short-term imbalances.

##### *Interest rate risk*

The Group's borrowing rates are fixed and no interest rate risk exists.

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board continues to monitor group performance so as to ensure an acceptable return on capital is achieved and that dividends will be provided to ordinary shareholders in the medium term.

The Board continues to review alternatives to ensure present employees will hold at least 5% of the Company's ordinary shares. This is expected to be achieved assuming all outstanding share options issued vest and/or are exercised. These share options were issued to all Australian employees over a portion of the Executive Chairman's shareholding under a share option incentive plan provided on 1 March 2011, see note 21.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

### 6. Operating segments

The Group has nine reportable segments as identified below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer (CEO) reviews internal management reports on a monthly basis. The Group's corporate head office is located in New South Wales, Australia where all design and development is undertaken and manufacturing facilities are operated. Sales offices are operated in New South Wales, Queensland and the Americas (Florida) and Nevada.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment revenue relates to service charges between Group entities and pricing is determined on an arm's length basis.



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 6. Operating segments (continued) Information about reportable segments

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers.

For the period ended 30 June 2011

<i>In thousands of dollars</i>	----- Australia -----			----- Americas -----		Asia	New Zealand	Europe / Other	Total	Elimination of inter-segment transactions	Consolidated	
	NSW	QLD	VIC	South Aust	North America							South America
External revenue	45,198	23,834	4,077	1,575	17,540	6,447	1,461	2,099	2,028	104,259	(6,296)	97,963
Inter-segment revenue	-	-	-	-	6,296	-	-	-	-	6,296	-	6,296
Interest revenue	342	-	-	-	695	-	-	-	-	1,037	-	1,037
Interest expense	(6,522)	(21)	-	-	-	-	-	-	-	(6,543)	-	(6,543)
Depreciation and amortisation	(4,309)	(57)	(2)	(1)	(975)	-	-	-	-	(5,344)	-	(5,344)
Reportable segment profit / (loss) before tax	6,681	9,120	1,433	338	2,293	(438)	336	839	528	21,130	(6,296)	14,834
Material non-cash items:												
Impairment losses	(607)	-	-	-	-	-	-	-	-	(607)	-	(607)
Non current assets, excluding Deferred tax assets	48,736	252	-	-	2,134	-	-	-	-	51,122	(1,244)	49,878

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 6. Operating segments (continued) Information about reportable segments

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers.

For the period ended 30 June 2010

<i>In thousands of dollars</i>	----- Australia -----			----- Americas -----		Asia	New Zealand	Europe / Other	Total	Elimination of inter-segment transactions	Consolidated	
	NSW	QLD	VIC	South Aust	North America							South America
External revenue	28,414	11,662	6,364	1,796	16,333	10,247	2,027	714	143	77,700	(8,422)	69,278
Inter-segment revenue	-	-	-	-	8,422	-	-	-	-	8,422	-	8,422
Interest revenue	117	40	-	-	641	-	-	-	-	798	-	798
Interest expense	(7,236)	(16)	-	-	-	-	-	-	-	(7,252)	-	(7,252)
Depreciation and amortisation	(3,902)	(41)	-	-	(57)	-	-	-	-	(4,000)	-	(4,000)
Reportable segment profit / (loss) before tax	(3,778)	2,446	1,761	149	6,575	(1,179)	(94)	163	13	6,056	(8,422)	(2,366)
Material non-cash items:												
Impairment losses	(172)	-	-	-	-	-	-	-	-	(172)	-	(172)
Non current assets	46,068	182	-	-	1,972	-	-	-	-	48,222	(276)	47,946

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 7. Revenue

*In thousands of dollars*

<b>Note</b>	<b>2011</b>	<b>2010</b>
Sale of goods	90,577	62,409
Rendering of services	5,102	5,227
Rental and participation revenue	2,284	1,642
	<u>97,963</u>	<u>69,278</u>

### 8. Personnel expenses

*In thousands of dollars*

Wages and salaries		22,740	20,030
Short term incentive		1,327	-
Contributions to defined contribution superannuation funds		1,869	1,466
Increase in liability for annual leave	20	240	281
Increase in liability for long service leave	20	260	208
Termination benefits		249	29
Equity settled share-based payment transactions		134	88
		<u>26,819</u>	<u>22,102</u>

### 9. Finance income and finance costs

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
Interest income on trade receivables	696	739
Interest income on bank deposits	341	59
Finance income	<u>1,037</u>	<u>798</u>
Interest expense on financial liabilities	(6,545)	(7,252)
Net foreign exchange loss	(2,714)	(500)
Finance costs	<u>(9,259)</u>	<u>(7,752)</u>
Net financing costs recognised in profit or loss	<u>(8,222)</u>	<u>(6,954)</u>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 10. Income tax (benefit) / expense

<i>In thousands of dollars</i>	<b>2011</b>	<b>2010</b>
<b>Recognised in the income statement</b>		
<b>Current tax expense</b>		
Current year	2,653	355
Utilisation of previously unrecognised tax losses and timing differences	(2,431)	-
	222	355
<b>Deferred tax benefit</b>		
Recognition of previously unrecognised tax losses	(8,509)	-
	(8,509)	-
Total income tax (benefit) / expense	(8,287)	355
<b>Numerical reconciliation between tax expense / (benefit) and pre-tax net profit/(loss)</b>		
Profit/(loss) for the year	23,121	(2,721)
Total income tax (benefit)/expense	(8,287)	355
Profit/(loss) excluding income tax	14,834	(2,366)
Income tax using the Company's domestic tax rate of 30% (2010 30%)	4,450	(710)
Non-deductible expenses	4,556	3,593
Deferred tax not recognised	-	2,141
Non-assessable income and concessions	(6,353)	(4,669)
Utilisation of previously unrecognised tax losses	(2,431)	-
Recognition of previously unrecognised tax losses and timing differences	(8,509)	-
	(8,287)	355

### 11. Property, plant and equipment

<i>In thousands of dollars</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>				
Balance at 1 July 2009	20,016	13,283	107	33,406
Re-classification of inventory to plant and equipment	-	1,600	-	1,600
Additions	-	2,365	-	2,365
Disposals	-	(1,166)	-	(1,166)
Effect of movements in foreign exchange	-	(20)	(5)	(25)
Balance at 30 June 2010	20,016	16,062	102	36,180
Balance at 1 July 2010	20,016	16,062	102	36,180
Re-classification of inventory to plant and equipment	-	844	-	844
Additions	226	1,488	-	1,714
Disposals	-	(148)	-	(148)
Effect of movements in foreign exchange	-	(56)	(19)	(75)
Balance at 30 June 2011	20,242	18,190	83	38,515

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 11. Property, plant and equipment (continued)

<i>In thousands of dollars</i>	Land and buildings	Plant and equipment	Leasehold Improvements	Total
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2009	1,651	8,259	50	9,960
Depreciation charge for the year	353	2,059	31	2,443
Impairment loss	-	-	-	-
Disposals	-	(860)	-	(860)
Effect of movements in foreign exchange	-	(16)	(2)	(18)
Balance at 30 June 2010	<u>2,004</u>	<u>9,442</u>	<u>79</u>	<u>11,525</u>
Balance at 1 July 2010	2,004	9,442	79	11,525
Depreciation charge for the year	358	2,652	19	3,029
Impairment loss	-	607	-	607
Disposals	-	(129)	-	(129)
Effect of movements in foreign exchange	-	(41)	(15)	(56)
Balance at 30 June 2011	<u>2,362</u>	<u>12,531</u>	<u>83</u>	<u>14,976</u>
<b>Carrying amounts</b>				
At 1 July 2009	<u>18,365</u>	<u>5,024</u>	<u>57</u>	<u>23,446</u>
At 30 June 2010	<u>18,012</u>	<u>6,620</u>	<u>23</u>	<u>24,655</u>
At 30 June 2011	<u>17,880</u>	<u>5,659</u>	<u>-</u>	<u>23,539</u>

#### Impairment losses

The Group realised an impairment loss on plant and equipment with a written down value of \$607,000 (2010: Nil). This equipment was replaced during the year or determined to have no value as it was previously used to produce parts which are now sourced externally.

#### Re-classification

A re-classification from inventory to property, plant and equipment in the current year of \$844,000 and the prior 2010 year of \$1,600,000 was recorded to reflect gaming products under rental and participation agreements.

#### Leased plant and equipment

The Group leases plant and equipment and motor vehicles under hire purchase agreements. At the end of each of these agreements the Group has the option to purchase the equipment at a beneficial price. The leased equipment and guarantees by the Group secure lease obligations. Acquisition of plant and equipment including computer equipment and motor vehicles, by means of hire purchase agreements amounted to \$564,000 (2010: \$919,000). At 30 June 2011, the net carrying amount of leased plant and equipment was \$2,112,000 (2010: \$2,141,000).

#### Security

At 30 June 2011 a property with a carrying amount of \$17,880,000 (2010: \$18,012,000) is subject to a debenture mortgage to secure loans and borrowings, see note 19.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 12. Intangible assets

<i>In thousands of dollars</i>	<b>Goodwill</b>	<b>Development costs*</b>	<b>Intellectual property</b>	<b>Nevada Licence Costs</b>	<b>Service Contracts</b>	<b>Total</b>
<b>Cost</b>						
Balance at 1 July 2009	2,778	15,707	836	1,018	1,223	21,562
Development costs fully amortised and written off	-	(1,065)	-	-	-	(1,065)
Acquisition – at cost	-	-	-	542	-	542
Development costs capitalised during the year	-	3,517	-	-	-	3,517
Balance at 30 June 2010	<b>2,778</b>	<b>18,159</b>	<b>836</b>	<b>1,560</b>	<b>1,223</b>	<b>24,556</b>
Balance at 1 July 2010	2,778	18,159	836	1,560	1,223	24,556
Development costs fully amortised and written off	(342)	(1,048)	-	-	-	(1,390)
Acquisition – at cost	-	-	-	23	-	23
Development costs capitalised during the year	-	3,987	-	-	-	3,987
Balance at 30 June 2011	<b>2,436</b>	<b>21,098</b>	<b>836</b>	<b>1,583</b>	<b>1,223</b>	<b>27,176</b>
<b>Amortisation and impairment losses</b>						
Balance at 1 July 2009	171	9,594	167	-	688	10,620
Development costs fully amortised and written off	-	(1,065)	-	-	-	(1,065)
Amortisation for the year	-	1,628	84	-	152	1,864
Impairment losses	171	-	-	-	-	171
Balance at 30 June 2010	<b>342</b>	<b>10,157</b>	<b>251</b>	<b>-</b>	<b>840</b>	<b>11,590</b>
Balance at 1 July 2010	342	10,157	251	-	840	11,590
Development costs fully amortised and written off	(342)	(1,048)	-	-	-	(1,390)
Amortisation for the year	-	2,123	84	-	154	2,361
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2011	<b>-</b>	<b>11,232</b>	<b>335</b>	<b>-</b>	<b>994</b>	<b>12,561</b>
<b>Carrying amounts</b>						
At 1 July 2009	<b>2,607</b>	<b>6,113</b>	<b>669</b>	<b>1,018</b>	<b>535</b>	<b>10,942</b>
At 30 June 2010	<b>2,436</b>	<b>8,002</b>	<b>585</b>	<b>1,560</b>	<b>383</b>	<b>12,966</b>
At 30 June 2011	<b>2,436</b>	<b>9,866</b>	<b>501</b>	<b>1,583</b>	<b>229</b>	<b>14,615</b>

\* These relate to development of new products

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 12. Intangible assets (continued)

#### **Amortisation charge and impairment loss**

The amortisation charge is recognised in the following line items in the income statement:

*In thousands of dollars*

	2011	2010
Cost of sales	84	84
Other operating expenses	2,277	1,780
	2,361	1,864

#### **Impairment testing for Development costs**

The carrying amount of the Group's development costs amounts to \$9,866,000 (2010: \$8,002,000).

Development costs include product development costs relating to products that are not yet available for sale and as such the recoverable amount is assessed at the end of the reporting date.

Development costs contribute to sales of products in multiple geographic regions and across multiple cash generating units (CGUs) and are therefore allocated to the group of CGUs ('CGU group') to which they relate. The recoverable amount of the CGU group was estimated based on its value in use.

The carrying amount of the CGU group was \$16,308,000, comprising \$9,866,000 of development costs, \$4,859,000 of property, plant and equipment and \$1,583,000 of Nevada licence costs. The value in use for the CGU group was estimated by discounting the forecast future cash flows expected to be generated from the sales of machines and products, based on the following key assumptions:

- Cash inflows in the years 2012 to 2014 from the sale of the group's products, estimated based on forecast revenue, having regard to Board approved budgets, the Group's 3 year business plan and supporting strategic actions, historical experience and actual operating results;
- Annual revenue growth forecasts in the years after the Group's 3 year business plan of 5% for the years 2015 and 2016;
- The development will generate cash flows for 5 years; and
- A discount rate of 11% based on the weighted average cost adjusted for uncertainty of regulatory conditions.

As the recoverable amount of the CGU group tested was estimated to be higher than the carrying amount of the group, no impairment was considered necessary.

#### **Impairment testing for Nevada licence costs**

The Nevada licence costs capitalised are classified as an intangible asset with an indefinite life, and as such the recoverable amount is assessed at each reporting date.

The carrying amount of \$1,583,000 (2010: \$1,560,000) was allocated to the Nevada CGU without corporate assets in a 'bottom-up test' under the key assumptions noted below. The Nevada licence costs were also included in the impairment assessment for the minimum collection of CGUs to which corporate assets can be allocated reasonably and consistently ('top-down test') under the key assumptions noted above (refer Impairment testing for Development Costs above).

The value in use for the Nevada CGU was estimated by discounting the forecasted future cash flows to be generated from the sale of machines and products in Nevada, and was based on the following key assumptions:

- Cash inflows in the years 2012 to 2014 from the sale of the group's products, estimated based on forecast sales revenue, having regard to Board approved budgets, the Group's 3 year business plan and supporting strategic actions;
- Annual revenue growth forecasts in the years after the Group's 3 year business plan of 5% for the year 2015 and 10% for the year 2016;
- The Nevada license will generate cash flows for 5 years; and
- A discount rate of 11% based on the weighted average cost of capital adjusted for volatility of regulatory conditions.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 12. Intangible assets (continued)

#### Impairment testing for Nevada licence costs (continued)

As the recoverable amount of the CGUs tested under both the bottom-up test and the top-down test were estimated to be higher than the carrying amount of the asset, no impairment was considered necessary.

#### Impairment testing for goodwill

Goodwill relates to acquired service businesses and entities in Australia. The recoverable amount is assessed using calculation methodologies based on value-in-use calculations which utilise projected cashflows from financial budgets approved by the Board of Directors. The cashflow models consider growth over the medium term, being five years, discounted to present value using a discount rate determined by reference to its weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each entity. A capitalisation multiple is then applied to this medium term cumulative discounted cashflow and an acceptable valuation range is formulated and tested against the carrying value of goodwill associated with each business and entity.

The recoverable amount of the Australian service cash-generating unit was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the service unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results over a projected four year period. Cash flows for a further 10 year period were extrapolated using a constant growth rate of 5 percent, which does not exceed the long term average growth rate for the industry. Management believes that this forecast period was justified due to the long term nature of the service business; and
- Revenue was projected at \$6,199,420 in the 2012 year with anticipated annual revenue growth included in the cash flow projections of 5 percent for the years 2013 to 2015. Management has forecast to achieve annual revenue of \$7,189,438 in the fourth year.

The values assigned to the key assumptions represent management's assessment of future trends in the service industry and are based on internal sources via historical data.

The above estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have reduced the recoverable amount of the cash generating unit by \$157,000 and no impairment would have resulted; and
- A 5 percent decrease in future planned revenues would have resulted in an impairment loss of \$2,009,000.

### 13. Deferred tax assets

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

<i>In thousands of AUD</i>	2011	2010
Deductible temporary differences	-	1,955
Tax losses	28,835	37,389
	<u>28,835</u>	<u>39,344</u>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from.

In 2011, \$8,509 thousand of previously unrecognised tax losses and deductible temporary differences were recognised as management considered it probable that future taxable profits would be available against which they can be utilised. Management revised its estimates following the improved financial performance in the current period and the recent release of new gaming products. Management has assessed that the recoverability of the balance of tax losses of \$28,835 thousand is not probable because a history of profitability and trend of profitable growth in the Company is not yet fully established. The carrying amount of the Deferred tax asset will be re-assessed after each reporting period and, if appropriate, the asset recognised will be adjusted.



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 13. Deferred tax assets (continued)

#### **Recognised deferred tax assets**

Deferred tax assets are attributable to the following:

*In thousands of dollars*

	<b>Assets</b>	
	<b>2011</b>	<b>2010</b>
Employee benefits	726	-
Provisions	646	-
Other items	102	-
Tax loss carry-forwards	7,035	-
Tax assets	8,509	-
Set off of tax	-	-
Net tax assets	8,509	-

### 14. Inventories

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
Raw materials and consumables	7,375	6,749
Finished goods	4,369	4,441
Stock in transit	1,648	301
Inventories stated at the lower of cost and net realisable value	13,392	14,491

During the year ended 30 June 2011 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$32,371 thousand (2010: \$26,951 thousand). During the year ended 30 June 2011 the write-down of inventories to net realisable value amounted to \$1,661 thousand (2010: \$350 thousand). The write-down is included in cost of sales.

A re-classification from inventory to property, plant and equipment in the current year of \$844,000 and the prior 2010 year of \$1,600,000 was recorded to reflect gaming products under rental and participation agreements.

### 15. Receivables and other assets

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
<i>Current</i>		
Trade receivables	25,539	18,967
Less impairment losses	(286)	(351)
	25,253	18,616
Other assets	119	87
	25,372	18,703
<i>Non-current</i>		
Term receivables	11,724	10,230
Other	-	95
	11,724	10,325

The Group realised impairment losses of \$286 thousand (2010: \$351 thousand) for the year ended 30 June 2011.

Receivables denominated in currencies other than the functional currency comprise \$17,754 thousand of trade receivables denominated in US dollars (2010: \$20,116 thousand) and \$419 thousand in New Zealand Dollars (2010: \$560 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 24.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 16. Cash and cash equivalents

<i>In thousands of AUD</i>	<b>2011</b>	<b>2010</b>
Bank balances	2,423	2,493
Call deposits	12,954	3,651
Cash and cash equivalents in the statement of cash flows	<u>15,377</u>	<u>6,144</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

### 16b. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<b>Note</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the period		23,121	(2,721)
<i>Adjustments for:</i>			
Depreciation	11	3,029	2,443
Impairment of property, plant and equipment		607	-
Amortisation of intangible assets	12	2,361	1,864
Impairment of intangible assets	12	-	171
Net finance costs	9	8,222	6,954
(Gain)/loss on sale of property, plant and equipment		(12)	30
Equity-settled share-based payment transactions	8	134	88
Income tax (benefit) / expense	10	(8,287)	355
<b>Operating profit before changes in working capital and provisions</b>		<b>29,175</b>	<b>9,184</b>
Change in trade and other receivables		(10,722)	2,760
Change in inventories		(2,545)	4,276
Change in other assets		470	(95)
Change in trade and other payables		2,720	734
Change in provisions and employee benefits		2,148	(3,375)
		<u>21,246</u>	<u>13,484</u>
Interest paid		(3,093)	(2,863)
<b>Net cash from operating activities</b>		<b>18,153</b>	<b>10,621</b>

### 17. Capital and reserves

#### *Share capital*

<i>In thousands of shares</i>	<b>2011</b>	<b>2010</b>
On issue at 1 July	278,942	278,942
On issue at 30 June – fully paid	<u>278,942</u>	<u>278,942</u>

The Group has also issued share options (see note 21).

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 17. Capital and reserves (continued)

#### *Share capital (continued)*

The Company does not have authorised capital or par value in respect of its issued shares.

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. All shares rank equally with regard to the Company's residual assets.

#### **Equity compensation reserve**

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

#### **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 value.

#### **Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

#### **Dividends**

No dividends were recommended or paid during or since the end of the financial year (2010 Nil).

### 18. Earnings per share

#### *Basic earnings per share*

The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$23,121,000 (2010: loss of \$2,721,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 278,942,000 (2010: 278,942,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

*In thousands of dollars*

	Note	2011	2010
Profit/(loss) for the period		23,121	(2,721)
Profit/(loss) attributable to ordinary shareholders		<u>23,121</u>	<u>(2,721)</u>

Weighted average number of ordinary shares

*In thousands of shares*

Issued ordinary shares at 1 July	17	278,942	278,492
Weighted average number of ordinary shares at 30 June		<u>278,942</u>	<u>278,492</u>

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$23,121,000 (2010: loss of \$2,721,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 278,942,000 (2010: 278,942,000), calculated as follows:

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 18. Earnings per share (continued)

Diluted earnings per share (continued)

Profit/(loss) attributable to ordinary shareholders (diluted)

*In thousands of dollars*

	Note	2011	2010
Profit/(loss) attributable to ordinary shareholders		23,121	(2,721)
Interest expense on convertible notes, net of tax	(a)	-	-
Profit/(loss) attributable to ordinary shareholders (diluted)		23,121	(2,721)

Weighted average number of ordinary shares (diluted)

*In thousands of shares*

Weighted average number of ordinary shares at 30 June		278,942	278,942
Effect of conversion of convertible notes	(a)	-	-
Effect of share options on issue	(a)	-	-
Weighted average number of ordinary shares (diluted) at 30 June		278,942	278,942

(a) For the years ended 30 June 2011 and 2010 the effect of the convertible notes was anti-dilutive as the convertible note interest per ordinary share (which would be obtained on conversion) exceeds basic earnings per share.

For the year ended 30 June 2011, the calculation of profit attributable to ordinary shareholders (diluted) and weighted average number of ordinary shares (diluted) also excludes the after-tax effect of interest on convertible notes (see note 19) and the effect of conversion of convertible notes, respectively, as the effect would be anti-dilutive.

The outstanding share options on issue were not considered to be potential ordinary shares for the years ended 30 June 2011 or 2010 as they were anti-dilutive due to the average share price exceeding the exercise price.

### 19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 24.

*In thousands of dollars*

*Current*

Current portion of finance lease liabilities	616	820
Amount payable to director/shareholder controlled entities	5,941	4,992
Loan from director / shareholder controlled entity – unsecured	350	350
Convertible notes	6,819	-
	13,726	6,162

*Non-current*

Finance lease liabilities	812	882
Amount payable to director / shareholder controlled entity	15,306	12,970
Loan from director / shareholder controlled entity – unsecured	3,587	3,380
Loan from director / shareholder controlled entity – secured	11,558	11,667
Convertible notes	15,728	25,343
	46,991	54,242

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 19. Loans and borrowings (continued)

#### **Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	2011		2010	
				Face value	Carrying amount	Face value	Carrying amount
Amount payable to director / shareholder	AUD	8%	2011	6,090	5,941	5,173	4,992
Amount payable to director / shareholder	AUD	8%	2015	15,306	15,306	12,970	12,970
Loans from director / shareholder controlled entity	AUD	8%	2015	17,927	15,495	18,507	15,397
Convertible notes	AUD	10%	2011-2014	22,732	22,547	25,629	25,343
Finance lease liabilities	AUD	7.43% - 15.18%	2011-2015	1,428	1,428	1,702	1,702
Total interest-bearing liabilities				63,483	60,717	63,981	60,404

#### **Financing facilities**

*In thousands of dollars*

	2011	2010
Trade/credit facility	6,500	6,000
Loan from director / shareholder controlled entity	40,000	40,000
	46,500	46,000

#### **Facilities utilised at reporting date**

	2011	2010
Trade/credit facility	6,090	5,036
Loan from director / shareholder controlled entity	13,127	13,706
	19,217	18,742

#### **Facilities not utilised at reporting date**

	2011	2010
Trade/credit facility	410	964
Loan from director / shareholder controlled entity	26,873	26,294
	27,283	27,258

#### **Trade/credit facility**

A trade facility of \$6,500,000 has been established from a director / shareholder controlled entity under more favourable terms than those that could be achieved from the Company's bankers or at arms length in the open market, see note 27.

#### **Loans from director/shareholder controlled entity**

The loan facility is provided by an entity controlled by Mr LH Ainsworth, a director and shareholder of the Company. This facility is secured by a debenture mortgage over the Group's freehold land and buildings at 10 Holker Street, Newington, NSW and a fixed and floating charge over the Company. The maturity date of this facility is 4 years from the date the will of Mr LH Ainsworth comes into effect. The facility does not call for repayment of interest accrued until this maturity date. The facilities of \$13,127,000 utilised at the reporting date exclude accrued interest payable of \$15,306,000.

A further unsecured loan of \$4,801,000 was provided to expand the Group's Sydney facility. This loan is under similar terms and conditions to the above facility with interest accruing from an agreed date at the rate of 8.0% per annum.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 19. Loans and borrowings (continued)

#### **Loans from director/shareholder controlled entity (continued)**

The terms of repayment are that a principal amount of \$350,000 will be repaid monthly in arrears or as mutually agreed, with the full repayment of the remaining balance and all accrued interest not required to be paid until the Company has both sufficient operating cashflows to do so and all amounts owing on the \$40,000,000 facility have been repaid.

#### **Convertible notes**

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
Proceeds from issue of 19,714,717 convertible notes on 20 December 2004	25,629	25,629
Transaction costs	(1,085)	(1,085)
Net proceeds	24,544	24,544
Amount classified as equity	(2,842)	(2,842)
Transaction costs classified as equity	121	121
Accreted interest capitalised	3,566	3,520
Re-purchase of convertible notes	(2,855)	-
Equity component of convertible notes repurchased	13	-
Carrying amount of liability at 30 June	<b>22,547</b>	<b>25,343</b>
Current	6,819	-
Non-current	15,728	25,343
	<b>22,547</b>	<b>25,343</b>

In December 2011 note holders have the option to extend their notes for a further 3 years to 31 December 2014. Convertible notes held by Mr LH Ainsworth and his spouse including entities controlled by them have agreed to extend the maturity date until 31 December 2014. The Company has the right to redeem the convertible notes on 31 December 2011 or at the end of every six months from 31 December 2011 until the final maturity date of 31 December 2014. If the Company notifies a holder of convertible notes of its intention to redeem their convertible notes, the noteholder may elect to convert their notes on the proposed redemption date. Notes that are not converted to ordinary shares will be redeemed at face value on either 31 December 2011 or 2014, subject to any early redemption by the Company.

#### **Loans – secured**

This loan was initially recorded at fair value and is subsequently carried at amortised cost, as the interest rate applied to the facility is lower than that which could be obtained commercially. At the end of each reporting period, the earliest expected repayment date of the loan is reviewed and the effective interest rate is amended accordingly.

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
Fair value of the loan at 1 July	11,667	10,917
Additional borrowings	-	500
Repayment of borrowings	-	(500)
Set-off arrangement *	(579)	-
Net proceeds	11,088	10,917
Amount classified as equity	-	(97)
Accreted interest capitalised	470	847
Carrying amount of liability at 30 June	<b>11,558</b>	<b>11,667</b>

\* Amounts owing to the Group by a company controlled by the Executive Chairman, Mr LH Ainsworth were set-off against principal amounts owed in the current year.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 19. Loans and borrowings (continued)

#### **Loans – unsecured**

These loans are recorded at fair value, as the interest rate applied is lower than that which could be obtained commercially. Subsequently these loans will be carried at amortised cost, see note 3(c).

*In thousands of dollars*

	<b>2011</b>	<b>2010</b>
Fair value of the loan at 1 July	8,701	5,435
Borrowings under trade facility established	10,645	7,320
Repayment on borrowings	(8,314)	(4,373)
Foreign currency movement	(988)	266
Net borrowings	10,044	8,648
Amount classified as equity	(a) (523)	(623)
Accreted interest capitalised	335	676
Carrying amount of liability at 30 June	<u>9,856</u>	<u>8,701</u>

(a) Amount classified as equity relates to the recognition of borrowings to fair value.

#### **Finance lease liabilities**

Finance lease liabilities of the Group are payable as follows:

	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
<i>In thousands of dollars</i>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
Less than one year	734	118	616	938	118	820
Between one and five years	872	60	812	977	95	882
	<u>1,606</u>	<u>178</u>	<u>1,428</u>	<u>1,915</u>	<u>213</u>	<u>1,702</u>

The Group leases plant and equipment under finance leases with terms expiring from three to five years. At the end of the lease term, there is the option to purchase the equipment at a discount to market value, a price deemed to be a bargain purchase option.

### 20. Employee benefits

*In thousands of dollars*

#### *Current*

	<b>2011</b>	<b>2010</b>
Accrual for salaries and wages	136	40
Accrual for short term incentive plan	1,521	-
Liability for annual leave	2,003	1,763
Liability for long service leave	772	484
	<u>4,432</u>	<u>2,287</u>

#### *Non-current*

Liability for long service leave	397	425
	<u>397</u>	<u>425</u>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 21. Share-based payments

The Group has in place newly established share option plans – Employee Share Option Trust (ESOT) and LH Ainsworth Share Option Trust (ASOT) which are replacements to the employee share option plans previously approved on 30 July 2001.

The ESOT granted share options over ordinary new shares to all American employees on 1 March 2011. The ASOT granted share options to all Australian employees, excluding directors, over a portion of the personal share holding of the Company's Executive Chairman Mr LH Ainsworth.

The terms and conditions of the grants under the ESOT and ASOT are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 1 March 2011	200,000	Three years of service as per ESOT below	5 years
Option grant to senior and other employees at 1 March 2011	824,749	Three years of service as per ESOT below	5 years
<b>Total share options ESOT</b>	<b>1,024,749</b>		
Option grant to key management at 1 March 2011	3,577,255	Three years of service as per ASOT below	5 years
Option grant to senior and other employees at 1 March 2011	6,321,927	Three years of service as per ASOT below	5 years
<b>Total share options ASOT</b>	<b>9,899,182</b>		

To be eligible to participate in the ESOT and ASOT the employee must be selected by the directors and reviewed by the remuneration and nomination committee. Options may be exercised within a five-year period, starting on the first anniversary of the issue of the options, subject to earlier exercise where a takeover offer or takeover announcement is made, or a person becomes the holder of a relevant interest in 50% or more of the Company's voting shares.

Both the ESOT and ASOT provide for employees to receive options for no consideration. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The exercise price of the options is determined in accordance with the rules of the ESOT and ASOT. The ability to exercise the options is conditional on the continuing employment of the participating employee.

The vesting conditions of the share options issued on 1 March 2011 under the ESOT and ASOT are as follows:

Date	Vesting Condition (% of Options vesting)
First Anniversary of Grant Date	25%
Second Anniversary of Grant Date	25%
Third Anniversary of Grant Date	50%



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 21. Share-based payments (continued)

#### ESOT plan

The number and weighted average exercise prices of Group issued share options under ESOT is as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
<i>In thousands of options</i>	2011	2011	2010	2010
outstanding at the beginning of the period	\$0.50	531	\$0.56	1,156
forfeited during the period	\$0.50	(110)	\$0.61	(625)
cancelled during the period	\$0.50	(421)	-	-
exercised during the period	-	-	-	-
granted during the period	\$0.225	1,025	-	-
outstanding at the end of the period	\$0.225	1,025	\$0.50	531
exercisable at the end of the period	-	-	-	-

The options outstanding at 30 June 2011 have an exercise price of \$0.225 and a remaining life of 4.67 years.

#### ASOT plan

The share options granted under the ASOT to Australian employees on 1 March 2011 totalled 9,899,182 and were granted on the condition that previously issued share options were cancelled. This new grant was a modification as the new share options were granted as replacement for the cancelled share options. During the year 7,281,379 previously granted share options were cancelled with 9,899,182 share options outstanding as at 30 June 2011.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	1 March 2016	\$0.079	\$0.225	\$0.225	51%	5.25%	-

The estimate of the fair value of the services received is measured based on the Black Scholes Merton model. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into these models. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Where new share options were issued in respect of cancelled share options these new share options were treated as a modification to the cancelled share options and the increase in the fair value was determined by reference to the difference in the fair value of the new share options granted on 1 March 2011 (\$0.079) and the fair value of the cancelled share options valued as at that date (\$0.01) of \$0.069.

The fair value of the cancelled options on the grant date of the replaced options was determined based on the following factors and assumptions:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
1 March 2011	2 July 2012	\$0.01	\$0.50	\$0.225	51%	5.25%	-

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 22. Provisions

<i>In thousands of dollars</i>	<b>Service/ Warranties</b>	<b>Legal</b>	<b>Total</b>
Balance at 1 July 2010	-	140	140
Provisions made during the year	48	21	69
Provisions used during the year	(18)	(20)	(38)
Balance at 30 June 2011	30	141	171

### 23. Trade and other payables

<i>In thousands of dollars</i>	<b>2011</b>	<b>2010</b>
<i>Current</i>		
Trade payables	2,885	2,682
Other payables and accrued expenses	5,786	4,094
Amount payable to director/shareholder controlled entities	21	99
	<b>8,692</b>	<b>6,875</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

Payables denominated in currencies other than the functional currency comprise \$2,381 thousand of payables denominated in US Dollars (2010 \$2,688 thousand), \$18 thousand of payables denominated in Euro (2010: \$14 thousand), and \$41 thousand of payables denominated in NZD (2010: \$2 thousand).

### 24. Financial instruments

#### Credit risk

##### *Exposure to credit risk*

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

<i>In thousands of dollars</i>	<b>Note</b>	<b>Carrying amount 2011</b>	<b>2010</b>
Receivables	14	36,977	28,846
		<b>36,977</b>	<b>28,846</b>

The Group's maximum exposure to credit risk at the reporting date was \$36,977 thousand (2010: \$28,846 thousand) for receivables.

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

<i>In thousands of dollars</i>	<b>Carrying amount 2011</b>	<b>2010</b>
Australia	18,945	8,488
Americas	17,504	20,116
Europe	31	-
New Zealand	524	560
Asia	259	33
	<b>37,263</b>	<b>29,197</b>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Financial instruments (continued) Credit risk (continued)

#### *Exposure to credit risk (continued)*

The Group's gross maximum exposure to credit risk for receivables at the reporting date by geographic region was \$17,504 thousand (2010: \$20,116 thousand) for the Americas, \$18,945 thousand (2010: \$8,488 thousand) for Australia, \$31 thousand (2010: \$Nil) for Europe, \$259 thousand (2010: \$33 thousand) for Asia and \$524 thousand (2010: \$560 thousand) for New Zealand, totalling \$37,263 thousand (2010: \$29,197 thousand).

The Group's most significant receivable amount is represented by a customer within South America, which accounts for \$6,752 thousand of the trade receivables carrying amount at 30 June 2011 (2010: \$10,239 thousand).

#### *Impairment losses*

The aging of the Group's trade receivables at the reporting date was:

<i>In thousands of dollars</i>	<b>Gross Impairment</b>		<b>Gross Impairment</b>	
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Not past due	34,971	-	26,711	-
Past due 0-30 days	562	-	736	-
Past due 31-120 days	701	-	125	-
Past due 121 days to one year	384	57	91	-
More than one year	645	229	1,534	351
	<b>37,263</b>	<b>286</b>	<b>29,197</b>	<b>351</b>

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

<i>In thousands of dollars</i>	<b>2011</b>	<b>2010</b>
Balance at 1 July	351	4,268
Impairment loss	-	(4,638)
Provision during the year	-	292
Effect of exchange rate fluctuations	(65)	429
Balance at 30 June	<b>286</b>	<b>351</b>

The impairment loss of Nil (2010: \$4,638,000) was recognised in sales, service and marketing expenses in the income statement.

Based on historic default rates and current repayment plans in place, the Group believes that apart from the above, no impairment is necessary in respect of trade receivables not past due or on amounts past due up to 120 days as these relate to known circumstances that are not considered to impact collectability.

An impairment allowance of \$286,000 has been provided for amounts past due more than 121 days and relates to a customer where the Group has assessed potential collectability issues. The remaining balance where no impairment allowance has been provided relates to negotiated repayment plans from long standing customers and distributors who have met or had their obligations previously re-negotiated.

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Financial instruments (continued)

#### Liquidity risk

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

#### 30 June 2011

<i>In thousands of dollars</i>	Carrying Amount	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Convertible notes							
- Payable to director/shareholder controlled entities	15,728	(21,558)	-	(2,395)	(1,597)	(17,566)	-
- Other note holders	6,819	(7,102)	-	(7,102)	-	-	-
Finance lease liabilities	1,428	(1,606)	(383)	(352)	(659)	(212)	-
Amounts payable to director/shareholder controlled entities	21,247	(21,396)	(6,090)	-	-	(15,306)	-
Loans from director/shareholder controlled entity	15,495	(17,927)	(175)	(175)	(700)	(16,877)	-
Trade and other payables	8,692	(8,692)	(8,692)	-	-	-	-
	<b>69,409</b>	<b>(78,281)</b>	<b>(15,340)</b>	<b>(10,024)</b>	<b>(2,956)</b>	<b>(49,961)</b>	<b>-</b>

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

#### 30 June 2010

<i>In thousands of dollars</i>	Carrying Amount	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Convertible notes							
- Payable to director/shareholder controlled entities	15,687	(23,001)	(790)	(790)	(1,580)	(19,841)	-
- Other note holders	9,656	(11,214)	(492)	(492)	(10,230)	-	-
Finance lease liabilities	1,702	(1,915)	(675)	(263)	(476)	(501)	-
Amounts payable to director/shareholder controlled entities	17,962	(18,143)	(5,173)	-	-	(12,970)	-
Loans from director / shareholder controlled entity	15,397	(18,507)	(175)	(175)	-	(18,157)	-
Trade and other payables	6,875	(6,875)	(6,875)	-	-	-	-
	<b>67,279</b>	<b>(79,655)</b>	<b>(14,180)</b>	<b>(1,720)</b>	<b>(12,286)</b>	<b>(51,469)</b>	<b>-</b>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Financial instruments (continued)

#### Currency risk

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

The Group monitors and assesses under its Treasury Risk policy and facilities available whether hedging of all trade receivables and trade payables denominated in a foreign currency from time to time is considered appropriate. The Group uses foreign currency call options to hedge its foreign currency risk. No foreign currency call options were in place at the reporting date.

#### Exposure to currency risk

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

<i>In thousands of dollars</i>	2011			2010		
	USD	Euro	NZD	USD	Euro	NZD
Trade receivables	17,754	-	419	20,116	-	560
Trade payables	(2,381)	(18)	(41)	(2,688)	(14)	(2)
Net exposure in statement of financial position	15,373	(18)	378	17,428	(14)	558

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2011	2010	2011	2010
AUD				
USD	0.9881	0.8895	1.0739	0.8567
Euro	0.7245	0.6526	0.7405	0.7019
NZD	1.3044	1.2770	1.2953	1.2309
GBP	0.6208	0.5697	0.6667	0.5686

#### Sensitivity analysis

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

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis is performed on the same basis for 2010.

<i>Effect in thousands of dollars</i>	Equity	Profit or (loss)
<b>30 June 2011</b>		
USD	(1,167)	(1,180)
Euro	1	1
NZD	(35)	(35)
<b>30 June 2010</b>		
USD	(1,591)	(1,585)
Euro	1	1
NZD	(51)	(51)

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Financial instruments (continued)

#### Currency risk (continued)

#### Sensitivity analysis (continued)

A 10 percent weakening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis is performed on the same basis for 2010.

<i>Effect in thousands of dollars</i>	<b>Equity</b>	<b>Profit or (loss)</b>
<b>30 June 2011</b>		
USD	1,284	1,298
Euro	(1)	(1)
NZD	38	38
<b>30 June 2010</b>		
USD	1,750	1,743
Euro	(1)	(1)
NZD	56	56

#### Fair values

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

	<b>Note</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<i>In thousands of dollars</i>		<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Assets carried at amortised cost</b>					
Receivables and other assets	15	37,090	37,090	28,933	28,933
Cash and cash equivalents	16	15,377	15,377	6,144	6,144
		<b>52,467</b>	<b>52,467</b>	<b>35,077</b>	<b>35,077</b>
<b>Liabilities carried at amortised cost</b>					
Trade and other payables	23	8,692	8,692	6,875	6,875
Finance liabilities	19	1,428	1,428	1,702	1,702
Convertible Notes	19	22,547	22,547	25,343	25,343
Amount payable to director / shareholder controlled entity	19	21,247	21,247	17,962	17,962
Loans from director / shareholder controlled entity – secured	19	3,937	3,937	3,730	3,730
Loans from director / shareholder controlled entity – unsecured	19	11,558	11,558	11,667	11,667
		<b>69,409</b>	<b>69,409</b>	<b>67,279</b>	<b>67,279</b>

#### Estimates of fair values

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Financial instruments (continued)

#### Currency risk (continued)

##### **Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve as of 30 June 2011 plus an adequate constant credit spread and are as follows:

	2011	2010
Loans and borrowings	11.7% - 22.3%	11.7% - 22.3%
Receivables	6.3%	4.7%
Leases	7.43% - 15.18%	4.4% - 12.8%

##### **Interest rate risk**

The Group's borrowing rates are fixed and no interest rate risk exists.

### 25. Operating leases

#### **Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

*In thousands of dollars*

	2011	2010
Less than one year	156	187
Between one and five years	429	510
	585	697

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. None of the leases includes contingent rentals.

During the year \$452,000 was recognised as an expense in profit or loss in respect of operating leases (2010: \$455,000).

The warehouse and office leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord for the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

### 26. Capital and other commitments

*In thousands of dollars*

#### **Plant and equipment**

*Contracted but not yet provided for and payable:*

Within one year	855	-
-----------------	-----	---

#### **Employee compensation commitments**

*Key management personnel*

Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:

Within one year	2,052	376
-----------------	-------	-----

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 27. 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:

<b>Non-executive directors</b>	<b>Executives</b>
Mr SL Wallis	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)
Mr GJ Campbell	Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)
Mr MB Yates	Mr I Cooper (General Manager, Manufacturing, Ainsworth Game Technology Limited)
Mr JM Levee (Appointed 24 February 2011, resigned 29 June 2011)	Mr M Cuadros (Vice President Operations Finance & HR Americas, Ainsworth Game Technology Inc)
<b>Executive directors</b>	Mr S Clarebrough (Group General Manager, Strategy and Development, Ainsworth Game Technology Limited) - appointed 1 January 2011
Mr LH Ainsworth (Executive Chairperson)	
Mr DE Gladstone (Executive Director and Chief Executive Officer, Ainsworth Game Technology Limited), appointed Executive Director in 2010	

### **Key management personnel compensation**

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

<i>In dollars</i>	<b>2011</b>	<b>2010</b>
Short-term employee benefits	3,422,683	2,451,040
Post-employment benefits	234,167	135,749
Termination benefits	-	1,348
Share based payments	48,551	367
	3,705,401	2,588,504

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

### **Individual directors and executives compensation disclosures**

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

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



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 27. Related parties (continued)

#### **Other key management personnel transactions**

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities and a number of those entities transacted with the Group in the reporting period. Other than as described below the terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

<i>In dollars</i>		<i>Note</i>	<b>Transactions value year</b>		<b>Balance receivable/</b>	
			<b>ended 30 June</b>		<b>(payable) as at 30 June</b>	
<b>Key management persons</b>	<b>Transaction</b>		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Mr LH Ainsworth	Leased plant and equipment and other costs	(i)	87,400	87,400	(6,250)	(6,250)
Mr LH Ainsworth	Sales revenue	(ii)	1,468,623	73,676	-	26,085
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	(ii)	175,252	99,066	(39,757)	(99,066)
Mr LH Ainsworth	Interest paid/payable on financing facilities	(iii)	2,714,034	2,542,007	(15,347,900)	(13,129,507)
Mr LH Ainsworth	Convertible note interest	(iv)	1,350,087	1,214,708	(3,699)	(3,699)
Mr SL Wallis	Convertible note interest	(iv)	30,160	26,543	(83)	(83)

- (i) The Company leased associated plant and equipment and reimbursed financial consultancy costs incurred from and to an entity controlled by Mr LH Ainsworth on normal commercial terms and conditions.
- (ii) Transactions were with Ainsworth (UK) Ltd, an entity controlled by Mr LH Ainsworth. These sales and purchases/charges were on normal commercial terms and conditions.
- (iii) As disclosed in note 19 a company controlled by Mr LH Ainsworth has extended a loan and facilities to the Group. The terms of this loan and facilities provided are more favourable to the Group than could be obtained from the Group's bankers or at arms length in the open market.
- (iv) Interest paid/payable during the financial year to Mr LH Ainsworth and Mr SL Wallis and entities controlled by them for convertible notes held. This interest was under the same terms and conditions as all convertible note holders.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 27. Related parties (continued)

#### **Other key management personnel transactions (continued)**

Amounts receivable from and payable to key management personnel at reporting date arising from these transactions were as follows:

*In dollars*

	<b>2011</b>	<b>2010</b>
<b>Assets and liabilities arising from the above transactions</b>		
Current trade and other payables		
Amount payable to director/shareholder controlled entities	20,653	98,735
Current loans and borrowings		
Amount payable to director/shareholder controlled entities	5,940,286	4,993,444
Loan from director / shareholder controlled entity - unsecured	350,000	350,000
Convertible notes	301,600	-
Non-current loans and borrowings		
Amount payable to director/shareholder controlled entity	15,305,669	12,970,273
Loan from director/shareholder controlled entity - unsecured	3,587,016	3,380,000
Loan from director/shareholder controlled entity - secured	11,558,002	11,666,785
Convertible notes	13,500,867	13,802,467

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 27. Related parties (continued)

#### **Options and rights over equity instruments**

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

	Held at 1 July 2010	Granted as remuneration (A)	Exercised	Other changes (B)	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
<b>Current</b>							
<b>Director</b>							
Mr DE Gladstone	-	1,000,000	-	-	1,000,000	-	-
<b>Executives</b>							
Mr ML Ludski	-	577,255	-	-	577,255	-	-
Mr V Bruzzese	-	600,000	-	-	600,000	-	-
Mr I Cooper	-	600,000	-	-	600,000	-	-
Mr M Cuadros	200,000	200,000	-	(200,000)	200,000	-	-
Mr S Clarebrough	-	800,000	-	-	800,000	-	-

	Held at 1 July 2009	Granted as remuneration	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
<b>Executives</b>							
<b>Current</b>							
Mr ML Ludski	50,000	-	-	(50,000)	-	-	-
Mr M Cuadros	200,000	-	-	-	200,000	-	-
<b>Former</b>							
Mr R Meitzler (resigned 30/04/10)	200,000	-	-	(200,000)	-	-	-

**A** Share options granted during the year (excluding Mr M Cuadros) were over a portion of the personal shareholding of Mr LH Ainsworth. Mr M Cuadros was granted options over unissued ordinary shares.

**B** Other changes represent options that were cancelled during the year.

No options held by key management personnel are exercisable at 30 June 2011 (2010: nil) as vesting conditions have not occurred. No options were held by key management person related parties.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 27. Related parties (continued)

#### **Movements in shares**

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

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
<b>Directors</b>					
<b>Current</b>					
Mr LH Ainsworth	213,318,530	90,000	-	(2,693,468)	210,715,062
Mr SL Wallis	722,403	300,000	-	-	1,022,403
Mr GJ Campbell	489,674	310,000	-	-	799,674
Mr MB Yates	-	108,400	-	-	108,400
Mr DE Gladstone	100,000	-	-	-	100,000
	-				
<b>Executives</b>					
<b>Current</b>					
Mr V Bruzzese	2,700	-	-	-	2,700
Mr I Cooper	30,000	-	-	-	30,000
Mr M Cuadros	15,000	-	-	-	15,000
Mr S Clarebrough	261,000	-	-	-	261,000

	Held at 1 July 2009	Purchases (A)	Received on exercise of options	Sales (A)	Held at 30 June 2010
<b>Directors</b>					
<b>Current</b>					
Mr LH Ainsworth	212,556,330	9,095,533	-	(8,333,333)	213,318,530
Mr SL Wallis	629,980	92,423	-	-	722,403
Mr GJ Campbell	289,674	200,000	-	-	489,674
Mr D Gladstone	100,000	-	-	-	100,000
<b>Executives</b>					
<b>Current</b>					
Mr V Bruzzese	50,000	-	-	(47,300)	2,700
Mr I Cooper	-	30,000	-	-	30,000
Mr M Cuadros	15,000	-	-	-	15,000
<b>Former</b>					
Mr R Meitzler	-	37,000	-	(37,000)	-

A Included in purchases and sales during the 2010 period were 8,333,333 ordinary shares transacted between Ainsworth family members.

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

There were no changes in key management in the period after the reporting date and prior to the date when the Financial Report was authorised for issue.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 28. Group entities

	Country of Incorporation	Ownership Interest	
		2011	2010
<b>Parent entity</b>			
Ainsworth Game Technology Limited	Australia	-	-
<b>Subsidiaries</b>			
AGT Pty Ltd	Australia	100%	100%
Ainsworth Game Technology Inc	USA	100%	100%
AGT Service Pty Ltd	Australia	100%	100%
AGT Service (NSW) Pty Ltd	Australia	100%	100%
J & A Machines Pty Ltd	Australia	100%	100%
RE & R Baker & Associates Pty Ltd	Australia	100%	100%
Bull Club Services Pty Ltd	Australia	100%	100%

### 29. 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.

### 30. Auditors' remuneration

	2011	2010
<i>In dollars</i>		
<b>Audit services:</b>		
Auditors of the Company		
<i>KPMG Australia</i>		
Audit and review of financial reports	212,000	179,750

All amounts payable to the Auditors of the Group were paid by the parent entity of the Group.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 31. Parent entity disclosures

As at and throughout the financial year ended 30 June 2011 the parent entity of the Group was Ainsworth Game Technology Limited.

*In thousands of dollars*

	2011	2010
<b>Result of parent entity</b>		
Profit/(loss) for the year	22,117	(3,760)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>22,117</b>	<b>(3,760)</b>
<b>Financial position of parent entity at year end</b>		
Current assets	52,475	36,834
Total assets	110,738	82,847
Current liabilities	23,972	13,056
Total liabilities	72,737	67,609
<b>Total equity of parent entity comprising of:</b>		
Share capital	122,373	122,373
Equity compensation reserve	770	665
Fair value reserve	11,287	10,764
Accumulated losses	(96,429)	(118,564)
<b>Total equity</b>	<b>38,001</b>	<b>15,238</b>

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

*In thousands of dollars*

#### Plant and equipment

Contracted but not yet provided for and payable:  
Within one year

	2011	2010
	855	-

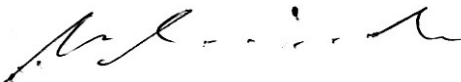
# Ainsworth Game Technology Limited

## Directors' declaration

1. In the opinion of the directors of Ainsworth Game Technology Limited ('the Company'):
  - (a) the consolidated financial statements and notes that are set out on pages 21 to 69 and the Remuneration report in sections 4.1 to 4.3 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.
3. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 31<sup>st</sup> day of August 2011.



---

LH Ainsworth  
*Executive Chairman*



## **Independent auditor's report to the members of Ainsworth Game Technology Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Ainsworth Game Technology Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 5 to 14 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Ainsworth Game Technology Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Carlo Pasqualini  
*Partner*

Sydney

31 August 2011



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

To: the directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

KPMG

Carlo Pasqualini  
*Partner*

Sydney

31 August 2011